

PROCEEDINGS OF THE
MARTIN COUNTY BOARD OF APPEAL AND EQUALIZATION
TUESDAY, JUNE 13, 2017
@ 6:30 P.M.

The Martin County Board of Appeal and Equalization was called to order by Chairman Dan Schmidtke at 6:30 p.m. Members of the Board of Appeal and Equalization present were Commissioners Mahoney, Flohrs, Belgard, Smith, Schmidtke, and James Forshee, Martin County Auditor/Treasurer. Staff present was Dan Whitman, County Assessor, Mike Sheplee, Deputy Assessor, Angie DeBoer, Appraiser, Deb Eversman, Appraiser, Laura Odgren, Appraiser, and Julie Walters, Administrative Assistant; and Mark Vagts, Regional Representative with the Minnesota Department of Revenue. There were six appellants present. Board members signed the Oath as presented.

Chairman Schmidtke asked that Whitman introduce and explain the appeals process.

Whitman noted this is the County Board of Appeal and Equalization Board and for some people this would be the second step in the appeal. If there was a local Board anyone who appeared before the local Board at a township or city qualifies to continue their appeal here today if the action of the local Board was not to their satisfaction. If there was an open book meeting in the local jurisdictions then all of those people are automatically qualified to come to this Board too and we're over half of our jurisdictions now have open books. So, anybody who either went to a local Board or if their jurisdiction was an open book does qualify to come to this meeting.

Whitman went on to note so this is also then there is continued appeal you can go to the tax court after this meeting if you disagree with the results of your appeal. What we're here today for is to hear an appeal on the value of a property. That's the only thing that is really appropriate to discuss is the value of property. We all know that there is a relationship between value and taxes; but, taxes are separate and there is just not anything that we can do about it. This is the part of the process where we just talk about value and so the appropriate appeal is a presentation to this Board about the value of a property and why you feel like it is either misclassified or misvalued, present some evidence, and then the Board has the ability to make a ruling on what the value or the classification should be on that property. Typically I guess traditionally this Board has heard all the appeals and then taken action at the end. But that's your choice you know you also can certainly ask the Assessor's Office. We have done some research and have asked people who would like to make an appeal to make an appointment for this Board so that we can do it efficiently. If someone comes and hasn't made an appointment traditionally at the end you will hear that appeal and then make a decision on what you would do on that. Whitman asked that the Assessor's Office staff each briefly share their area of assignment and what's been happening in the County so you have an idea of where we're coming from following Whitman's broad overview of state and county.

Whitman noted legislatively I spend a lot of time working at the legislature on behalf of the Assessor's Organization and we had an active year. The tax bill finally got passed this year and signed...we haven't had one for two years; but, there wasn't very much in the bill that affected us. The one thing that did affect us is something we've been working on for three years and that

was Ag Containment. There have been some changes in 2016; 2017 a large portion of fertilizer plants where there's Ag Containment by statute went exempt and it was a change in how pretty much the whole state had been doing it since 1992 and so legislation this year was passed that repealed that exemption. Beginning in 2016, they made this retroactive, that Ag Containment is now taxable...everything is taxable at the fertilizer plant. So that came out just a few days ago. We just got a letter this afternoon at 5:00 p.m. from the Department sharing that we are going to have to notify the Ag Containment people that for Assessment 2017 which are the values that we're talking about tonight for payable 2018 has changed since we sent those letters out. So we'll be sending an updated letter out letting them know that the first letter was incorrect because of change in law and so now there will be a change but we'll let them know and then by the Truth in Taxation notices this fall that will be corrected in the system so those will be correct and we'll estimate their tax based on that change.

Whitman also noted the only other thing that really affected taxes very much was part of the bill that now exempts the first \$100,000 of any commercial or industrial property from the state general tax. The state general tax has a rate .5 so depending on which jurisdiction you are in that can have a very substantial maybe one-third of their taxes would be exempted on especially smaller commercial properties that are valued at less than \$100,000. That will all be exempt from the state tax. So in some cases they're going to see maybe one-third of their tax bill go away and that was all money that we sent right to the state, it wasn't anything that we kept in the County, so it won't have an effect on the county's revenues but it will have an effect on the state general fund. And that was looked at as a positive for local small businesses.

Whitman noted the other area is tax court. We have had a couple more petitions this year, and from Shopko we are moving forward with a tax court case that is coming due very soon so we have been beginning to get ready for that. Frankly I'm really puzzled by it because we have it valued at roughly \$3 million dollars, they want it valued at about \$1.5 million dollars, but a month ago they sold it for \$8 million dollars. They very much want to get into court and use a theory that is coming out of Indiana and Michigan and it's called *Dark Store Theory* so they are insisting that we value an up and running business such as Shopko as if it were empty like the K-Mart store. They think that is what they should pay taxes on. They got some footage on that out in those states and they are trying to get into the courts in Minnesota to see if they can win a case like that. So as a part of that concern a number of us have been working together for the last two years and formed an organization or a coop with almost all the counties in the state which will allow us to collaborate as county government and try and resist this kind of stuff going on. So Shopko is one area that we have banded together and gotten an appraisal done and we're ready to go to court using that cooperative effort. And another area we're going to start looking at now is Walmart because they filed a petition against us this year as well and are challenging the value. They basically want us to lower their value by half.

Whitman went on to note we have about eight (8) tax court petitions. We settled one of them today; another one should be dismissed because of the law that passed on the fertilizer plants that should wipe out one of our petitions so we feel we're in pretty good shape right now. So, if you don't have any questions I'll pass it on to Mike (Sheplee) he can talk about his areas.

Sheplee presented and reviewed Ag/Ag Land and Rural Residential Assessment information nothing there are six things that I would like to update you on:

First with Farmed Land or Tillable Lands we are working with a -3.6% time adjustment which is more of a regional adjustment and ended up taking down tilled land by about 3% overall. Grade "A" land is now valued at \$7,950 per acre.

The second thing is Swine Barns – We ended up increasing building rates on those properties by \$3.00 per square foot and lengthening the expected useful life and we also increased the exempt pits significantly. We had twenty sales of those properties in the last two and one-half years and those sale values are coming in significantly below our value so we needed to add some more value up front as well as a longer life span. These are getting remodeled and redone and continue to be in use. There is some aspect of these that the old barns have obsolescence compared to the new ones so we'll have to keep our eye on that in the future as well.

The third thing is Machine Sheds, Shops and Framed Buildings – We've seen a cost increase on those, many of them have more amenities like offices, breakrooms, restrooms, and kitchens; and we're trying to find and pick those up and account for those as fairly and equitably as well. We had some depreciation methodology that we changed this year that ended up increasing the estimated market values on those properties and structures as well.

Rural Vacant Lands – This was our first year to separate what's called RVL or 2b Rural Vacant Lands. This was a legislative directive to identify non-farmed lands and call them something other than generic waste. These are typically waste type areas upon a parcel, woods, or non-productive pasture types in the past and we have spent numerous hours doing that project. The Rural Vacant Land class then had to come up with a price or a value per acre and how do you value a piece of the farm that's big enough to qualify for 2b yet is still part of the farming; or how do you put a value on something that doesn't sell very often. We did the best research we could. Some of these other bigger properties sell to like Pheasants Forever, Wetlands America, Ducks Unlimited, and those values they sell as farm land to these organizations somewhere between \$4,000 and \$8,000 an acre over the last three years. We had two private sales and one of them came that in at about \$2,600 an acre had water and hunting ground on it so we chose a \$2,000 per acre value just to get started. We'll have to try and keep our eye on those values as we move ahead as well. That did create some significant changes on many parcels that had been thought to be truly waste with no value. We answered numerous questions on that this year.

The Fifth think on Rural Residential – We had a positive 3.8% time adjustment that we had to work with and we ended up significantly increasing building acreages around the County. We did studies looking at areas and time and just saw our values continue to be behind and significantly increased those.

The last thing we had to look at all parcels, non-farmed parcels that were 20 acres or larger for rural vacant land and in the process of that we identified a number I would say less than a dozen of parcels that had less than 10 acres of Ag Land in producing an ag crop and what it ended up doing is having to remove their ag classification which is very coveted but went through a number of those cases as well this year.

Sheplee asked for questions. There were no questions asked. Sheplee turned it over to Laura (Odgren) for City of Fairmont.

Odgren noted for City of Fairmont residential at the end of the year our ratios have to be between 90% and 105% so that means our estimated market value divided by the sale price has to be between 90% and 105%. So we started out our study period with off water being at 92% and on water was 79.87% so as you can see there was a big jump that we had to make on that on water residential property in Fairmont. And that is with the Department of Revenue's time trends that they gave us. And so our final ratios at the end of the study when we made our adjustments off water came in at 95.14% and that's with 126 sales, in our on water ratio ended at 92.86% with 19 sales so we did answer a lot of questions about those on lake properties in Fairmont because of that big adjustment. And then in our subsequent sales after the study so these are for next year's study period but at the moment we are at off water properties are at 95.6% ratio and then on water is at a 105.86%.

Deb Eversman, Small Cities of Ceylon, Dunnell, and Welcome, had no change in their values. Granada and Trimont both saw a 10% increase in values. Northrop and Sherburn saw a 5% increase; and Sherburn also saw an increase in their land values by \$10 per front foot; and Truman saw an 8% increase.

Angie DeBoer, part Ag Land and part City of Fairmont, values had already been presented.

Whitman touched briefly on commercial and industrial noting last year we had a low ratio on sales...we never have many sales...usually less than six. Traditionally less than six good sales. So we follow the trends but we're not held accountable to exact numbers. So last year our ratio was low. This year our ratio went high and we had six sales so we're held accountable to that ratio which means our ratio I think is 112% on commercial properties so we're expecting the state board to order us to lower our commercial property in the City of Fairmont by 5%. We'll still be a little high but it will bring us close. The problem is that we already have ten sales now in the new scale study period so we've got more sales taking place and our ratio is even lower for next year. So unless something changes drastically in the next three months we're going to have to recoup the 5% that we were ordered to go down plus make up another maybe 10% or 15% so it's going to be the yo-yo affect. We're going to go down for one year based on the order but then we're going to have to go up really significantly next year. The businesses will feel good this year because they're going to get a little break for one year but then next year we're probably going to realize maybe a 20% increase or something which will not be pleasant. So just letting you know if people ask it's the statistics that are getting us in trouble and it's kind of an anomaly for one year. We did appeal it to the state and we haven't had anything official yet but we do expect that order to come for us to lower it.

Chairman Schmidtke opened the meeting up to in-person appeals.

Roger Bloomgren, appealed valuation of property located at 850 Albion Avenue in Fairmont, Minnesota, Parcel No. 23.216.0100 residential property. Bloomgren noted last year my tax valuation was \$430,000. For 2018 the County has put it at \$528,000. The end of September last year I had my home appraised and the appraisal came back at \$420,000. I am on the water, the

home is twelve years old but I believe the lot size gives the street curb appeal and I just feel a jump of 23% is a little extreme. I guess as far as home valuations when it comes to refinance...number one, the lender will ask me how much I want and then the second question is usually what's your tax base, what's your tax valuation. I feel the appraisal that was done in the end of September for \$420,000 is probably a much more accurate figure than the \$528,000.

Whitman noted what I've done on Mr. Bloomgren's home is go into our system and I looked at the other homes that sold that I consider to be similar and comparable. So when I did my analysis I picked four comparables that were on the same lake as Mr. Bloomgren's. I go through the process and compare the two the sale to the subject property, make adjustments for the differences and when I did that my median adjusted sale price on those four was \$524,728. I did take Mr. Bloomgren's appraisal and took the comparables that were listed in his appraisal and analyzed them the same way. Using his comps, he had six comps, I think two of them were on his lake and four of them were on other lakes in the City, I prefer to use the ones on the same lake. His comps all six of them the median after my adjustments to make them the same as the sales was \$516,000. That's the analysis I did to try and verify that we felt the sales were supporting the estimated value of \$528,100. According to my study and analysis of it, it feels like it is close to being accurate so my recommendation is no change.

Odgren reviewed information containing a list of all of the sold lake properties in Fairmont since October 1, 2015. So these are all lake properties so all of the lakes in Fairmont are on this spreadsheet and as you can see I have them in order according to the sale price per heated square foot and what I did there was took the sale price and divided it by however many heated square feet of the property and as you can see the subject property is really right in the middle and although it is higher in this analysis as well it come right in the middle and looks accurate to us.

Sheplee noted Bloomgren graciously let us have a few pages out of the appraisal to take a look at and this appraisal is for refinancing purposes rather than a purchase transaction. I'm not saying this is the case with this one but typically those with that least numbers versus a maximum number what it would sell for and the other questions I have on this are the comps on it for actual age Roger's place is twelve years old and the other comps that they chose on this are sixty-nine years old, sixty-two years old, and eighty years old. But the adjustments for age are only \$100 per year difference. So in my opinion I don't think they've got enough adjustment to the comps that would really prove his value.

Commissioner Mahoney inquired what were your total adjustments in that.

Sheplee answered we don't do it that way. We just use mass appraisal so I don't have any adjustments.

Commissioner Mahoney noted in that appraisal it would have to be 10% on the net adjustments and 25% on the gross adjustments. Were you guys within that.

Sheplee answered we don't do it that way.

Whitman noted I don't have percentages, just total numbers.

With no further comment or information provided by Mr. Bloomgren, before taking any action, by consensus the Board determined to review and take action after each appeal.

Motion by Commissioner Belgard to follow the recommendation of no change to the value of this parcel. Motion died for lack of a second.

Commissioner Flohrs inquired did all the lakeshore properties go up 25%.

Odgren noted his specific adjustment that was made was not made to just his property, it was made to the entire lake it is on which is Budd Lake.

Commissioner Mahoney inquired what other comparables did you use on Budd Lake then, Pelzer's probably.

Whitman noted I don't have names I have addresses that I used: 407 Budd Lake Drive, 693 Shoreacres Drive, 429 Budd Lake Drive, and 697 Shoreacres Drive.

Commissioner Smith noted it is a large home.

Whitman noted the home is extremely large and that's why the adjustments are large on the comparables because of so many square feet. Although sale prices of the comps I used range from \$200,000 up to \$531,000 was the range of the actual sale prices.

Commissioner Mahoney inquired so you used a \$200,000 sale...

Whitman answered yes.

Commissioner Smith asked Odgren to review the lake home information.

Odgren noted specifically on Budd Lake so it is different on each lake depending on the sales but specifically Budd Lake I believe it was 25%. So in this specific case it wasn't just his home it was the entire lake because our assessed values were much, much lower than what the houses actually sold for and it is going to be much lower than that 79% ratio because that was an average of all of the lakes and Budd Lake and Hall Lake we had to go up 25% to get within the state required ratio.

Whitman noted our estimates were 70% of what they were actually selling for. So when you are that low on estimates everybody has to go up to get them to that 95% and that's where the 25% came from because prices that were actually being paid compared to our estimates were at 70% of the sale price and so we really have no choice. I have been asked this a million times in my career...can't you spread it out two or three years and that is simply not allowable. We have to follow what actual prices are happening. So if it goes down that fast we're going to go down just as fast. We do truly follow the market of what's actually happening and the Department of Revenue has helped with broadening some of the things that we're using to analyze. Traditionally lakes homes sell better in the summer time so we have to wait until the end of

summer and then we'll reanalyze it; but it won't go up again, I'm positive of that. Next year I'm very confident we're never going to have enough sales that would push us to go up at this point.

Chairman Schmidtke noted I think they've done their job and really we're still on the low end of where it could really be.

Commissioner Mahoney inquired did any lake homes go down in value.

Whitman answered not based on the mass appeal unless there was some specific home that something was changed for a reason. I'm not aware of any.

Sheplee noted no specific quintile work was done on the lakes this year.

Motion by Commissioner Belgard, seconded by Commissioner Schmidtke, that the Martin County Board of Appeal and Equalization, after review and discussion as to the estimated market value of Parcel No. 23.216.0100, hereby approve no change to the estimated value of the parcel. Those voting in favor: Commissioners Belgard, Smith, Flohrs, Schmidtke, and James Forshee. NAYS: Commissioner Mahoney. Motion carries.

Randy Grupe, along with Gerald McGee and City of Trimont Mayor Tom Eckmann, noted we have a new facility in Trimont this past year called the Town Center which has a fuel site, a grocery store (Supervalu), a liquor store and an ACE Hardware and the appraised value came in at \$1.1 million initially and with our Subsidy Agreement that we have with the County the Business Subsidy Agreement on January 1st of 2016 it was \$793,000 and our taxes are now based on the \$1.1 million and it came it at \$793,000. We looked at trying to go a little bit in the middle we think that it would be fair to everybody involved to be at \$840,000 so that's kind of where we're at. There aren't any comps to compare from that stand point. We did look at the sales ratio to square footage and that's where we came up with that \$825,000 to \$900,000 range and we arrived at the \$840,000.

McGee noted we looked at one thing and there's no comps there...the income potential...I think the Assessor's Office looked at that too and in looking at that though the \$1.1 million is too high, if you go by that, the income potential that it has produced so far. And that doesn't look like that is changing much this year.

Eckmann noted as a City (of Trimont) we would probably tend to lean on the same direction that they're talking. We've had communication on this and meetings with them and I feel as though we're definitely high. The City (of Trimont) has an abatement process where some of that tax money comes back but I would agree with the \$840,000.

Commissioner Belgard inquired did the City of Trimont have an option of lowering this one themselves and choose not to.

Eckmann noted yeah we did. We put it at \$900,000 at that time because we wanted to review further; but, we agree now that the \$840,000 would be an acceptable number.

Commissioner Belgard inquired and you chose not to put it there.

Eckmann answered yes, at that time.

Whitman noted there are no comps on this. So we did use, we traditionally use Marshall & Swift valuations and costs analysis to generate that. Originally...I went back and reviewed as we were ramping up to this about ten years and original estimates I gave were \$1 million dollars and so later on as we got more information that was more based on income I think somebody's projections were \$800,000. I think when I first started putting this into our tax system to generate the estimated market value we were in that \$800,000 range. The one thing that changed in the meantime was a directive that we received that we needed to start adding and including if we hadn't in the past underground storage tanks for fuel. So basically I spent one summer and went to every gas station in the County and gathered information and entered that data into our tax system which increased the value of all of our gas stations. A couple of sales seem to indicate to me that we were relatively close after adding the value on those sales we were reasonably close on the estimate. This one is difficult because it is a brand spanking new tank and it's the best made – it's a double walled below ground split tank and that's what pushed the value up to the \$1.1 (Million) from where we had originally put it in on the cost of the building. So we're setting at the value that we are now a significant portion of that value came because of adding that tank that has no depreciation. No one else has that new of a tank so most of the others had depreciation that was a change but not that significant of a change.

Sheplee added on the income approach to that there is one lease in place on about a third of the square footage. If I apply that lease to the entire structure and using some of the estimated expenses that the Town Center was able to provide me and a very aggressive cap rate I generate a value of about \$660,000 on that income approach. The prior income approach with estimates was about \$756,000 so we're somewhere in the income approach around \$650,000 to \$800,000 range and again there isn't much of a market to compare to over there.

Commissioner Mahoney inquired what's your cap rate.

Sheplee answered 6.14 cap rate, tax rate of 4.36, overall of 10.5 which is pretty aggressive.

Eckmann noted my understanding of that was that value was done without the gas tank, correct, when we initially started this Dan? And that was added in after we had started work to the project?

Whitman answered at the time we did not list values on underground tanks. After the directive that we had to add those and with that brand new tank that's what pushed me considerably higher than where we thought we were going to be.

Eckmann noted before you guys also a lot of the numbers were calculated in sales without that understanding when it initially started so some of that was never calculated into this in an operation. It was added after so that made a substantial change in the overall practice of what we're trying to accomplish. Just to be noted.

Grupe noted we were running on November 18th of 2015 with our Subsidy Agreement noting the project and the property are projected to have a County Assessor's estimated market value of \$793,000 as of January 2, 2016. I don't know if that came afterwards, Dan, and this should have been edited or not but that's where we're at with this.

Whitman noted the project that I had to do to get them all added in throughout the County I think was after that. I'd have to look at exact dates.

Eckmann and one more time Mike (Sheplee) you were saying that your value is \$756,000 using the other version?

Sheplee noted that's the high based on an estimate. And again because of the lack of comparable market data on this is pretty subjective.

Whitman and again if he changes that cap rate that affects that estimated value largely too. So if he were to go to a more moderate cap rate that value would go down.

Eckmann noted which brings us back to Commissioner Belgard your comment of the \$900,000 the conversation at that time was based to that would switch after I heard some of the other information we've had more conversation.

Commissioner Belgard inquired so you already...the City of Trimont has already lowered it to \$900,000. Is that correct.

Eckmann answered yes. We'd like it lowered another \$60,000.

Commissioner Schmidtke inquired if the Assessor's Office had a recommendation.

Whitman noted it's hard because of the limited data. I would say somewhere between \$700,000 and \$900,000. When you do a real appraisal you weight the different approaches, you can, to reconcile an end number I mean you can put different weights so it seems reasonable I mean I don't think that it is unreasonable to have an \$840,000 or \$860,000 because you can weigh the income that's more than the cost approach and there's zero data on markets so it is well within reason. I guess we don't really have a recommendation but we're not opposed to it.

Eckmann noted when this was designed and developed we worked off a lot of what was going on in Lake Crystal, which you guys are all aware of. But we really can't use data off of what they are doing because of the size of the town and being as close as it is to Mankato it really skews things in the wrong direction so we can't put any numbers together that would justify either. We just feel as though off of what Dan (Whitman) and Mike (Sheplee) have provided and some of the study that went into this in the past we compared them together and that's where we came to this number.

Commissioner Belgard noted I think it would be logical if we lowered this one to \$840,000.

Motion by Commissioner Flohrs, seconded by Commissioner Belgard, that the Martin County Board of Appeal and Equalization, after review and discussion as to the estimated market value of Parcel No. 39.170.0010, hereby approve lowering the estimated market value from \$900,000 to \$840,000. Carried unanimously.

Bill and Diane Swanson appealed the valuation of a MET (Meteorological) Tower lease valuation in Lake Fremont Township, Parcel No. 11.006.0400, Commercial/Industrial property.

Sheplee noted Bill and Diane (Swanson) were at the local Board of Appeal meeting. Diane sits on the Board and couldn't make a decision there so we had to bring it back to the County and at issue was on one of their parcels a MET Tower was constructed. By law we have to create a commercial record for that showing the value of a lease – not the structure – not the land – but the value of the lease that would go with the property. Three MET Towers have been built and are in place right now around the County. I've sent out letters requesting income information, lease information, to get an idea of how to capitalize that lease and I never received anything. So I ended up putting these on with the same value as Cell Towers at a \$75,000 per tower value. Subsequent to the meeting I did have a representative from Iberdola contact me and tell me what the lease rates are on these MET Towers and are significantly lower than Cell Towers and that calculates out instead of \$75,000 to a \$25,000 value. So it is my recommendation to this Board tonight to reduce that value from \$75,000 to \$25,000 and retain that commercial classification.

Motion by Commissioner Mahoney, seconded by Commissioner Forshee, that the Martin County Board of Appeal and Equalization, after review and discussion as to the estimated market value of Parcel No. 11.006.0400, hereby approve lowering the estimated market value from \$75,000 to \$25,000. Carried unanimously.

Aaron Schmidtgal, appealed valuation of property located at 304 Jeri Street in Fairmont, Minnesota, Parcel No. 23.039.1400 residential property. Schmidtgal noted there's a current assessment of \$271,700. I purchased that house last July for \$250,000 and it was appraised at \$263,000. I pulled up three other comps that have sold from the time I purchased that house up till two weeks ago and that same purchase price on other homes is being assessed anywhere between \$200,000 and \$220,000 so I'm asking for that to be adjusted. It was assessed more in 2016 than it was than when I paid for it in 2016. Schmidtgal noted in looking back at comparables and the neighbor's house just sold for \$236,000 and I think his was assessed at \$213,000; I think \$220,000 would be fair just going by comparables. There was one purchased in June last year at \$245,000 and it is assessed at \$210,000; there's one at 600 Cardinal that just sold for \$247,000 and that is assessed at \$200,000 (\$199,000 actually) so \$215,000 or \$220,000 I think would be fair.

Commissioner Mahoney inquired you paid \$250,000 for it.

Schmidtgal answered yes; but, if you look at any other...the assessed value is always lower than...there was one just actually last Wednesday it sold for \$237,000 and it's assessed at \$214,000. The one on Cardinal sold for \$246,000 and it's assessed at \$199,000; but I feel like I'm asking a fair number.

Odgren noted there was no changes needed to be made and everything was correct and the facts are correct when I went to look at this property. What makes this property interesting is it has a garage that is finished and is over 1,400 square feet so it is really hard to find anything that is comparable. Schmidtgal had an appraisal done at \$263,000 and none of those houses had garages that were anywhere near 1,400 square feet so I think that just kind of why this property is unique. So like he said his property was appraised at \$263,000 and he purchased it for \$250,000 and we have it valued at \$271,000.

Commissioner Mahoney inquired would this be a neighborhood situation.

Odgren noted he's paying his 2017 taxes on that \$271,000 value and there was no change to the 2018 value...it is still \$271,000 so no change. Odgren also noted the properties he was talking about are all in this neighborhood (on screen).

Sheplee noted the properties up on Stade Lane the last two or three years we saw those values take off compared to ours and a number of those sold up to and around that curve area and it seemed to be a hot area in the City that even affected Jeri Street as well. People keep buying those houses for more than we have them valued at.

Chairman Schmidtke noted I understand what he's asking but when your value is at \$270,000 and his appraisal came in at \$260,000 it's hard to ask for \$220,000.

Commissioner Belgard inquired if the Assessor's Office has a recommendation.

Schmidtgal noted I have one more comparable here that sold last year at the same time I bought mine for \$275,000 and that is assessed for \$264,000 and he's paying \$200 per year less in taxes than I am.

Sheplee noted our recommendation is no change at \$271,700.

After further discussion,

Motion by Commissioner Belgard, seconded by Commissioner Flohrs, that the Martin County Board of Appeal and Equalization, after review and discussion as to the estimated market value of Parcel No. 23.057.0140, hereby approve no change to the estimated value of the parcel. Carried unanimously.

Jerry Clark, general manager of Four Fifths LLC located at 1251 Goemann Road, appealed valuations on four 3a Commercial/Industrial buildable lots: Parcel No. 23.340.0010 at \$162,100, Parcel No. 23.340.0020 at \$127,800, Parcel No. 23.340.0040 at \$224,500, and Parcel No. 23.340.0050 at \$225,600. Clark noted per recent discussion, there has been limited retail development, if any, north of I-90 since Walmart and the one strip mall located across from Walmart. The four commercial lots have been extensively marketed throughout the United States for the past several years with no success. In the hope of spurring some new interest in these commercial lots, the ownership group is again reducing the asking price for each of the four lots located in the Goemann 2nd Addition:

1. Lot 1 Block 1 (Parcel No. 23.340.0020): new asking price of \$129,500 or \$2.01/sf, a 35% reduction from previous asking price of \$198,500 or \$3.09/sf. – Requesting an EMV of \$103,600 which is 80% of new asking price.
2. Lot 2 Block 1 (Parcel No. 23.340.0020): new asking price of \$126,950 or \$2.50/sf, a 34% reduction from previous asking price of \$192,500 or \$3.79/sf. – Requesting an EMV of \$101,560 which is 80% of new asking price.
3. Lot 2 Block 2 (Parcel No. 23.340.0040): new asking price of \$128,500 or \$1.30/sf, a 35% reduction from previous asking price of \$197,500 or \$1.30/sf. – Requesting an EMV of \$102,800 which is 80% of new asking price.
4. Lot 3 Block 2 (Parcel No. 23.340.0050): new asking price of \$123,500 or \$1.24/sf, a 35% reduction from previous asking price of \$190,000 or \$1.91/sf. – Requesting an EMV of \$98,800 which is 80% of new asking price

Commissioner Mahoney inquired on this Lot 1 Block 1 here I take it you're new appraisal price is \$129,500 – what's the County got on that?

Clark noted they're real close on that one...

Sheplee noted the value is listed on the top of the hand-out at \$162,100 we have on that one...

Clark noted the corner lot we're almost identical Tom (Mahoney)...the other lot that's where we're drastically off on the two lots to the east.

Commissioner Belgard inquired how long has it been since you reduced the sale price.

Clark noted it was about 4 months ago when we reduced everything.

Commissioner Smith inquired about restrictive covenants with Walmart.

Clark noted this is for the developer's area that goes north of this development parcel that noting a pharmacy, a grocery, or a dollar store cannot be built. Clark also noted this restrictive covenant does not expire but may be appealed to Walmart at a cost of \$15,000-\$25,000 just to talk to them.

Commissioner Mahoney inquired so are they just farming that one lot then.

Clark answered the two...the 4 acres to the east of the strip center. If we don't get some activity this year I'll put the other two acres into farm land too...the other two lots.

Commissioner Mahoney made the motion to lower the values to 80% of the new asking price.

Commissioner Belgard inquired if the Assessor's Office has a recommendation.

Whitman noted with a restricted lease information we're required to value at highest and best use so I guess I don't really have a recommendation...value is value. I think it is appropriate to lower it some.

Chairman Schmidtke noted let's start at top. What are you asking us to change that to?

Clark answered \$103,600. My asking price on that is \$129,500 and I'm requesting an EMV of \$103,600 which is 80% which I feel is where the asking price will come in. Then the second lot my asking price is \$126,950 and I'm requesting an EMV of \$101,560 which is 80%. The third lot my asking price is \$128,500 and I'm requesting an EMV of \$102,800. The fourth lot my asking price is \$123,500 and I'm requesting an EMV of \$98,800.

Commissioner Belgard inquired about potential legal problems with us doing this.

Whitman and Mark Vagts noted not that they are aware of.

Commissioner Mahoney noted it will just stay commercial even if you plowed it up in plots and then the only way to go back to Ag is you would have to break up plots.

Clark noted I hope we can sell it for a lower commercial...I think it's good for the community if we can get some more...we just need some relief right now.

After further discussion,

Motion by Commissioner Mahoney, seconded by Commissioner Belgard, that the Martin County Board of Appeal and Equalization, after review and discussion as to the estimated market value of Parcel No. 23.340.0010, Parcel No. 23.340.0020, Parcel No. 23.340.0040, and Parcel No. 23.340.0050, hereby approve lowering the estimated market value on Parcel No. 23.340.0010 from \$162,100 to \$103,600; on Parcel No. 23.340.0020 from \$127,800 to \$101,560; on Parcel No. 23.340.0040 from \$224,500 to \$102,800; and on Parcel No. 23.340.0050 from \$225,600 to \$98,800. Carried unanimously.

James Eberhard, appealed valuation of property located at 2576 Stella Court in Fairmont, Minnesota, Parcel No. 23.125.0070 residential property. Eberhard noted Stella Court is an extension of Stella Street and is one block off of Albion. It is a cul du sac that we're on. Basically my concern is the same as what I expressed at the first meeting. I talked of getting an appraisal, I didn't do it, I thought that perhaps it wouldn't be worth the effort so I didn't so from the standpoint of an appraisal I don't have a value...I have a value in mind but I don't have anything to back it up.

Eberhard noted what got me here in the first place was a 31% increase in the value of this property in one year and I just feel that didn't happen on Stella Court or perhaps anywhere in town. This is not a lake property, you can't see the lake...you can hear boats going by once in a while but I don't think that counts. Looking back six years the average increase here was about a 1.6% per year which I think is more commonly happening in Fairmont so I thought to myself why 31%...why did this value go up so much...what could be the reasons and I'm thinking okay maybe one would be that you're too low in the first place which is possible and maybe this is just catch up. I remember Dan (Whitman) I think saying something about watching some certain areas in town that you saw going up but you weren't really sure it was sustainable. I might not be quoting that exactly right but then I thought to myself you're constrained by this 90% to

105% rule which I'm aware of and I think that's your only constraint...I don't think that there is anybody else anywhere that said you must raise any property any certain percent...I think your 90% to 105% is where you have to be is what I've understood and typically annually you look at that and see where you are. According to what you're saying you are there...you are within that. And then I thought well this is kind of facetious but you know if you raise it 31% and you get away with it you wouldn't have to deal with me for a while again because you'd be high enough. But anyway comparables I was asked by Angie (DeBoer) when she came up about what I would list it for and I didn't give her an answer because I said list prices in Fairmont are in some cases downright ridiculous and they're not close to what you get. But she did present me with 4 comps and location wise they're absolutely ideal, you couldn't do any better. I can see every one of them out of the windows in the house. It's just amazing that happened and location is the best indicator of value; however, one of those comps in my mind should have been thrown out because it's 2568 Stella Court, it's two houses down and for some reason that I can't explain this that house is so much better than everything around it I don't know how that happened it is not that way but typically houses in a concentrated area are about the same but this one is really above and beyond...it sold for over 40% more than what the value is on my house so the thinking there is when you use your uniform residential appraisal report and you adjust your comp you're supposed to be within 25% gross adjustment, 15% net adjustment. You can't get there when you're starting with a house that's so much better...it's just probably not a good comp other than for location. So I think it skewed the whole analysis is what I really think it did and I don't mean to talk down to anybody here because I've done appraising and if a comp is better you subtract off of its value and if it is poorer you add to it...that's just how that works and like I said I think this one comp really skewed whatever analysis was done and even this is kind of a side comment but now that thing is for sale again and now it's almost 60% higher in the asking price than the value you put on my house so it is a house that really is not like those around it.

Eberhard went on to note so I guess what I'm questioning is how the County analyzes comps...how do you do this. You come up with a sale price divided by heated square foot figure which is nice...that's one factor...in my case you came up with my sale price divided by square footage with an average of the 4 comps...the average was right on...I don't think that's right. On the uniform appraisal report you compare your comps and your subject on the 18 different factors and there's room there to add more. That's what you do and this heated square foot is only one factor and just to give you a quick example of what could make this appraisal maybe a little harder or a little different is we have a slab on grade house...there's no basement...we've got a slab on grade and that makes it hard to find comps for sure. So in that respect we might have a lower value than the comps. We have permanent steel siding that might be a plus factor...that's better maybe than some of the comps...the sites are all different and not only just landscaping either. So I'm not suggesting that the county assessor has the time to do this detailed analysis on every house you would never get your work done. But, I just think that hopefully you're taking your comps and comparing more than one thing, one factor or two, location being the second one; so my overall impression of this is we've had two inspections in the last year on this house, there have been no improvements done, nothing's changed, I think you are very good at getting the data...now I might be wrong about this one but I wonder and Dan (Whitman) can either explain this now or later, I wonder if you don't just feed this stuff into a computer and then a number spits out and that's your number. I mean I don't know. If that's

the way it works at least you should be able to sit back when you get a number and say does this look reasonable. Does this look like a reasonable figure. I'm not quite sure how you get that or how much you actually analyze the comps. That's what I'm concerned about and I guess how many attributes of the comps do you actually look at and so basically to summarize this whole thing...I'm objecting to a 31% increase in value in one year...I don't think that happened. I think that how the comps are analyzed is my second biggest question, and the third one is just something I thought of today when you put an estimated market value on a house I'm wondering do you put a time constraint on that. I mean when an appraiser does an appraisal he'll give a marketing time typically 3 – 6 months in a town like Fairmont maybe. I'm wondering if you have any presumed marketing time associated with that. I don't know. That's a question I have. And, the last question I have sounds kind of stupid actually but do you get your values off of the certificate of real estate value? Is that where you get...is that how you determine what houses have brought or do you go to the deed and look at the deed tax? The next door neighbor claims the price that he paid for his house last fall is a lot different than what you're saying he paid. There was quite a discrepancy and that just made me wonder where you guys get these values.

Chairman Schmidtke inquired where's the value. You say it's 31% higher than it should be.

Eberhard noted no not that I think it should be. It rose that much in one year. It's at \$161,500 right now. That's where we're at right now and I just compared that to the previous number. I can give you a figure as to what I think it is really worth.

Whitman noted there was no change made on his house specifically it was a neighborhood adjustment that caused it. But, to answer Jim's (Eberhard) question about the comps and all that. That's what our software does. We can't do like you said we can't do every house do an appraisal of it...we do mass appraisals. But that's why we have software that costs upwards of \$6.9 million dollars. That's what the software does. It does all the adjustments. It takes all the data points that we gather and we gather more than 18...puts them into the software and the software then compares all the sales with the subject property and makes the adjustments and that's how our estimated market value is created. So when you said it spits out a number it's doing the adjustments and calculating what that number is. That's what our software does. So we go back and do a single analysis...our analysis is the same unless we find an error because we're making the adjustments that we feel are appropriate are the same adjustments our software is making. We're the ones that tell the software what adjustments to make based on our market analysis. So that's how we get to the number that has been assigned to his property is because of the sales...all of the sales, not one, all of the sales in his neighborhood being compared to his the software is making that comparison and telling us what change has to be made to meet the equity.

Chairman Schmidtke noted so that area obviously has been low for a while and so that's what created a 31%...

Whitman noted last year we know it was considerably higher than where we were at and so we made the adjustment. There's a possibility that maybe we expanded our area a little bit to do a little better marketing analysis but it would still be within that area so we are analyzing that part

of town and I think Mike (Sheplee) was talking a little bit about that...that one neighborhood in that general area that's just showing us upward pressure that it's a popular area to live I guess.

Sheplee so right in this specific area (on map) the things that we did to change the CAMA System, the details about every structure, every house, every neighborhood, all that is in the system; we calculate the new values, compare the new values to the sale prices in the sales study here and that's how these ratios end up. So this is the result of all of our work at the end of the day.

Whitman noted we use the same set of rules and calculations to generate his value as we did to generate the other ones that are showing us that our calculations are correct.

Sheplee noted so we believe his house would sell for \$161,500 on January 22, 2017.

Whitman noted that is the date our estimate of values are on that date.

DeBoer noted that last year it was valued at \$131,900.

Commissioner Mahoney noted so these two green ones up here you know they're within the... what's the one way down there in the corner. Is that 78 something?

Sheplee noted 97% ratio.

Commissioner Mahoney inquired so 95 and 97 don't...you're supposed to be within a 90% to 105% right?

Whitman noted that was after the increase. After we made the 20 some percent increase those were the values that were assigned and when you compare them to what they sold for our ratio was 95%-97%.

Eberhard noted you've got another comp...you go two houses east of the red one to the right that isn't marked. I don't know what you've got on that but that is another one of the four comps that you used.

Sheplee noted unqualified for some reason...it was a bank sale...bank sales typically sell for significantly less than true market value historically and one of the sales verification codes that we're required to use says any bank sale is not included.

Chairman Schmidtke noted if I were in Jim's (Eberhard) shoes I'd be angry just like he is because I'd feel the same way. On the other hand I trust everything you guys do in your office (Assessor's Office)...

Whitman noted so we would recommend no change.

Motion by Commissioner Belgard, seconded by Forshee, that the Martin County Board of Appeal and Equalization, after review and discussion as to the estimated market value of Parcel

No. 23.125.0070, hereby approve no change to the estimated value of the parcel. Those voting in favor: Commissioners Flohrs, Smith, Belgard, Schmidtke, and James Forshee. NAYS: Commissioner Mahoney. Motion carries.

Chairman Schmidtke asked if there were any further in person appeals or written appeals.

There were none.

Sheplee presented and reviewed the remaining listing of parcels, which included parcels from the appellants that were present today, and recommended that the Board order the changes as recommended, with exception of parcels the Board has already acted on, which included the following land parcels that were addressed earlier:

- Parcel No. 23.261.0020 Convenience Store Investments (Kwik Trip) – they sent an email yesterday morning and said we’d like to withdraw our appeal.
- Parcel No. 23.039.0072 CHS, Inc. – they sent a letter appeal and didn’t request any value so that’s suggested to be no change as well.

Whitman noted I think typically in the past we’ve gone through the whole list...you pass as many as you can...and then if you pull a few out to handle separately we can do that.

- Parcel No. 23.038.0030 and Parcel No. 23.312.0010 Zierke Real Estate LLC – it’s not an appeal. They did come to the Fairmont meeting but after we reanalyzed that they are not allowed to appeal. The process has been going since the abatement was signed and there’s been a process taking place. Last year we did some analysis on pre-abatement to estimate the value of that property. At the time we equalized that with Weigh-Tronix...it was a freezer plant and had it at roughly \$3 million dollars as a freezer plant...it was offered for sale for a very long time...we made a vacancy economic adjustment to that and lowered it to \$2 million range a little over \$2 million dollars based on one exposure and no sale and their reduction of the asking price. Then we started working on in the middle of 2016 on the abatement and we were given some statistics and information on what it was going to be marketed at so we built some estimates for the abatement based on about \$1.7 million dollars for the property. On part of that conversation about the abatement was they were going to invest up to \$750,000 back into that property and then the sale price was going to be \$1.4 million so when we looked at the value on January 2nd of this year we thought maybe \$2 million dollars was still somewhat accurate. We had not received any more information about what was going on inside at that time and hadn’t been able to see it and so we didn’t change the value. After that we received an appraisal on the tax court petition and that appraisal came in at \$17 per foot rather than \$23 per foot so now they weren’t quite equally valued because of that and so in the meantime we have had the opportunity to go look at that building to see where it’s going. So it’s my opinion on January 2nd of 2017 that it needed a lot of change over to take place and the value that we assigned to Weigh-Tronix and some other properties was lowered based on that appraisal we had done so I think it would be appropriate to lower the value of that property for January 2nd of 2016’s equalization to approximately \$1.7 million

dollars. I do believe that some of the value will come back as they complete the refurbishing of the building and it is also a smaller facility than the Weigh-Tronix.

Motion by Commissioner Belgard, seconded by Commissioner Smith, that the Martin County Board of Appeal and Equalization, after review and discussion as to the estimated market value of Parcel No. 23.038.0030 and Parcel No. 23.312.0010, hereby approve lowering the estimated market value to \$1.7 million. Carried unanimously.

- Odgren noted Parcel No. 23.039.1400 Rebecca Sheard said she was undecided on whether or not she was going to be here tonight. She did not give me anything written down or any value that she would like to propose so I would recommend no change.
- DeBoer noted Parcel No. 23.119.0180 Brett McFarland called questioning his value. I went and looked at the property and didn't see anything that we needed to change. He had taken small adjustments for a basement wall just some of the conditional things in there and he already had adjustments in there for the wall and in the garage that he was concerned about. I called and let him know that my recommendation would be no change and that he could call me if he wanted to and I haven't heard anything. So my recommendation is no change.

Motion by Forshee, seconded by Commissioner Flohrs, that the Martin County Board of Appeal and Equalization, after review and discussion as to the estimated market value of Parcel No. 23.038.0030 and Parcel No. 23.312.0010, hereby approve no change to the estimated market value of each listed parcel. Carried unanimously.

Commissioner Mahoney noted I have one question here. Mike Small came up to me in the grocery store the other day and he's got a 21 acre parcel out in Tenhassen Township and his value went up from \$58,900 to \$96,300 – that's \$39,400 and I think 9 acres are tillable and 12 are waste (out on Bright Lake).

Commissioner Smith inquired is it waste or is it in a program.

Commissioner Mahoney answered no. A farmer just bought it like 10 years ago, sold it off because it wasn't productive farmland. The Parcel No. is 18.009.0425. He's not appealing it because he didn't come and all that sort of stuff but it's hard to imagine how that could go up \$39,000 and not even good farmland. I don't know if it was part of that program you were talking about earlier.

Sheplee noted Rural Vacant Land...so we re-evaluated it and it came up Rural Vacant Land some tillable...still has a value.

Commissioner Mahoney noted but it's not "A" land.

Sheplee noted but CPI it grades out that way.

Commissioner Mahoney inquired you do everything by CPI.

Sheplee noted we're getting there. I can't tell you 100% today but we're getting real close...and the rest of it is rural vacant land waste.

Commissioner Mahoney noted well that would never sell for \$96,300.

Sheplee noted that's what he said too. I've talked to him two or three times about it and I asked him to offer the appraisal or some other reasoning but I didn't get anything just that it wouldn't sell. There has been different opinions on it. He owns the land down here (on map) as well. He said another thing is access back here...if you step off of his property...he can access it if he steps right off the corner...you can't build a road back there because he doesn't own this (on map) and he doesn't own this (on map).

Commissioner Mahoney noted I was just curious about that.

Whitman noted I think the problem he ran into is the fact that we had several land sales similar to that to Pheasants Forever and Ducks Unlimited and stuff and they're paying almost \$6,000 an acre. We didn't want to go to \$6,000 an acre that doesn't make sense to me at all and that's why we ended up at \$2,000 an acre considerably less than what these were selling for but at the same time there's value there but it is less than what they're selling for but its considerably more than it was previously valued at waste and that's why the big jump.

Commissioner Mahoney noted okay it's probably more like \$5,000 an acre – 21 acres at \$96,300...a little less than \$5,000 an acre with 7 acres being tillable. So just curious.

Sheplee noted he came to the Tenhassen meeting and they said no change.

With no further business to wit, meeting adjourned at 8:14 p.m.

BOARD OF EQUALIZATION
MARTIN COUNTY, MN

Dan Schmidtke, Board Chair

ATTEST: _____
James Forshee, Auditor/Treasurer