

WEST FARGO CITY BOARD OF EQUALIZATION

2016 EQUALIZATION REPORT

Tuesday, April 12th, 2016

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DUTIES OF BOARD OF EQUALIZATION

This overview of the Board of Equalization duties appeared in an issue of City Scan and simplifies the statutes for easier comprehension.

WHO IS ON THE CITY BOARD OF EQUALIZATION?

The city board of equalization consists of the members of the city governing body. The executive officer of the city governing body shall act as chairman, but in the executive officer's absence the governing body may elect one of its members to preside. A majority of the board constitutes a quorum to transact business. (NDCC 57-11-01)

WHAT ARE THE DUTIES OF THE CITY BOARD OF EQUALIZATION?

The city board of equalization is responsible for equalizing the assessment roll within the city. It may change the valuation and assessment of any real property upon the roll by increasing or diminishing the assessed valuation as is reasonable and just in order to make taxation uniform. The valuation of any property returned by the assessor may not be increased by more than twenty-five percent without first giving the owner notice of the intention of the board to increase it. The notice must state the time when the board will be in session to act upon the matter and must be given by personal notice served upon the owner or the owner's agent or by leaving a copy at the owner's last known place of residence. (NDCC 57-11-03)

During the session of the city board of equalization, any person feeling aggrieved by anything in the assessment roll may apply to the board for the correction of the alleged errors, and the board may correct the errors as it may deem just. (NDCC 57-11-04)

The board of equalization shall add to the assessment roll any real property subject to taxation that has been omitted by the assessor and shall enter the property at a valuation that will bear a just proportion of the taxation. (NDCC 57-11-05)

WHEN DOES THE CITY BOARD OF EQUALIZATION MEET?

The city board of equalization shall meet at the usual place of the city governing body on the second Tuesday in April in each year. The board may adjourn from day to day until its work is completed. In case a quorum is not present at any time, the city auditor may adjourn from that day and publicly announce the time to which the meeting is adjourned. If the same person performs the duties of assessor for two or more cities or townships, the city auditor may, after

consultation with the assessor involved, designate the hour and day in the month of April at which the board of equalization meeting will be held, provided that notice of the hour and day must be published in the official newspaper of the political subdivisions involved and posted at the usual place of the meeting by the city auditor at least ten days before the meeting. (NDCC 57-11-01)

APPEAL THROUGH THE BOARD OF EQUALIZATION PROCESS

North Dakota law directs all real property in the state to be assessed as to its value on February 1st of each year. Assessment officials around the state spend most of January, February, and March preparing these values by studying costs to build new, the area's marketing of existing homes and how these factors affected the current valuations.

The assessor must notify the property owner whenever the true and full valuation is increased by more than 10 percent over the last assessment. The notice must be delivered in writing to the property owner at the property owner's last known address at least 15 days prior to the local board of equalization. The notice must provide the true and full values used by the assessor along with the dates, times, and locations of both the City and the County Board of Equalizations.

City Board of Equalization is required to be held on the 2nd Tuesday in April. County Board of Equalization are required to be held during the first ten days of June. The State Board of Equalization meets the 2nd Tuesday in August.

A property owner who has questions about their valuation should contact the Assessment Department. They may appear before the Local Board of Equalization and the County Board of Equalization. Either of these boards may reduce the assessment of the property. A property owner can only appeal to the State Board of Equalization if they have appealed to both the local and county boards of equalizations. The decision of the State Board of Equalization is final in this appeal process.

2015 RECAP

2015 marks another active year in the real estate sector. Though residential permit numbers were down this year, we saw a significant number of high dollar permits, with the median permit rising \$10,000 to \$240,000. Alternatively, commercial building, particularly projects geared toward renovations and expansions were way up in 2015. The market for pre-existing homes strengthened for a third straight year making significant gains in median sale price, and reductions on average listing time. Average interest rates dropped again this year as did the Mill rate.

For the 2016 assessment, our office implemented a new cutting edge CAMA software. In order to implement this software, we were required to review and analyze each residential and apartment property individually. To ensure our records are as accurate as possible, we not only relied on our current records on file, but also utilized 2015 aerial and oblique photography. As with any project of this magnitude, we did run across things such as non-permitted structures and mistyped square footages, while also touching parcels that haven't been reviewed for a while. All of this information was thoroughly reviewed and entered, at which point it was put on our new website for public review: (<http://assessments.westfargond.gov>) This website will ensure transparency to every property owner so they know exactly what they are being taxed on, as well as give them the ability to search sales and review special assessment balances. Since the completion of this project, we have found our data to be much more precise and in turn our assessment equity to be much tighter.

Since properties were each individually reviewed for the 2016 assessment there were no "across the board" increases applied. Increases and decreases were applied in varying degrees depending on our current market analysis. Regardless of moving to our new system, with the sizable gains in the real estate market, we would have had to increase a large number of properties to stay within State Board of Equalization tolerance.

Moving forward, it our goal to track every portion of the market on a yearly basis, and apply increment adjustments as needed. Using the values set in 2016 as our base, it is our goal to avoid making such significant adjustments in a single year. Though we can never know for sure how the real estate market is going to proceed from year to year, we are now better positioned to respond to these changes.

MARKET GROWTH

Below you will find statistical information used to help gauge the growth of the real estate market.

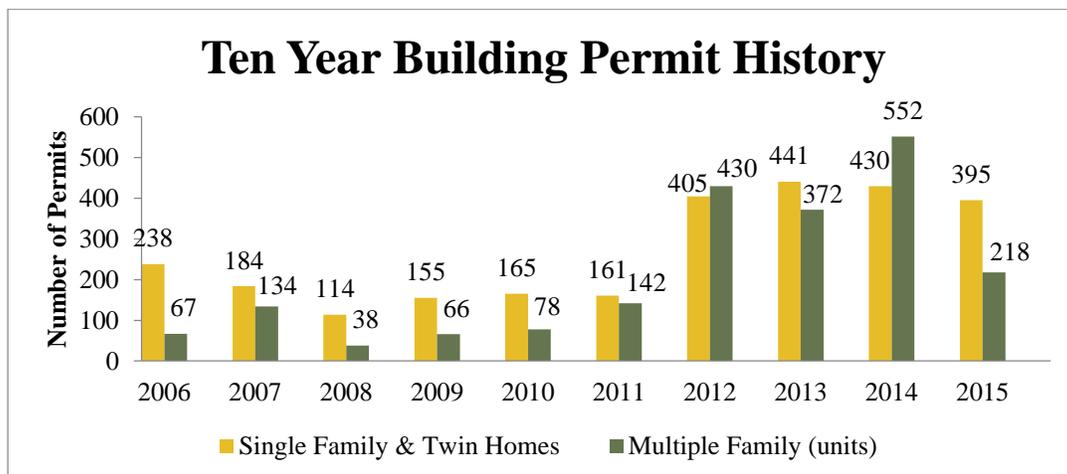
PLANNING & ZONING PROJECTED POPULATIONS

Below are estimated population statistics for the last ten years, as reported in the Planning & Zoning annual report. West Fargo has been experiencing steady growth in the last decade. Overall there has been a 38% population increase since 2006. The population increase is highly dependent on Apartment vacancies, which is around 8%, since numerous new units came online in 2015.

Year	Population	Annual Growth Rate
2006	24,184	11%
2007	26,011	8%
2008	26,239	1%
2009	26,826	2%
2010	27,565	3%
2011	27,498	0%
2012	29,588	8%
2013	31,330	6%
2014	33,360	6%
2015	33,471	0%

NUMBER OF PERMITS FOR RESIDENTIAL UNITS

An important statistic to gauge growth in the market is the yearly number of residential units added to the existing stock of housing. West Fargo has been experiencing an overall steady increase in the number of permits to build residential units, increasing dramatically in the last four years.

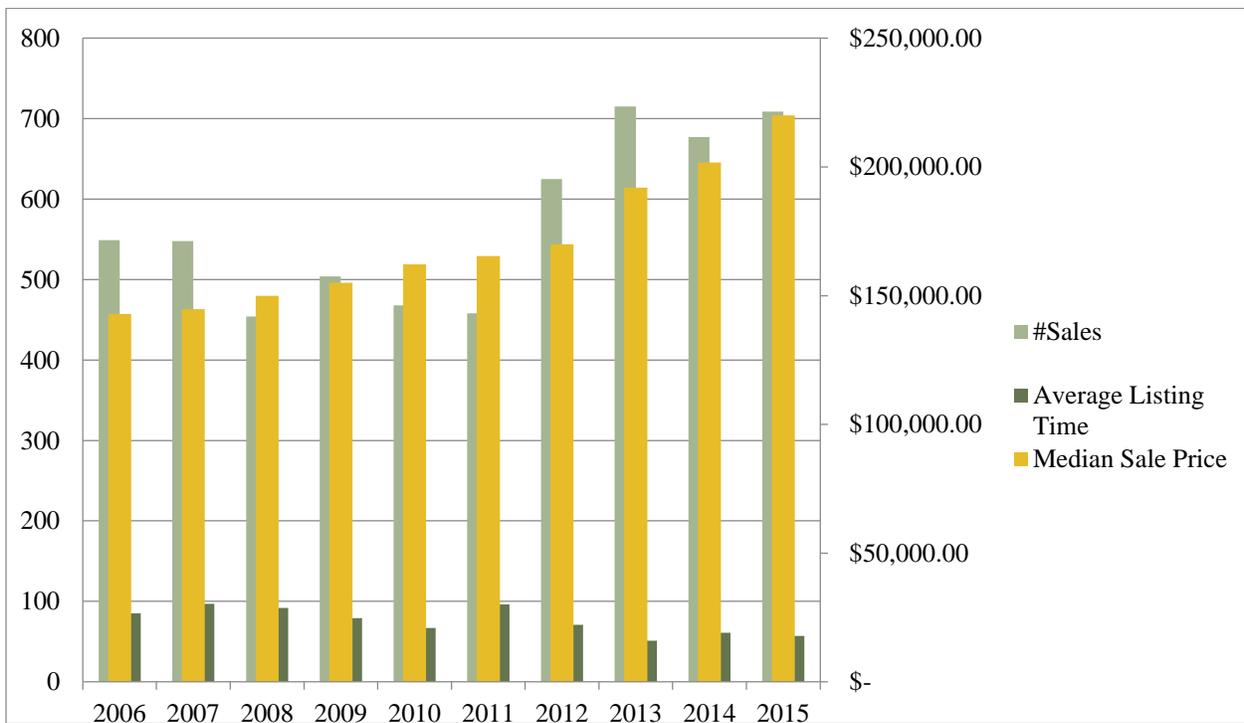


SALES HISTORY

West Fargo has seen very strong sales activity in the last ten years. The number of sales overall have been steadily increasing, median sales prices have been increasing, and listing times have been declining overall. These statistics indicate a very strong market.

	# Sales	Median Sale Price	% Change	Average Listing Time	Average Interest Rates
2006	549	\$ 142,850.00	3.6%	85	6.54%
2007	548	\$ 144,700.00	1.3%	97	6.58%
2008	454	\$ 149,900.00	3.6%	92	6.62%
2009	504	\$ 154,982.00	3.4%	79	5.59%
2010	468	\$ 162,200.00	4.7%	67	5.08%
2011	458	\$ 165,416.00	2.0%	96	4.76%
2012	625	\$ 170,000.00	2.8%	71	3.96%
2013	715	\$ 192,000.00	12.9%	51	4.17%
2014	677	\$ 201,784.00	5.1%	61	4.27%
2015	709	\$ 220,000.00	9.0%	57	3.95%

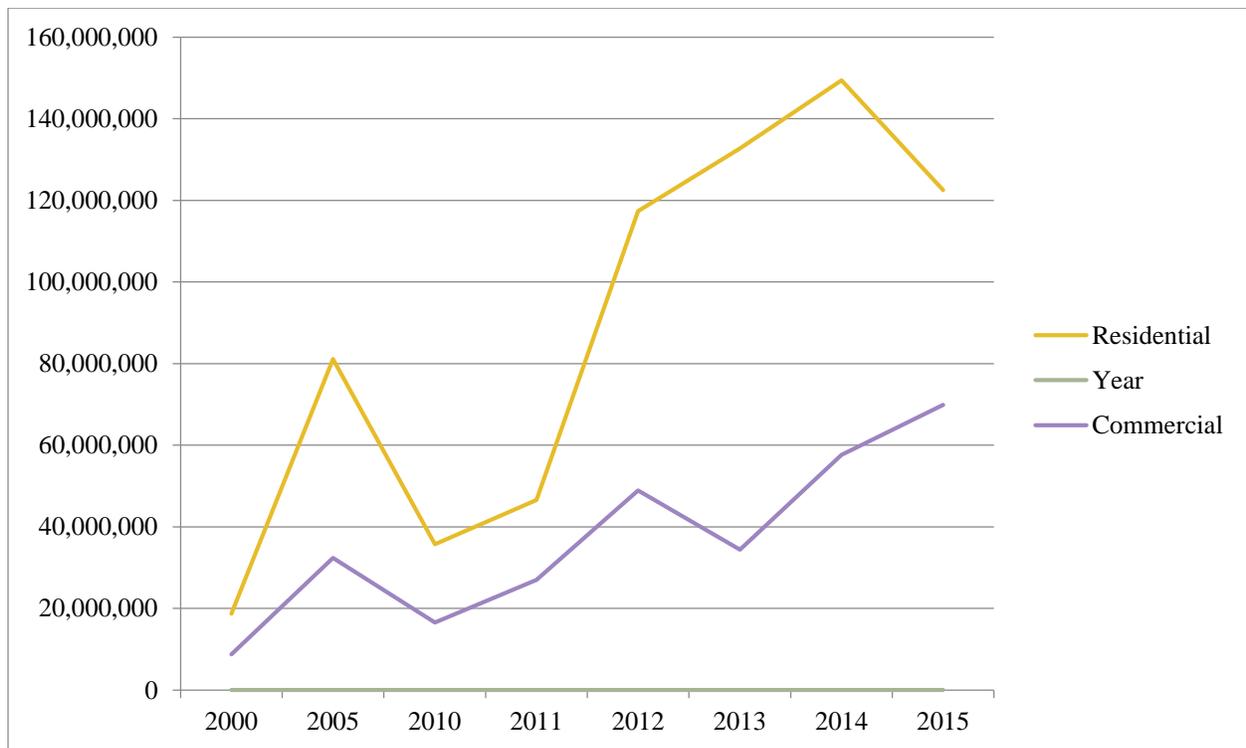
*All numbers are from MLS yearly reports



BUILDING PERMIT VALUATIONS

Since 2006, building permit valuations have risen dramatically, with the majority of the increases occurring in the last four years. Since 2011, residential permits have nearly tripled and commercial permits have quadrupled.

	Residential	Commercial
2006	\$ 40,300,000	\$ 32,200,000
2007	\$ 41,800,000	\$ 26,900,000
2008	\$ 26,400,000	\$ 17,100,000
2009	\$ 36,000,000	\$ 18,500,000
2010	\$ 35,700,000	\$ 16,600,000
2011	\$ 46,600,000	\$ 16,600,000
2012	\$ 117,300,000	\$ 48,900,000
2013	\$ 132,700,000	\$ 34,400,000
2014	\$ 149,400,000	\$ 57,658,400
2015	\$ 122,469,500	\$ 69,909,200



Overall West Fargo has experienced strong growth the last ten years, increasingly so in the last four. In 2012 the city experienced a significant boom year in all major categories, and has managed to build on that growth over the last three years. As these statistics clearly show, the West Fargo real estate market has increased exponentially in a very short period of time.

2015 SALES RATIO ANALYSIS

The ND property tax is an ad valorem tax. This means, simply, a tax according to value. The true and full value for tax purposes must reflect the market value of the property. Sales ratio studies are conducted annually to determine if city property values are at market. It is the intent of the ND legislature that local assessors use the results of sales ratio studies as a guide in making and equalizing assessments of property.

For the 2015 sales analysis the State Tax Department has granted a 10% median tolerance range. This means that our final ratio analysis must have a median between 90% and 100%. For our 2015 ratio study, our commercial property sales resulted in a 83.0% median, which is not within tolerance (due to the lack of commercial property sales, we were required to use two previous years of sales). Additionally our residential property sales resulted in a 86.0% median, which is not within tolerance. Each class required sizable increases to get within tolerance. Our final ratios are within tolerance and listed below.

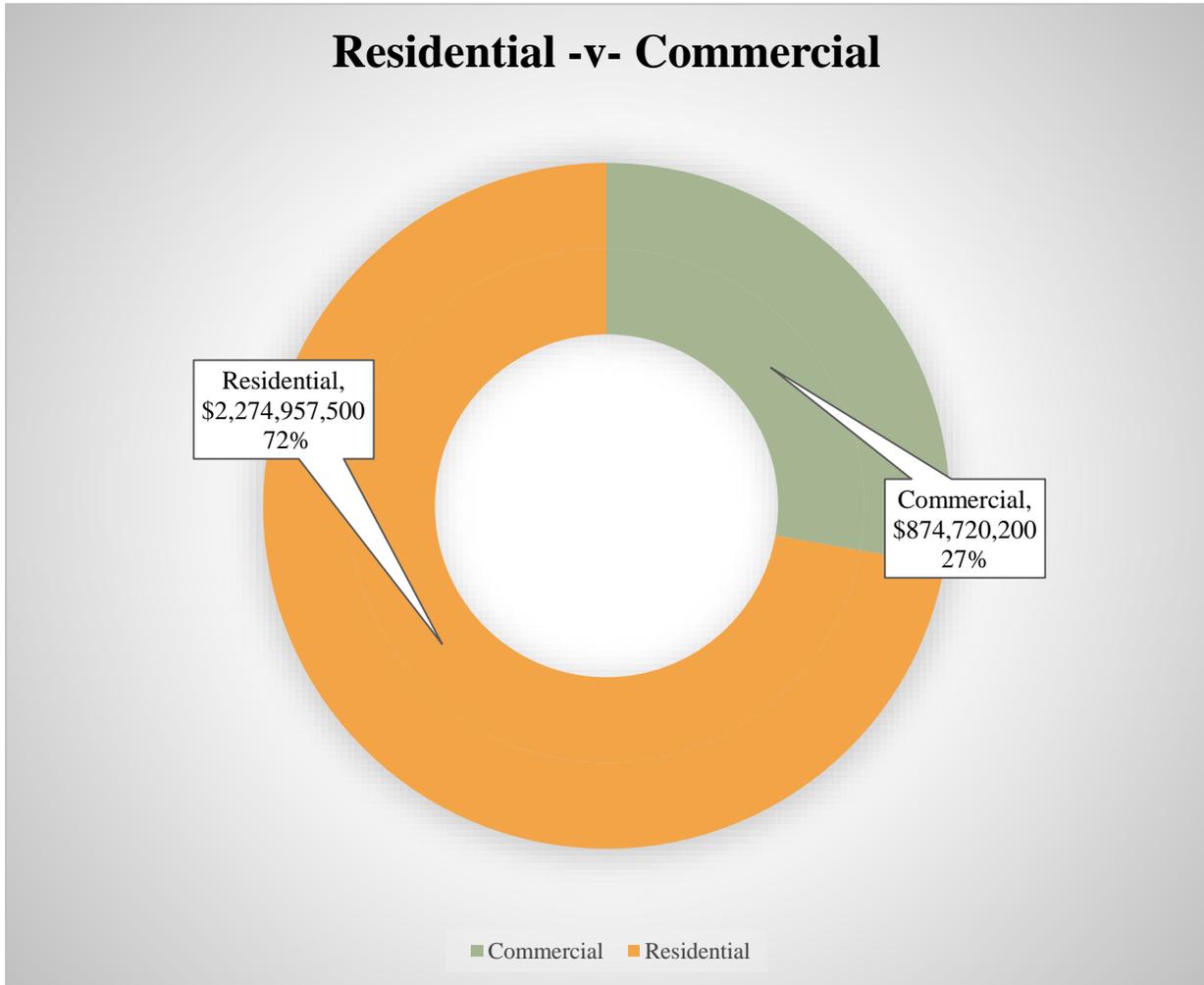
2015 ASSESSMENT RATIO STUDY FOR THE CITY OF WEST FARGO

2015 Measurements		Tolerance	
Median Ratio Residential	98.7%	State Mandated	90-100%
Median Ratio Commercial	95%	State Mandated	90-100%
PRD Residential	1.00	IAAO Guidelines	0.98 to 1.03
PRD Commercial	1.03	IAAO Guidelines	0.98 to 1.03
COD Residential	5.27%	IAAO Guidelines	Less than 15%
COD Commercial	20.30%	IAAO Guidelines	Less than 20%

**Definitions for statistical measures can be found on page 23.*

NET VALUE BREAKDOWN

To better understand the makeup of value between residential and commercial property, this chart indicates where our total valuation is *after* exemptions are applied.



2016 TAXABLE VALUATION

The taxable valuation is considered the tax base of the City of West Fargo. This accounts for the removal of exempt amounts and represents the net assessed value of all property in the city subject to property taxation.

This amount is determined by applying an assessment ratio of 50% to the appraised value of all taxable property, then a factor of 9% is applied to residential and 10% to all other property classes.

The taxable valuation multiplied by the mill levy will determine the total revenue to be received from property taxes.

The following projection of the **2016 Taxable Valuation** will vary somewhat from the final amount. Changes will occur between now and when the mill levy is determined in September. Examples of these changes may include errors in assessments or exemptions not previously filed. The adjustment column is for those changes that may occur. The report also contains an estimate of value for utilities such as railroads and pipelines. Utility corporation properties are done at the state level and valuations are submitted to the county every fall.

Agricultural	\$	45,400
Residential	\$	102,373,087
Commercial	\$	43,736,010
- TIF	\$	(6,066,015)
- Adjustments (Estimated)	\$	(500,000)
+ Corporations (Estimated)	\$	1,758,321
Projected Taxable Value	\$	<u>141,346,803</u>

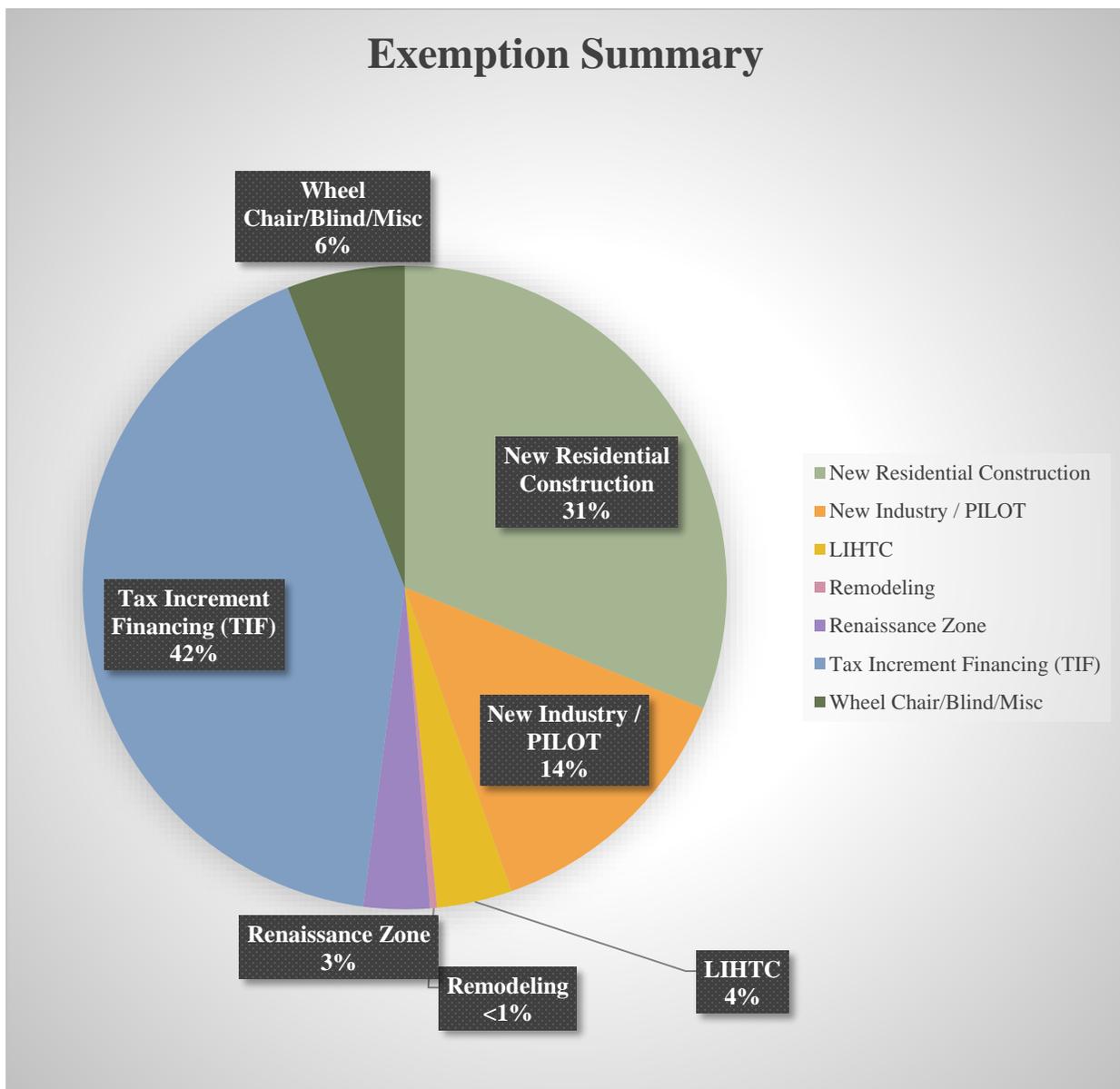
Below is a ten-year valuation history for the City of West Fargo:

2007	\$	62,936,462	13.63%
2008	\$	67,877,998	7.85%
2009	\$	70,814,846	4.33%
2010	\$	73,950,942	4.43%
2011	\$	77,371,033	4.62%
2012	\$	80,520,107	4.07%
2013	\$	88,770,277	10.25%
2014	\$	98,510,627	10.97%
2015	\$	113,738,389	15.46%
2016	\$	141,346,803	24.27%

2016 EXEMPT PROPERTIES

Exempt property falls into two primary classes: discretionary or fully exempt. Discretionary exemptions are granted for reasons such as relief for the disabled or elderly, economic expansion, or renovation of properties. Fully exempt properties include those such as churches, schools and hospitals.

The chart below indicates what percentage of the overall exemptions granted in 2016 are for each type of exemption that the city participates in.



Following is a breakdown of the discretionary exemptions for the 2016 assessment year and the tax dollars uncollected due to exemptions.

Type	True & Full Value	Tax Dollars
New Single Family Homes	\$ 89,892,000	\$ 1,131,264
New Industry	\$ 11,099,100	\$ 155,199
PILOT	\$ 27,887,200	\$ 389,947
LIHTC	\$ 10,897,100	\$ 152,374
Remodeling - Residential	\$ 108,500	\$ 1,365
Remodeling - Commercial	\$ 895,000	\$ 12,515
Renaissance Zone - Residential	\$ 121,600	\$ 1,530
Renaissance Zone - Commercial	\$ 9,457,700	\$ 132,247
Tax Increment Financing (TIF)	\$ 121,320,300	\$ 1,696,422
Tax Increment Exemption	\$ 9,887,000	\$ 138,250
Wheelchair / Blind Exemption	\$ 2,438,400	\$ 30,687
Group Homes / Lodges / Charitable	\$ 3,105,700	\$ 43,427
Daycare	\$ 1,222,200	\$ 17,090
Farm	\$ 458,000	\$ 5,764
Total	\$ 288,789,800	\$ 3,672,863

Yearly totals over the last three years reflect the changes in the exemptions that the City of West Fargo is granting:

Type	2015	2014	2013
New Single Family Homes	\$ 89,892,000	\$ 77,873,600	\$ 53,490,100
New Industry	\$ 11,099,100	\$ 13,349,300	\$ 9,240,000
PILOT	\$ 27,887,200	\$ 28,988,400	\$ 33,992,900
LIHTC	\$ 10,897,100	\$ 10,527,000	\$ 9,622,000
Remodeling - Residential	\$ 108,500	\$ 144,700	\$ 144,700
Remodeling - Commercial	\$ 895,000	\$ 1,178,000	\$ 1,074,000
Renaissance Zone - Residential	\$ 121,600	\$ 127,900	\$ 257,800
Renaissance Zone - Commercial	\$ 9,457,700	\$ 7,903,500	\$ 7,445,000
Tax Increment Financing (TIF)	\$ 121,320,300	\$ 77,071,000	\$ 53,478,400
Tax Increment Exemption	\$ 9,887,000	\$ 7,136,600	\$ -
Wheelchair / Blind Exemption	\$ 2,438,400	\$ 2,243,900	\$ 2,246,800
Group Homes / Lodges / Charitable	\$ 3,105,700	\$ 2,871,000	\$ 1,983,700
Daycare	\$ 1,222,200	\$ 1,131,200	\$ 234,000
Farm	\$ 458,000	\$ 316,300	\$ 291,300
Total	\$ 288,789,800	\$ 230,862,400	\$ 173,500,700

MILL LEVIES

The County Auditor calculates the total mill levy each year. This is usually done in late fall after all taxing jurisdictions have reported. That levy appears on the tax bill that property owners receive in December of the same year. The most recent bill is 2015 and the mill levies in West Fargo were 332.57 with a 12% legislative reduction which made the net mill levy 292.66. The illustration below indicates how the 2015 levy is broken down:

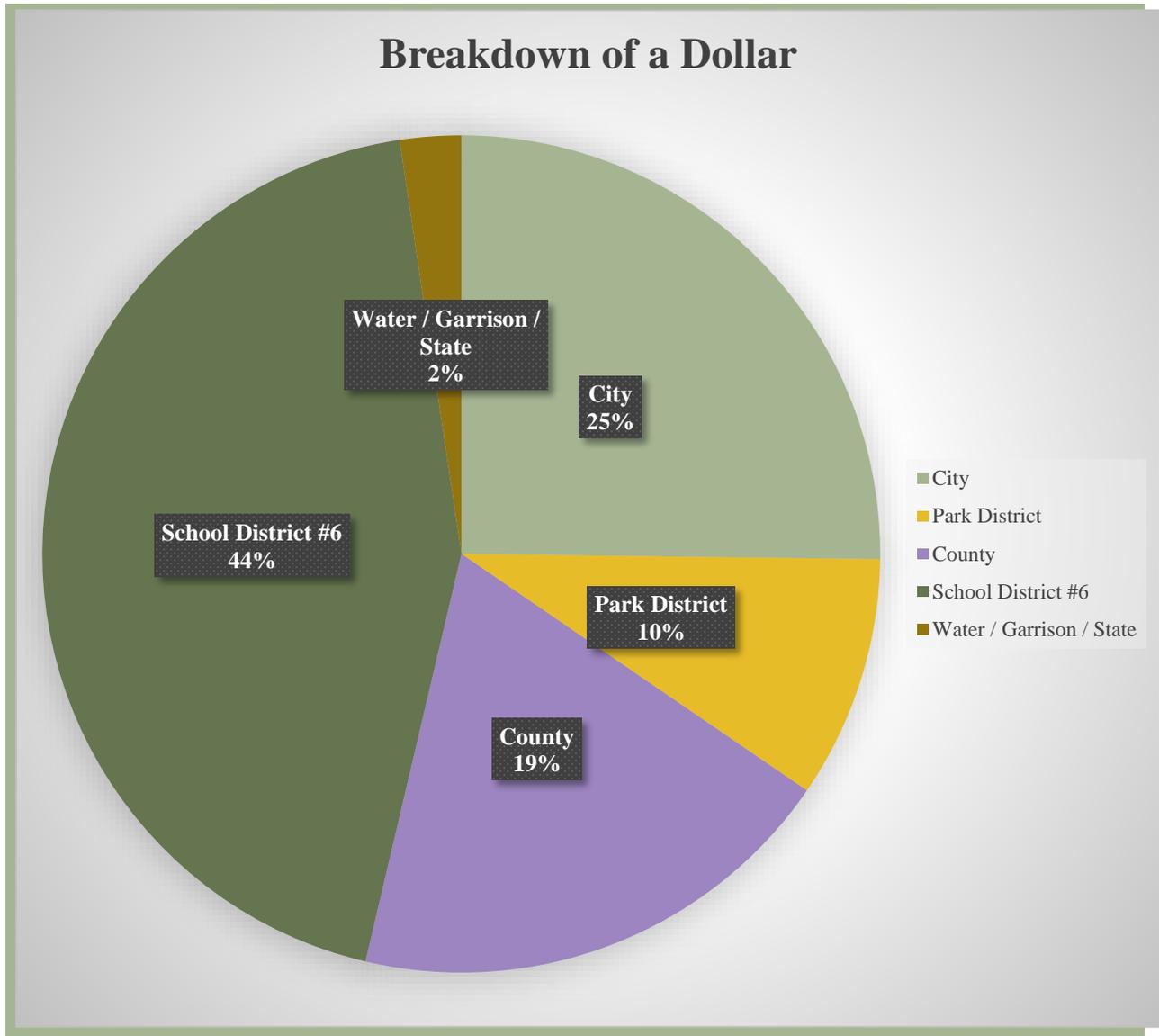
10 YEAR MILL LEVY BREAKDOWN

Year	City	Park	School	County	Garrison	State	Water	Total
2006	88.69	36.02	254.02	64.76	1.00	1.00	4.50	449.99
2007	88.87	38.06	248.76	64.70	1.00	1.00	4.60	446.99
2008	88.47	36.42	245.64	64.45	1.00	1.00	4.40	441.38
2009	91.37	32.45	170.64	64.45	1.00	1.00	5.00	365.91
2010	91.59	32.55	170.64	67.90	1.00	1.00	6.00	370.68
2011	91.03	34.56	192.20	69.58	1.00	1.00	6.00	395.37
2012	90.11	32.93	192.20	67.28	1.00	1.00	6.00	390.52
2013	89.11	32.45	142.20	66.17	1.00	1.00	6.00	337.93
2014	85.05	31.41	142.20	65.91	1.00	1.00	6.00	332.57
2015	80.08	29.75	139.71	60.75	1.00	1.00	5.50	317.79

10 YEAR ANALYSIS OF TAXES

Year	Median Sale	Mills	Taxes	Mills 12% Reduction	Eff Taxes	Inflation	Inflation Cum
2006	\$ 142,850.00	449.99	\$ 2,892.65			3.23%	3.23%
2007	\$ 144,700.00	446.99	\$ 2,910.58			2.86%	6.18%
2008	\$ 149,900.00	441.38	\$ 2,977.33			3.85%	10.27%
2009	\$ 154,982.00	365.91	\$ 2,551.93			-0.35%	9.88%
2010	\$ 162,200.00	370.68	\$ 2,705.59			1.62%	11.66%
2011	\$ 165,416.00	395.37	\$ 2,943.02			3.17%	15.20%
2012	\$ 170,000.00	390.52	\$ 2,987.48	337.93	\$ 2,585.16	2.08%	17.60%
2013	\$ 192,000.00	337.93	\$ 2,919.72	297.38	\$ 2,569.36	1.48%	19.34%
2014	\$ 201,784.00	332.57	\$ 3,019.83	292.66	\$ 2,657.43	1.63%	21.29%
2015	\$ 220,000.00	317.79	\$ 3,146.12	279.66	\$ 2,768.63	0.12%	21.43%
Change Since 2006	54%	-29%	9%	-38%	-4%	19.7%	21.43%

Where does your tax dollar get spent?



MAJOR NORTH DAKOTA CITY COMPARISON

POPULATION / TAXABLE VALUE COMPARISON

City	Estimated Population	2015 Taxable Valuation	2014 Taxable Valuation	Increase Percentage
Fargo	113,500	\$ 436,837,979	\$ 387,008,093	12.88%
Bismarck	61,272	\$ 324,136,621	\$ 290,448,208	11.60%
Grand Forks	58,277	\$ 193,328,437	\$ 180,137,234	7.32%
Minot	41,888	\$ 228,630,129	\$ 211,179,360	8.26%
West Fargo	33,471	\$ 113,738,389	\$ 98,891,772	15.01%
Williston	30,000	\$ 160,989,816	\$ 134,790,374	19.44%
Dickinson	27,500	\$ 135,900,511	\$ 107,339,063	26.61%
Mandan	20,820	\$ 68,418,167	\$ 57,550,657	18.88%
Jamestown	15,500	\$ 38,207,759	\$ 33,163,612	15.21%
Wahpeton	7,903	\$ 16,035,092	\$ 15,170,641	5.70%
Devils Lake	6,711	\$ 15,224,757	\$ 14,465,662	5.25%
Valley City	6,676	\$ 16,000,470	\$ 14,001,257	14.28%

MILL LEVY / PROPERTY COMPARISON

City	2015 Consolidated Mill Levy	2015 City Mill Levy	Tax on \$125,000 Res w/credit	Tax on \$125,000 Com w/credit
Williston	179.46	30.99	\$ 844	\$ 938
Dickinson	221.07	41.64	\$ 1,040	\$ 1,155
Bismarck	243.60	37.09	\$ 1,146	\$ 1,273
Minot	269.44	77.05	\$ 1,267	\$ 1,408
Mandan	279.75	66.66	\$ 1,316	\$ 1,462
Fargo	317.32	55.00	\$ 1,492	\$ 1,658
West Fargo	317.79	80.08	\$ 1,494	\$ 1,660
Valley City	320.22	83.19	\$ 1,506	\$ 1,673
Jamestown	328.32	102.43	\$ 1,544	\$ 1,715
Devils Lake	336.97	93.71	\$ 1,585	\$ 1,761
Grand Forks	343.08	99.08	\$ 1,613	\$ 1,793
Wahpeton	397.47	112.19	\$ 1,869	\$ 2,077

APPENDIX SUPPORTING INFORMATION

OVERVIEW OF ASSESSMENT FUNCTION

The overall function of the West Fargo Assessment Department is to maintain a record of property ownership boundaries and estimate the value of, or appraise, all property in West Fargo. This encompasses many varied tasks and responsibilities but all serve toward that overall objective.

PROPERTY OWNERSHIP MAINTENANCE

This is accomplished by analysis of the various instruments by which property rights may be acquired, transferred, or disposed of. This department collects all such instruments that have been legally recorded and reflects the status of property ownership in the city as of the assessment date: February 1st of each year.

PROPERTY APPRAISAL

This department conducts extensive analysis of the factors affecting the value of all classes of property. Once the forces that affect property value are quantified, new and existing properties are appraised on an individual basis. This is done by appraising all new properties as they are constructed and periodically reappraising existing properties by type or location.

Market forces that affect the value of real estate over broad subclasses of property are dealt with by the Assessment Department through a process called value trending. This involves applying value changes uniformly across various classes of property based upon careful statistical analysis.

PROPERTY TAXES

The North Dakota property tax is an ad valorem tax. This means, simply, a tax according to value. Property taxes are based on the value of property. The Assessment Department's roll is to make sure that every property is equitably assessed so the property owners pay only their fair share of that tax burden.

Property taxes are an important source of revenue for local governments. It pays for those services that are provided close to home such as schools and roads. Everybody who farms, owns a home or has a business pays property tax.

The total amount of the property tax to be collected annually is a product of the various taxing authorities (city, county, school, park) setting their budgets. The budgets indicate how much revenue must come from property taxes which are then levied against the total taxable valuation of property in West Fargo.

Once the budgets are set, the total amount to be collected is divided by the total taxable valuation of all properties in the city. That results in the mill levy. To determine an individual property tax liability, the total appraised or market value determined by the assessment office is taken times assessment factors and that result is then taken times the mill levy.

For example: The market value of a home is appraised at \$150,000. It is calculated using the current 12% discounted mill rate.

$$\begin{aligned} & \$150,000 \times 50\% \text{ Assessment Factor} = \$75,000 \text{ or assessed value} \\ & \$ 75,000 \times 9\% \text{ Residential Factor}^* = \$6,750 \text{ or taxable value} \\ & \$ 6,750 \times .27966 \text{ Mill Levy (2015)} = \$1,888 \text{ or consolidated tax} \end{aligned}$$

*Commercial and Agricultural Factors are 10%

In order to assure that there is fairness in the property tax of West Fargo, we must be concerned with equitable treatment in how we place our values on properties. The major concern in the data collection effort is that all information is collected for each property, notes are thorough and accurate for future use, and all contact with the public is professional and courteous.

ASSESSMENT ADMINISTRATION IN NORTH DAKOTA

Who is responsible for assessing property in North Dakota? Assessment officials are at the township, city, and county levels. Currently in the State of North Dakota there are 53 counties, 357 cities and 1833 townships served by 1,046 assessment officials.

WHO ARE ASSESSMENT OFFICIALS?

- County Directors of Equalization are appointed by the Board of County Commissioners. Each county makes their own appointment.
- City Assessors are appointed by their local governing board. There are two classifications of city assessors. Class I are for cities with populations exceeding 5,000 and Class II are for cities with populations less than 5,000. Williston is the only one of the larger cities in North Dakota that does not have a city assessor. This function is performed by the County Director of Equalization.
- Township assessors are either appointed by township supervisors or elected at the township's annual meeting.

WHAT ARE THEIR RESPONSIBILITIES?

- Identify all taxable property within their jurisdiction.
- Determine true and full value of all taxable properties.
- Equalize valuations of similar properties.

WHAT ARE THE REQUIREMENTS FOR BECOMING AN ASSESSMENT OFFICIAL?

- County Tax Directors must become certified by the State Supervisor of Assessments within three years of becoming appointed. Certification is obtained by completing 190 hours of approved and tested education specific to assessment and real estate appraisal.
- Class I City Assessors must be also become certified by the State Supervisor of Assessments within three years of becoming appointed. They must obtain 150 hours of approved and tested education specific to assessment and real estate appraisal.
- Class II City and Township Assessors must be certified by the State Supervisor of Assessments within 12 months of becoming appointed or elected to the position. The assessor must attend at least 24 hours of assessment and appraisal education or challenged instruction. Successful completion of a statewide standard exam is also required.
- County Directors and Class I City Assessors must obtain 40 hours of approved continuing education every 4 years to maintain their certifications.
- Township and Class II City Assessors must attend an annual assessor seminar conducted by a certified County Director of Tax Equalization to maintain their certifications. The seminar must be of a minimum of four hours.

UNDERSTANDING YOUR ASSESSMENT

Most property owners are concerned about the rising property taxes. To express their concern effectively, a property owner must understand the two parts of the property tax system: TAXATION and VALUATION.

WHAT CAUSES PROPERTY VALUES TO CHANGE?

The most obvious reason is that the property itself has changed. A bedroom was added, the basement was finished, or the property was rehabbed. A less obvious, but more frequent, cause of change is that there was a change in the market itself. If a major employer leaves the area, property values can collapse, or if a once decaying neighborhood, with good starter homes, is discovered by young first time home buyers, prices can start to rise. Additionally larger, more expensive homes may take longer to sell resulting in reduced prices to allow for a quicker sale, while at the same time more affordable housing is in high demand increasing its value. In a stable neighborhood without any undue influence from the market, inflation alone may increase property values.

PROPERTY OWNER MISCONCEPTIONS

The notion that a change to the assessed value of a property changes the property taxes at the same percentage is one of the biggest misconceptions in property taxation. There are many parts that make up the taxation process that can have as much, if not more, bearing on property tax calculations.

Assessors determine the total true and full value of a property using standards and practices set forth by the state. This is the foundation of the property tax system. Assessment officials strive to set fair and equitable values for property owners. If true and full values are fair and equitable, then everyone should be paying their fair and equitable share of the property tax. Taxing entities such as county, city, park, and school boards decide how much money their budgets need to operate for the up-coming year. That is how the actual tax dollar is decided.

For example: the combined budget for all taxing entities is \$1,000,000 and the assessor has determined that the total valuation of all taxable property is \$100,000,000. A tax rate is calculated by dividing the amount of needed tax collections by the total valuations.

$1,000,000 / 100,000,000 = 1$ percent tax rate. On a \$100,000 valuation the taxes would equate to be \$1,000.

If the assessor doubles all property valuations and the budget amount remains the same, the tax rate is reduced, but the tax amount stays the same. $1,000,000 / 200,000,000 = 0.5$ percent tax rate. On a now \$200,000 valuation, the taxes would still equal out to \$1,000. The property valuation doubled but the taxes remained the same. If the property value increases but the taxing authority maintains the current

tax rate, the taxes will rise. The jurisdictions can receive more money without changing the tax rate because the value increased. $\$200,000 \times .01 = \$2,000$.

Likewise, if the assessor was to lower all valuations by 25% and the budget amount remained the same, the tax rate would increase and the tax amount would remain the same even though the valuation decreased. $\$1,000,000 \text{ budget} / 75,000,000 = .0134 \text{ tax rate}$. A previous value of $\$100,000$ lowered to $\$75,000$ would still pay $\$1,000$ in taxes. $\$75,000 \times .0134 = \$1,000$.

WHAT IF THE VALUATION IS INCORRECT?

If a property owner believes the true and full value of their property is incorrect, they should contact the assessor's office for a review. The property owner should ask:

- How the assessor values property.
- How to gather information about their property and comparable properties.
- How the appeal process works and what the deadlines are.

It is the property owner's responsibility to furnish good information about their property to the assessor. An appraisal of your property is only as good as the known information. A property owner would not want to seek a mortgage on the property without a private appraiser knowing all there is regarding the property. Likewise, a property owner can't expect an assessor to fairly assess their property without knowing all there is regarding the property.

CAN A PROPERTY OWNER APPEAL?

An assessment appeal is not for complaints about high property taxes. If, as a property owner, you feel that your property taxes are too high, you will NOT win an appeal. High property taxes are an issue for the entities who determine budgets.

A valuation can be appealed if:

- Items that are affecting the valuation are incorrect on the property records. For example there is only one bath, not two; a double stall garage not a triple; or the square footage of property is wrong.
- Evidence that comparable properties are selling for less than the true and full valuation of your property.
- The property valuation is accurate but unfair because it is higher than the estimated value of similar properties.
- Property is eligible for an exemption that was not granted by the assessment officials.

If a property owner believes there may be a possible error in their valuation, the first step would be contacting the assessor's office for an informal meeting to discuss the valuation. At this meeting you can expect to:

- Review the facts of the property record with the assessment personnel.
- Determine if the information is correct pertaining to your property.
- Develop an understanding of how your property valuation was estimated.
- Check that the value is fair when compared to other similar properties in your neighborhood.
- Ask if there are any exemptions that you may qualify for that can help ease your tax burden.

Information regarding a formal appeal of your valuation can be obtained from your assessor. Remember, you will not win an appeal because you feel that taxes are too high. The appeal is only for determining if your valuation is true and fair.

For a formal appeal a property owner must have documentation showing that the valuation is incorrect. A board of appeals will not be able to make a decision that your valuation is incorrect unless it is proven; they will not take your word on it. The assessment staff will be there with documentation to inform the board of how the valuation was determined. The property owner must be able to prove to the board that there is a problem with the valuation. At appeal, it is recommended that you provide some of the following documentation:

- Comparable properties in the neighborhood which are assessed less than your property.
- A recent appraisal of your property which indicates true and full market value ~ not just what a bank is willing to lend on.
- Copies of your property records, and neighboring property records, to show that the properties were not assessed in the same manner.
- Recent sale information regarding similar properties with documentation to prove the properties are comparable.

An appeal board is only interested in the fairness and accuracy of the value placed on the property. They are not able to lower valuations because the property owner can't afford to pay the taxes, or feels that the property tax is too high. The assessment staff is an ally, they are not an adversary. Staff is trained to be respectful, calm, polite and helpful. If a property owner returns the same respect, the staff is better able to concentrate and be more helpful in gathering the information needed for an appeal.

SALES RATIO EXPLAINED

The sales ratio studies are conducted annually by the ND State Tax Commissioner's Office to insure that the local jurisdictions are in compliance with setting property values. Every property that sells in the City of West Fargo is filed with the state indicating the adjusted sales price (house, lot and special assessment balance) and the true and full value. If the prior year sales percentage is not within the tolerance range, which for 2015 is 90-100% of the true and full value, then the City of West Fargo would need to increase the valuations to bring the overall values into compliance. Value adjustments for new construction or exemptions expiring are not considered in these increases.

DEFINITIONS:

Median Ratio: A measure of central tendency. Median is affected by the number of observations and is not distorted by the size of extreme ratios. This is used by the State Board of Equalization when equalizing residential and commercial property assessments. Individual ratios of the sales are arranged in order of magnitude, and then the middle ratio in the series is the "Median Ratio".

Price Related Differential: A measurement of the relationship between the ratios of high-value and low-value properties to determine if the value of property has any influence on the assessment ratio. If the PRD is 1.00, there is no bias in the assessment of high-value properties in comparison to those for low-value properties. If the PRD is greater than 1.00, then owners of lower-value properties are paying a greater amount of tax relative to the owner of a high-value property. And conversely, if the PRD is lower than 1.00, the opposite is true.

Coefficient of Dispersion: The most generally useful measure of variability is the coefficient of dispersion (COD). It measures the average percentage deviation of the ratios from the median ratio or how far from the median point the majority of the property falls. The tighter the range the better and more equalized your property valuations are. West Fargo will receive the finalized 2015 assessment ratio from the ND State Tax Commissioner's Office in April.

EXEMPTIONS EXPLAINED

There are two types of exemptions allowed under North Dakota Statute. They are discretionary and non-discretionary. To better understand the dollar effect that exemptions have on a political subdivision, it is best to understand what discretionary and non-discretionary exemptions are.

DISCRETIONARY

Discretionary exemptions are those exemptions that a governmental body can choose to grant or not grant. West Fargo currently has the following discretionary exemptions available to our property owners:

- **Residential Exemption for New Construction** which offers a \$150,000 reduction of the building's value on newly constructed homes for the first two full years after completion of construction. The builder is also afforded the exemption for single family homes up to \$150,000 on five homes only. This exemption is filed for upon purchase of the home for the buyers and by February 1st of each year for the builders.
- **Remodeling Exemption for Improvements to Commercial and Residential Buildings** offers an exemption on only the new value added by the project. The exemption can be for 3 or 5 years depending on the scope of the project. The property continues to pay property tax on the existing value. The exemption must be filed for prior to February 1st of the year following the completion of the project. It is an exemption that is granted to both residential and commercial projects.
- **New and Expanding Industry Exemption and the Payment In Lieu of Tax (PILOT)** programs offer businesses that are expanding an opportunity to forgo taxes or make a payment in lieu on the project by meeting specific guidelines set forth by the city. This program is used by businesses that have expanded the size of their facility or have built a larger facility to expand into. The exemption, depending on the scope of the project, can be for 5 to 10 years. Some exceptions can allow a property to become exempt for up to 20 years. The New & Expanding Industry exemption must be applied for prior to start of construction and the PILOT must be applied for prior to occupancy. The eligibility for continuance is reviewed annually by the City Commission.
- **Renaissance Zones** were created by some jurisdictions to help in the restoration of core areas of their cities. This is the only exemption that partners with State of North Dakota allowing for income tax exemptions as well as five years of property tax exemptions. It applies to both residential and commercial property projects and must be applied for and granted by both the city and the state prior to start of construction.
- **Tax Increment Financing Districts** are set up to help in the development of blighted areas. The existing tax base is frozen and the tax dollars generated by new growth in these TIF areas are applied to special assessments.
- **Disability Exemptions and Credits** are available for low income senior citizens and disabled persons through a variety of exemptions. According to statute, these exemptions reduce the amount of tax paid by service connected disabled veterans, low income seniors / disabled persons, the blind, or wheel chair property owners. The exemptions and credits range from \$75,000 to \$160,000 of the structure's value. Most applicants must apply annually for the credits. The State of ND refunds jurisdictions for the amount of the tax payments lost to credits.

NON-DISCRETIONARY

Non-discretionary exemptions are those properties that are given exemptions by the North Dakota statute. Local governmental agencies have no control over whether these exemptions are granted or not. Listed below are property ownership types that are entitled to non-discretionary exemptions:

- **Government Owned Properties** such as those owned by cities, schools, park districts, and state or federal government. Buildings like City Hall, the High School, or the Post Office are never added to the tax rolls. These types of property do not even have an application process, but are simply granted an exemption due to ownership.
- **Religious Organization's Properties** that are used exclusively for religious purposes like churches, parsonages, parking lots, or cemeteries are exempt from taxation. If a religious organization were to hold a vacant lot among their assets not used in conjunction with the church, that lot is taxable. Along the same lines, if a church owned the apartment building next door for future expansion, the apartment building is taxable. Religious organizations file an annual application for the exemption.
- **Charitable Property** that is owned by for non-profit entities is eligible for exemptions. Some examples are Sheyenne Crossing's nursing home facility and the home for unwed mothers. Lodges such as the VFW are exempt on portions of their building used exclusively by the organization and not open to the public. These types of organizations apply annually for their exemption.
- **Group Homes** used to care for dependent individuals also are granted non-discretionary exemptions through an annual application process. West Fargo currently has homes for the developmentally disabled that are operated by Frasier Inc and Red River Human Services.
- **Farmers** are given an exemption on their buildings used for agricultural purposes and on their homes. Because of the recent annexations, West Fargo has one retired farmer that qualifies for the farm exemption. They submit an annual application form for this exemption. As long as they continue to live on their original homestead and do not plat the lands, they will continue to be exempt.
- **Solar, wind or geothermal energy systems** are not taxable. The value of the energy systems are not added on to the property. There are so few in our area that it is difficult to ascertain what added value they bring to the sale. Since the value is not added to the tax rolls there is no need to have the individuals filing annually.

EFFECT OF THE EXEMPTIONS

If an entity is giving one property owner a break in taxes, it is reasonable to assume that this will have an effect on other properties.

- Exemptions reduce the tax base for all political subdivisions in which the property is located. A reduced tax base means reduced tax revenues collected by political subdivisions. When the city grants an exemption, the loss of revenue is felt mainly by the school district which gets the largest share of the tax dollar.
- An exemption affects the county, water districts, state, and park districts as well as the city. So it is the city's responsibility to act wisely and prudently when granting exemptions. Cities must look for future revenue and other benefits received from those who are granted the exemptions to see if they outweigh the tax dollars lost.
- Property exempt by local discretion or charitable status may be included in optional levy calculations, thereby allowing collection of revenue by raising the tax rate on taxable property. (NDCC § 57-15-01.1) This results in a higher mill rate and higher taxes on taxable property while no taxes are levied on exempt property.

CITY BOARD OF EQUALIZATION STATUTES

CHAPTER 57-11

CITY BOARD OF EQUALIZATION

Section

- 57-11-01. Membership of Board - Quorum – Meeting
- 57-11-02. Duties of Auditor
- 57-11-03. Duties of Board - Limitation on Increase - Notice
- 57-11-04. Application for correction of assessment
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- 57-11-06. No reduction after session of Board - Exception
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57-11-01. MEMBERSHIP OF BOARD - QUORUM - MEETING.

1. The Board of Equalization of a city consists of the members of the governing body, and shall meet at the usual place of meeting of the governing body of the city, on the second Tuesday in April in each year. The executive officer of the governing body shall act as chairman, but in the executive officer's absence the governing body may elect one of its members to preside. A majority of the board constitutes a quorum to transact business, and it may adjourn from day to day until its work is completed. In case a quorum is not present at any time, the clerk may adjourn from day to day and publicly announce the time to which the meeting is adjourned.
2. Notwithstanding the provisions of subsection 1, if the same person performs the duties of assessor for two or more cities or townships, the city auditor may, after consultation with the assessor involved, designate the hour and day in the month of April at which the meeting provided for in subsection 1 must be held for each City Board of Equalization; provided, that notice of the hour and day must be published in the official newspaper of the political subdivisions involved and posted at the usual place of meeting by the city auditor at least ten days before the meeting.

57-11-02. DUTIES OF AUDITOR.

The city auditor, as clerk, shall keep an accurate record of all changes made in valuation, and of all other proceedings, and, within ten days after the completion of the equalization of the assessment, shall deliver the assessments as equalized to the county auditor of the county in which the city is situated, with the city auditor's certificate that the assessments are correct as equalized by the City Board of Equalization. The assessment as equalized must be accepted by the Board of County Commissioners in lieu of all other assessment rolls for the property in said city.

57-11-03. DUTIES OF BOARD - LIMITATION ON INCREASE - NOTICE.

At its meeting, the Board of Equalization shall proceed to equalize and correct the assessment roll. It may change the valuation and assessment of any real property upon the roll by increasing or diminishing the assessed valuation thereof as is reasonable and just to render taxation uniform, except that the valuation of any property returned by the assessor may not be increased more than twenty-five percent without first giving the owner or the owner's agent notice of the intention of the board to increase it. The notice must state the time when the board will be in session to act upon the matter and must be given by personal notice served upon the owner or the owner's agent or by leaving a copy at the owner's last-known place of residence.

57-11-04. APPLICATION FOR CORRECTION OF ASSESSMENT.

During the session of the board, any person, or the attorney or agent of any person feeling aggrieved by anything in the assessment roll, may apply to the board for the correction of alleged errors in the listing or valuation of real property, and the board may correct the errors as it may deem just.

57-11-05. ADDING PROPERTY TO ASSESSMENT LIST.

The Board of Equalization shall place upon and add to the assessment roll any real property subject to taxation which has been omitted by the owner or the assessor and shall enter the property at a valuation which will bear an equal and just proportion of the taxation.

57-11-06. NO REDUCTION AFTER SESSION OF BOARD - EXCEPTION.

After the adjournment of the board each year, neither the governing body of the city nor the city Board of Equalization may change or alter any assessment. Neither may the governing body or the Board of Equalization reduce or abate, or authorize the reduction, abatement, or return, of any taxes levied upon such assessments for any cause except that the property assessed was not subject to taxation at the time the assessment was made.

57-11-07. EFFECT OF FAILURE OF BOARD TO MEET.

The failure of the Board of Equalization to hold its meeting does not vitiate nor invalidate any assessment or tax except as to the excess of valuation or tax thereon shown to have been made or levied unjustly.