

**2021**  
**ASSESSMENT**  
**REPORT**



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Table of Contents

Summary .....2

2021 Assessment from a Historical Perspective.....3

Tax Capacity .....5

The Residential Market .....5

    Residential Sale Data .....7

The Apartment Market .....9

The Commercial and Industrial Market.....10

    Office Market .....11

    Industrial Market.....12

    Retail and Hotel Market .....12

Serving the Public.....13

    Property Data .....13

    Sales Data.....14

    Sales Ratio Standard.....14

    Review Process.....15

    The Appeals Process .....15

    Appeal History .....16

    Tax Court .....16

        Commercial Petition Activity.....17

        Residential Petition Activity .....17

    Public Information and Citizen Relations .....18

    Assessing Staff.....19

    2021 Assessment Calendar.....20

Appendix: Statutory Requirements.....21

    General .....21

    Veterans Exclusion.....22

Report Date: March 8, 2021

## Summary

- The total estimated market value for Minnetonka in assessment year (AY) 2021 is \$11.19 billion, a 3.91 percent increase from \$10.77 billion in AY 2020. Approximately 70 percent of the total market value comes from residential property, while about 30 percent comes from commercial, industrial, and apartment properties. The table below outlines the growth (including new improvements) in the market by major property classifications:

	<b>Overall Growth</b>	<b>Total Change (millions)</b>
Single-family Residential	3.7%	\$209.8
Lakeshore	3.2%	\$12.5
Townhouses	5.4%	\$34.7
Condominiums	6.5%	\$36.5
Commercial	-0.7%	(\$11.7)
Industrial	4.1%	\$15.0
Apartments	10.6%	\$101.0
Other Property Types	9.0%	\$23.5
<b>Total Change</b>	<b>3.9%</b>	<b>\$421.1</b>

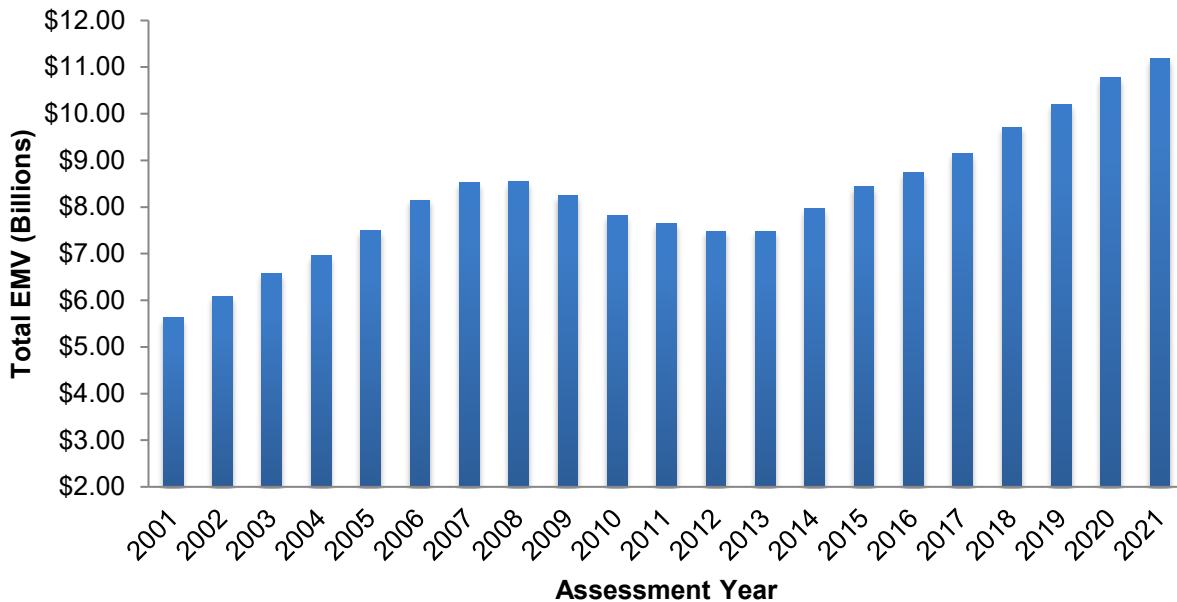
- Due to the COVID 19 pandemic, we did change our business model regarding interior inspections on all properties. Interior inspections were suspended for the 2021 assessment as a safety measure for citizens and staff. Staff is currently relying on GPS technology, exterior inspections and telephone interviews with property owners to verify data as accurately as possible. We are proceeding into the 2022 assessment with the same precautions and will continue the no interior inspections policy until further notice.
- Single-family home sales volume was down five percent for AY 2021. The number of qualified residential sales has remained over 500 for the past six years. Our lowest point in sales volume occurred in AY 2012, where we had 65 percent fewer sales than AY 2021.
- Apartment values continued to climb this year. Values on existing apartments increased three percent, while the overall change (including new construction) was 10.6 percent.
- Overall industrial growth was up 4.1 percent showing little or no effect from the pandemic. Commercial growth was tempered by downturns in the hotel market and parts of the retail market.
- The new construction value declined in 2020 in part because of the amount of new apartments completed in 2019. There was \$157 million in total new construction throughout 2020 compared to \$193 million in 2019. That still includes a significant amount of new apartment construction value at over \$78 million.
- The 9% growth of "Other Property Types" was due to land, seasonal, and other miscellaneous property types.

# 2021 Assessment from a Historical Perspective

The 2021 property assessment for Minnetonka is complete. Property owners will receive a Notice of Estimated Market Value in March. The 2021 property assessment applies to property taxes payable in 2022 and reflects market conditions between October of 2019 and September of 2020. With values finalized, we have a clear picture of the overall movement in the city’s real estate market.

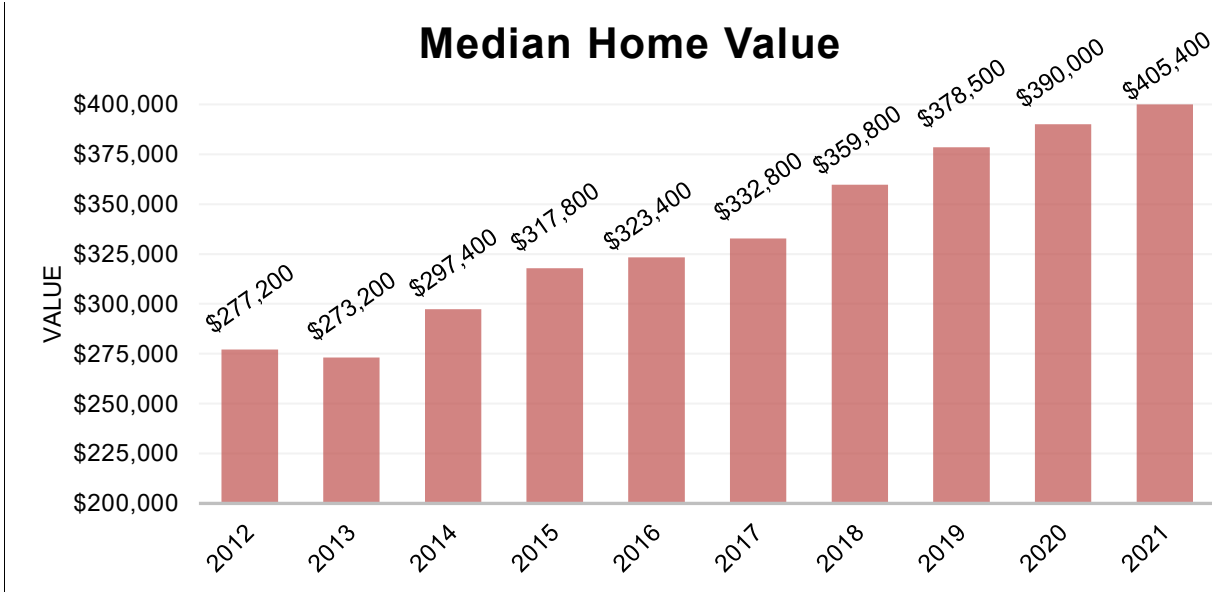
Minnetonka has typically experienced steady growth in the market value of real property since the early 1990’s. The City of Minnetonka was not immune to the economic downturn that affected real estate values throughout the Twin Cities metro area and most of the nation during the Great Recession. As depicted in the chart below, the 2009 assessment was the first year of declining values, which continued through the 2013 assessment. We have had eight years of value growth since 2013, with a 3.9 percent increase in AY 2021. The total estimated market value of real estate in Minnetonka is \$11.19 billion, establishing a new high, above the peak of \$10.77 billion in assessment year 2020.

## Total Estimated Market Value



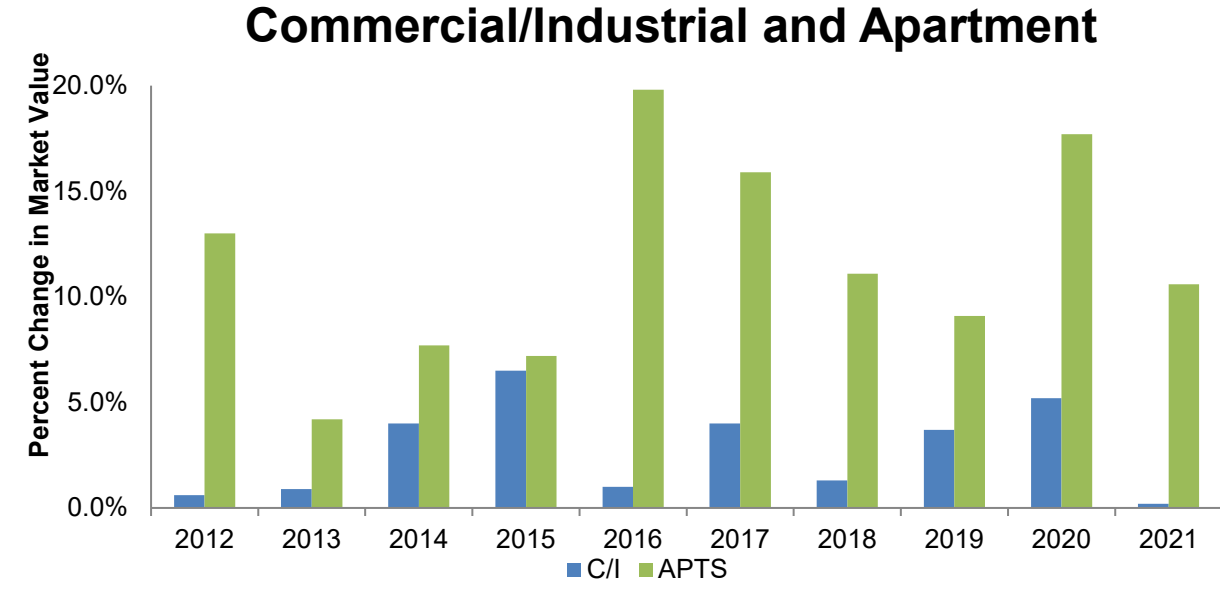
The decline in the overall market value of the city between assessment years 2009 and 2013 came from both the residential and commercial sectors. In the residential sector, the median home value reached its low in AY 2013, with a median value of \$273,200. As the following chart indicates, the median home value has increased for eight consecutive years, bringing us to the 2021 median home value of \$405,400.

\*The Minnetonka data and statistics used in this report are from the 2021 assessment approved by Hennepin County on February 12, 2021. The data and statistics may not precisely match the 2021 Hennepin County Assessment Report due to the timing or the methodology used in calculating the statistics.



The combined commercial/industrial markets began to stabilize in AY 2011. After strong overall growth in AY 2014 and AY 2015, it again stabilized in AY 2016, with values increasing by one percent. For AY2021, The commercial/industrial markets remained relatively flat. The increase in industrial was offset by a slight decline in the commercial properties.

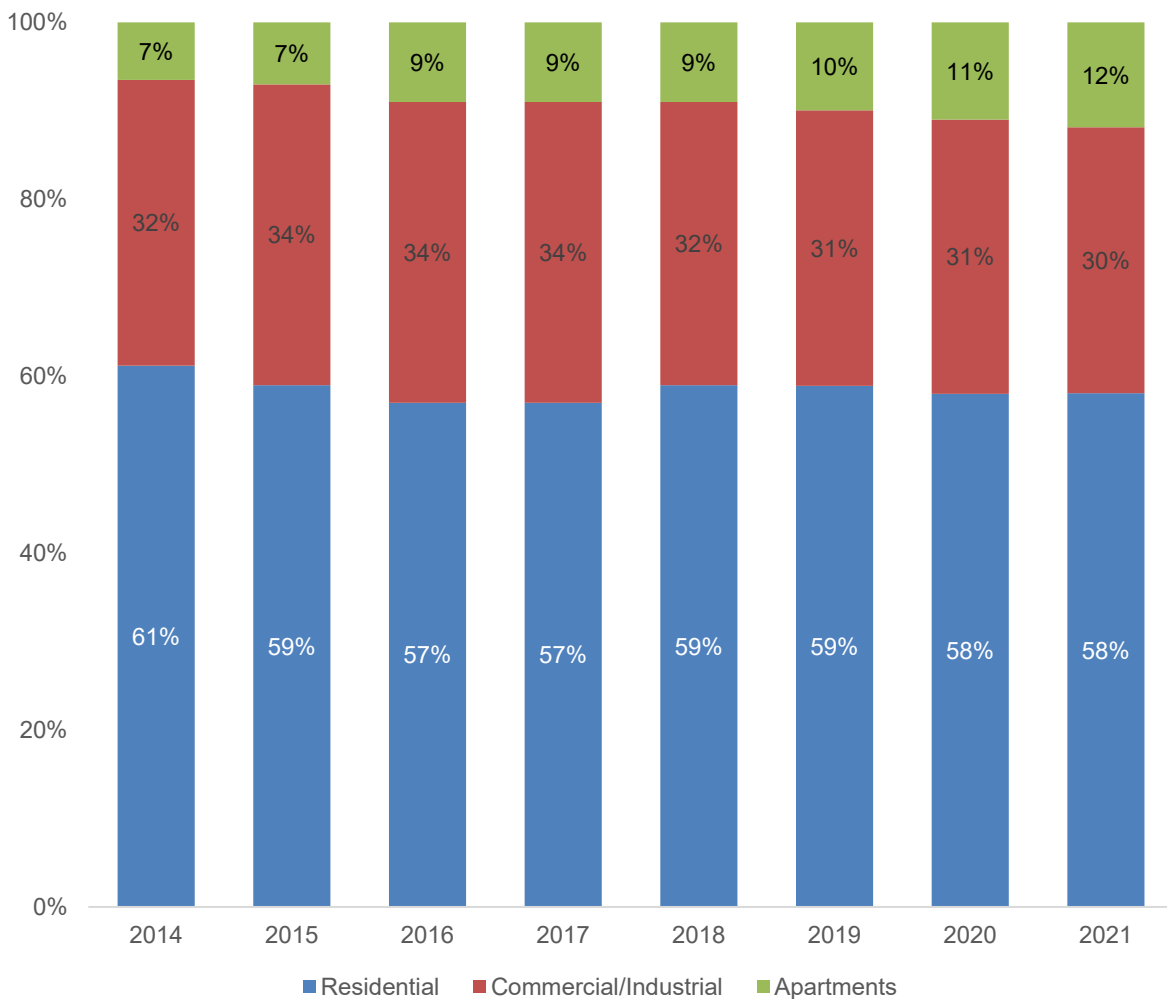
Apartment values have increased significantly over the past 10 years. The highest jump in value was 19.8 percent in AY 2016. This jump was due to both the addition of 395 units, and an 11.9 percent growth rate in existing units. Another 100 units were added to the market in AY 2017. The overall increase in AY 2017 was 15.9 percent, while the existing units increased by 13.2 percent. Over the past three years, 1,626 new apartment units have been added in Minnetonka. The overall value increase in AY 2021 was 10.6 percent, including three percent market growth on existing units.



# Tax Capacity

The property tax capacity of a city is structured by state law and is used to allocate property taxes each year. The total tax capacity is divided among property classes to determine the allocation of the property taxes paid by class. Tax capacity is a function of market value. When the proportions of value by property class within a jurisdiction change, the tax capacity changes. Single-family residential properties represent the majority of the total tax capacity in Minnetonka, followed by commercial/industrial, and then apartments. Even though 70 percent of the value in Minnetonka is generated by the residential market, only 58 percent of the tax capacity is residential, which is due to the higher class rates for commercial/industrial and apartments.

### Tax Capacity by Property Class



# The Residential Market

In Minnetonka, roughly 96 percent of the 20,910 taxable parcels are residential. The assessing staff uses city-wide comparisons of similar styles, qualities, and classes of homes in making the annual property assessment. This comparison results in the same market value adjustments applied to like-properties throughout the city. For example, an average-sized, three-bedroom rambler in the northeastern part of the city is valued based on the actual sale prices of similar ramblers throughout the city. Adjustments are made to the property for location, positive or negative attributes, to reflect the market value of the property. This provides more accuracy to account for the differences in the localized geographic area.

This system can be applied to all styles of homes (rambler, two-story, etc.) and allows the appraiser a range of judgment in setting the quality class for a particular home. When the quality class has been determined based on the physical characteristics, the appraiser applies a prescribed dollar rate to the square footage. The appraiser also adds or subtracts other dollar adjustments depending upon the specific features and characteristics. This technique is similar to fee appraisal techniques used in the private appraisal industry.

Single-family properties are grouped into geographic districts for the purpose of conducting the periodic physical inspections of properties. Quality features are re-examined at this time, along with other characteristics of the home. During the revaluation process, staff looks for markets within the geographic districts, which are studied individually to improve accuracy. The current revaluation process is completed on a five-year cycle to ensure that each property is physically reviewed every five years at a minimum. Due to the COVID 19 pandemic, we did change our business model regarding interior inspections on all properties. Interior inspections were suspended for the 2021 assessment as a safety measure for citizens and staff. Staff is currently relying on GPS technology, exterior inspections and telephone interviews with property owners to verify data as accurately as possible. We are proceeding into the 2022 assessment with the same precautions, and will continue the no interior inspections policy until further notice.

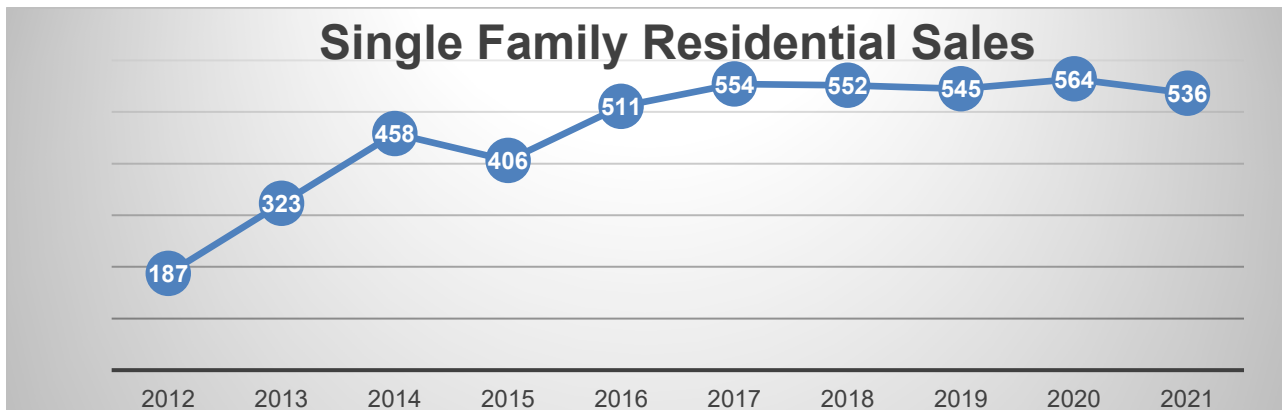
Staff uses the Local Government Information Systems (LOGIS) property data system (PDS) computer-aided mass appraisal (CAMA) to determine the market value for each residential property. This PDS system allows the appraisal staff to revalue each residential property on an annual basis. By revaluing both land and improvements on a yearly basis, the accuracy and equity of the assessment improves.

The LOGIS consortium continues to make updates as needed. Searching capabilities and data analysis continue to be improved, allowing the appraisers to do their work in a more timely fashion.

## Residential Sale Data

While a larger sample set generally provides greater precision in calculating the market value, staff carefully considers all factors that could affect current market conditions and makes adjustments accordingly. While on average, all residential sub-markets increased in value, not every parcel changed the same amount. Because of all of the factors that affect market value, some parcels increased above the average, while some increased at a much lower rate. A small percentage of parcels declined in value, which is typically due to changes in a submarket, or parcel specific characteristic changes during quintile or permit reviews.

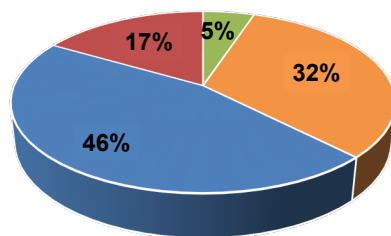
As illustrated in the following graph, the number of qualified single-family home sales in the past five years has consistently remained above 500.



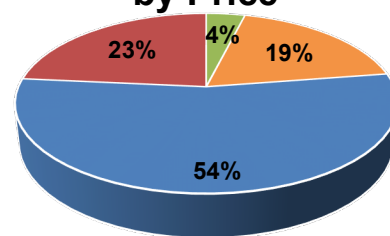
As the graphs below indicate, the largest segment of home sales for AY 2021 is represented by homes selling for \$350,000 - \$599,999 (54 percent), followed by homes selling for \$250,000 - \$349,999 (19 percent), then by homes selling for \$600,000 and higher (23 percent), and finally by homes that sold for less than \$250,000 (4 percent). The two higher-priced strata of sales combine to account for 77 percent of sales over the study period, indicating that the majority of sales continue to be in the higher valued homes.

The graphs below compare the distribution of single-family home sales from AY 2020 to the distribution of single-family home sales in AY 2021. The distribution of sales shifted 15 percent from the lower two segments to the higher two.

**2020 Distribution of Sales by Price**



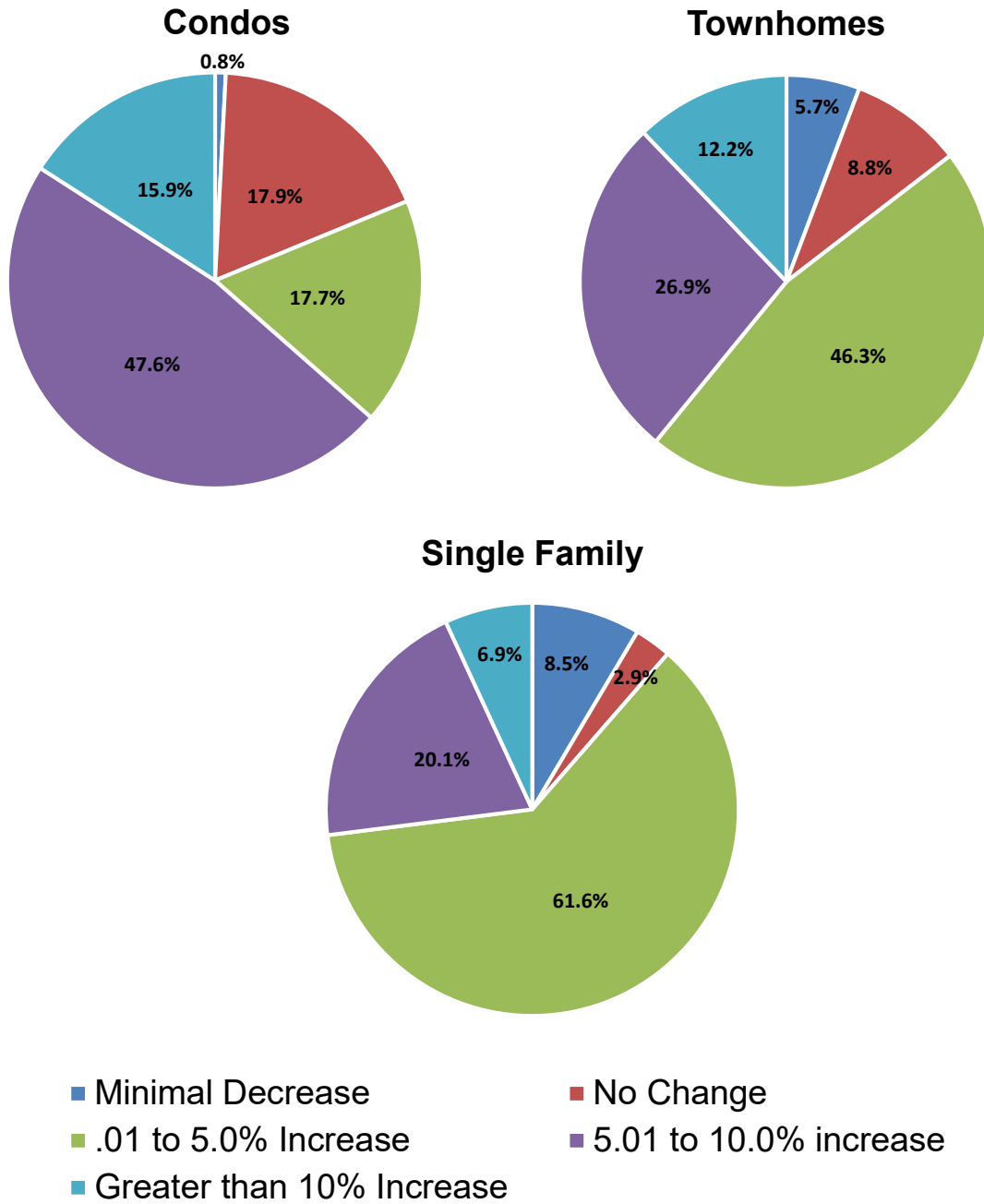
**2021 Distribution of Sales by Price**



- |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|
| ■ Less than \$250,000    | ■ \$250,000 to \$349,999 | ■ Less than \$250,000    | ■ \$250,000 to \$349,999 |
| ■ \$350,000 to \$599,999 | ■ \$600,000 and Higher   | ■ \$350,000 to \$599,999 | ■ \$600,000 and Higher   |

Various segments of the residential market are illustrated in the charts below. 73 percent of the single-family homes, 36 percent of the condominiums, and 61 percent of the townhomes show gains of five percent or less.

### 2021 Percentage Change in Value



Residential market data throughout neighboring jurisdictions is listed in the chart below. Throughout the west metro, single-family residential real estate net increases were in the range of 2.4 percent to 6.6 percent. Minnetonka’s growth of 3.7 percent was the median of these markets.

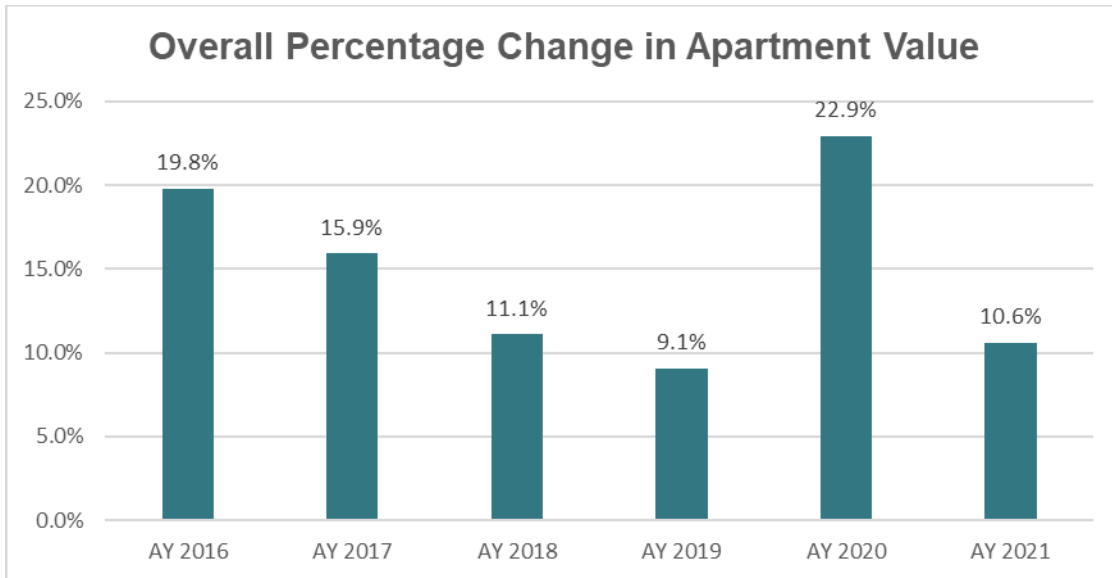
<b>Single-Family Market Adjustments</b>			
<b>Jurisdiction</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Edina	2.2%	0.0%	2.4%
Plymouth	3.1%	3.1%	3.0%
Eden Prairie	3.3%	0.3%	3.5%
Minnetonka	3.9%	2.6%	3.7%
Maple Grove	4.2%	4.2%	5.3%
Bloomington	8.3%	0.2%	6.6%
St. Louis Park	6.7%	1.3%	6.6%
<b>Average</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.4%</b>

## The Apartment Market

The apartment market in Minnetonka has remained stable amidst the COVID-19 pandemic. We have seen some minor decreases in rents, and increased vacancy rates compared to 2020. This is consistent with both the Twin Cities metro area and national trends. Sale prices per unit remain stable. Some of the factors driving the demand for apartments are empty nesters selling single-family homes and moving into rental housing, millennials flocking to the metro area for jobs, pent-up demand from the Great Recession, and the willingness of lenders to provide institutional financing.

As you can see in the chart below, Minnetonka has contributed to the active metro apartment market. Minnetonka has added 1,626 new multi-family units in the past three years, bringing the total number of units to 7,956. Market growth and new construction have contributed to a 36 percent overall increase in value over the past two years and a 91 percent overall increase over the past five years.

	<b>AY 2016</b>	<b>AY 2017</b>	<b>AY 2018</b>	<b>AY 2019</b>	<b>AY 2020</b>	<b>AY 2021</b>
<b>Total EMV:</b>	\$720,994,400	\$835,668,000	\$928,561,500	\$1,012,895,000	\$1,245,286,100	\$1,377,458,000
<b>New Value:</b>	\$ 47,423,300	\$ 19,450,000	\$ 35,957,000	\$ 28,725,000	\$ 119,001,000	\$ 94,468,000
<b>New Units:</b>	395	100	0	648	903	75
<b>Total Units:</b>	6,230	6,330	6,330	6,978	7,881	7,956

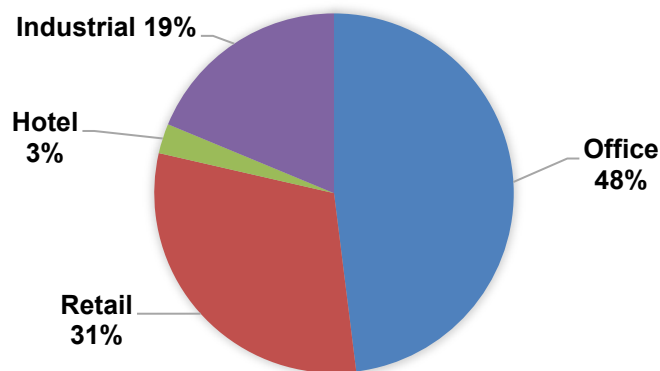


## The Commercial and Industrial Market

While only three percent of the assessed parcels in Minnetonka are commercial or industrial, these property types have historically comprised a significant share of the tax base (tax capacity). For AY 2021 (taxes payable in 2022), the commercial and industrial share is 30 percent.

Commercial properties consist of office, retail, and hotel sectors. The chart below displays the makeup of the commercial and industrial markets for AY 2021. The only change from AY 2020 is a one percent shift from the industrial sector to the office sector.

### MARKET VALUE BY COMMERCIAL AND INDUSTRIAL SECTOR



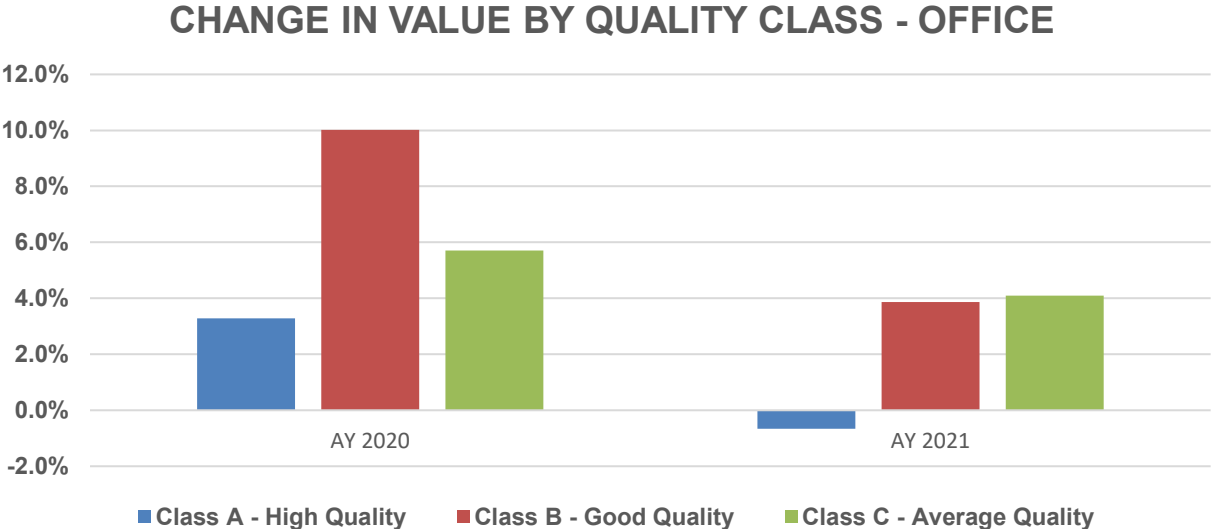
Changes in gross market values for these real estate sectors vary due to several factors. The various sectors within commercial real estate can move at different rates depending on demand within the sector. In addition, the quality and location of the buildings can play an important role in changes in value. Commercial real estate can be more sensitive to socio-economic trends as the general outlook of real estate investors is based on the anticipation of relatively short-term gains. The pandemic did have an effect on the commercial market for 2021. The biggest effect was in the retail sector, which shows a reduction in value. This is due mainly to lower values for traditional sit down restaurants, hotels and some shopping centers. The office market was up due to the increase in value of smaller offices. The 2021 industrial market saw 4.09 percent growth and did not seem to be affected by the pandemic.

COMMERCIAL MARKET VALUE CHANGE BY SUBMARKET AND ASSESSMENT YEAR							
	2015	2016	2017	2018	2019	2020	2021
Office	9.60%	-2.20%	4.40%	3.20%	2.90%	5.73%	1.54%
Industrial	0.40%	1.50%	9.60%	3.00%	9.50%	7.10%	4.09%
Retail	1.70%	2.10%	1.50%	0.50%	2.00%	3.79%	-1.75%

### Office Market

Class A (the highest quality) office space remained relatively flat for 2021. Even with the pandemic, rents and vacancies were stable. Sales were extremely limited which shows potential buyers and sellers are waiting on the sidelines to see how the pandemic will shape the use of office space in the near future.

For AY 2021, the increase illustrated in the following chart is due to continued growth in the smaller Class B and Class C space. These tend to be owner/user type buildings. They also tend to be less densely populated which is more adaptable to change during the pandemic.



There were six office market transactions in Minnetonka included in the analysis for the 2021 valuation. Four of these sales were at the end of 2019, before the pandemic was considered a factor. The six sales include the following:

- 11100 Bren Road West
- 9705 Data Park
- 5850 Opus Parkway
- 11055 Wayzata Boulevard
- 5101 County Road 101
- 17809 Hutchins Drive

New construction in the office sector for AY 2021 was mostly limited to tenant improvements and remodeling of existing buildings. Many Class B and C properties continued to be renovated to become more competitive in the future. As we look into 2021, with no new significant office projects in the pipeline at this time, we expect a similar trend.

## **Industrial Market**

The Minnetonka industrial market continues to show positive growth. Strong rents and stable vacancies continued throughout 2020. The pandemic seemed to have little effect on this market. The strongest part of the market is the flex-industrial product. These are the buildings constructed to be office and warehouse, “flexible”, so the office component can be increased or decreased at a reasonable cost. Although the flex-industrial led the way, all different types of industrial properties contributed to the AY 2021 industrial growth.

The city is experiencing a strong and stable industrial market with an increased occupancy rate. As the properties age and the community evolves, the city will likely continue to see the redevelopment and creative changes in the use of its industrial properties. Functional and well-located industrial properties are still in demand by investors.

## **Retail and Hotel Market**

The retail sector was another affected to some degree by the pandemic. Traditional sit down restaurants saw decreases due to extended shutdowns while fast casual and fast food restaurants saw moderate increases. The bigger shopping malls like Ridgedale and Westridge also saw a slight drop in value. Some of this is due to the pandemic, but also due to changing shopping habits of the general population.

Minnetonka’s hotel sector was hit the hardest by the pandemic. Hotels went down in value between 19%-29% depending on their level of service.

## **Commercial Net Growth**

The following chart displays the average net growth of seven adjacent cities surveyed for the 2021 assessment. The seven-city average was -2.4 percent. Minnetonka’s net commercial change was -1.1 percent, which is slightly better than the median of the other communities.

<b>Commercial Market Adjustments</b>			
<b>Jurisdiction</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Bloomington	2.5%	2.4%	-5.7%
Eden Prairie	2.0%	1.0%	-2.7%
Maple Grove	4.9%	3.5%	-2.5%
Edina	2.9%	4.4%	-1.8%
Plymouth	4.7%	4.9%	-1.8%
Minnetonka	2.0%	3.9%	-1.1%
St. Louis Park	8.0%	6.4%	-1.1%
<b>Average</b>	<b>3.9%</b>	<b>3.8%</b>	<b>-2.4%</b>

## Serving the Public

The purpose of the assessment process is to accurately estimate the market value of each parcel of property on an annual basis. As assessors, the Minnetonka assessing division upholds the Uniform Standards of Professional Appraisal Practice, which states, “An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.” The assessing office takes pride in serving the City of Minnetonka not only as public employees, but also as appraisers striving to provide impartial, objective, and independent values.

In order to best serve the public, there are many quality control processes in place. These quality checks include verifying data during property visits, using statistics to check the accuracy and equity of our assessment, and working with taxpayers during a review or an appeal.

## Property Data

The Minnetonka assessing division maintains a record of every real estate parcel in the city, including its size, location, physical characteristics, and condition. This record is verified and updated at least every five years during the quintile inspection, permit inspections, and when a physical review is requested by the property owner. As stated previously, interior inspections have been suspended for the 2021 assessment and for the 2022 assessment. Appraisers will rely on telephone interviews with property owners, online GPS technology and submitted photos if necessary. All data is retained electronically, allowing statistical comparisons of properties by type and location.

It is important to know that assessors use a mass appraisal process for valuing residential properties. Mass appraisal uses different techniques than the fee appraisals used by banks, mortgage companies, and others. The mass appraisal system used in Minnetonka involves the comparison of thousands of properties with the residential sales of homes throughout the city.

While differences exist between individual fee appraisals and mass appraisal, they are based on the same fundamental theories of value. Furthermore, any estimate is only as good as the data the appraiser has available. One primary difference between individual appraisals and mass appraisal is that the individual appraiser typically views the interior of the home, which provides the appraiser with a better sense of the quality and condition of the home and makes it easier to compare multiple homes. We encourage citizens to work with the assessing staff to view the interior of homes whenever possible, providing a fair assessment for all.

## **Sales Data**

Having the local assessment system operate effectively requires as much information about the local real estate market as possible. The assessing division makes a record of all property sales, using the electronic Certificate of Real Estate Value (eCRV) filed with the State of Minnesota for each property sale. When necessary, appraisers call the buyers or sellers in a transaction to gain more information about the circumstances of the sales.

In all cases, the assessing division carefully scrutinizes the sale information collected. Evidence that suggests a forced sale, a foreclosure, a sale to a relative, or anything other than an arms-length transaction requires the sales to be excluded from the sales study. This process is important because the real estate sales information constitutes the statistical comparisons necessary to make the property assessment.

## **Sales Ratio Standard**

The accuracy of the assessing division's estimated market values is measured by the sales ratio, which is simply the assessor's estimated market value divided by the actual selling price. For example, a house having its estimated market value assessed at \$285,000 and an actual selling price of \$300,000 results in a sales ratio of 95 percent ( $\$285,000 / \$300,000 = 0.95$ ). For all jurisdictions in the state, the accepted range for the median sales ratio measurement is 90 to 105 percent. In other words, the median (or midpoint) of the sales ratios for all properties sold should fall within 90 to 105 percent. Minnetonka's median sale ratio for the 2021 assessment is 95.5 percent.

With some changes to the sales ratio methodology set by the Department of Revenue, the median target ratio has a range to allow for slight variations if necessary. A sales ratio of slightly less than 100 percent is desirable to avoid having many properties valued at more than their actual market value. If the median sales ratio were at 100 percent, it would mean that half the properties are valued at less than market value and half are higher. On the other hand, a sales ratio of 95 percent means half the properties are below 95 percent of actual market value, while the other half remains above that 95 percent threshold. Therefore, the acceptable range is 90 to 105 percent, with a target of approximately 95 percent.

A measure of the equity of the property assessment is the coefficient of dispersion (COD). The COD measures the average deviation from the median or midpoint. The more closely the assessor's values are grouped around the midpoint, the more equitable the assessment, because relatively few properties have been valued too high or too low compared to actual selling prices. For older or heterogeneous areas like Minnetonka, a COD under ten percent is deemed acceptable. Minnetonka's 2021 assessment reflects a COD of 5.3 percent.

## Review Process

The review process is a crucial aspect of the mass appraisal system. Because some properties receive statistic-based adjustments to market value, the review process allows the assessing staff the opportunity to examine certain properties individually. Where there is evidence that a property has been valued inequitably, an appropriate adjustment is applied.

## The Appeals Process

The property appraisal system provides individual property owners the right to appeal. Minnetonka's assessment procedures offer this opportunity through inquiries from the property owners to the staff, appeals to the Local Board of Appeal and Equalization (LBAE), appeals to the County Board of Appeal and Equalization (CBAE), and appeals to the Minnesota State Tax Court.

Key steps in the market value appeals process are:

1. **Staff Review** – It is important for anyone having questions about their market value or the assessment process to contact the assessing staff. A vast majority of property owners' concerns can be resolved through this administrative review. The last day in which the assessing staff can make changes without having Local Board approval is ***April 2, 2021***.
2. **Local Board of Appeal and Equalization (LBAE)** – The Local Board of Appeal and Equalization will meet on ***April 12*** and ***April 26, 2021***. Staff will attempt to provide complete information regarding each property that is the subject of an appeal. We request that property owners contact the assessing division in advance of the meeting if they intend to appeal. The Minnetonka City Council appoints local real estate professionals as advisors to the LBAE. A property owner who is not satisfied with the assessing staff's review may appeal to the board. Property owners can reach the assessing division by phone at 952-939-8220 or by email at [assessor@minnetonkamn.gov](mailto:assessor@minnetonkamn.gov). Property owners who wish to be on the agenda are requested to contact the assessing division by ***April 2, 2021***, to notify staff of their intent to appeal.
3. **County Board of Appeal and Equalization (CBAE)** – Property owners may appeal the decision of the LBAE to the CBAE, which meets on ***June 14, 2021***. The property owner must first appeal to the Local Board to be eligible to appeal to the County Board. Owners are requested to call to make an appointment with the CBAE by ***May 21, 2021*** to be placed on the agenda. The number to call is 612-348-7050.
4. **State Tax Court** – Property owners may appeal the decision of the CBAE to the State Tax Court. Petitions regarding the 2021 value for taxes payable 2022 ***must be filed by April 30, 2022***. Petitioners may choose to appeal directly to the Minnesota Tax Court. It is common practice for commercial/industrial property owners to take this approach due to the complexity of the issues. For more information, contact the Minnesota Tax Court at 651-296-2806.

To provide a complete understanding about the appeals process, the assessing staff has posted information on the City of Minnetonka website to assist property owners. Staff may be reached at 952-939-8220.

## Appeal History

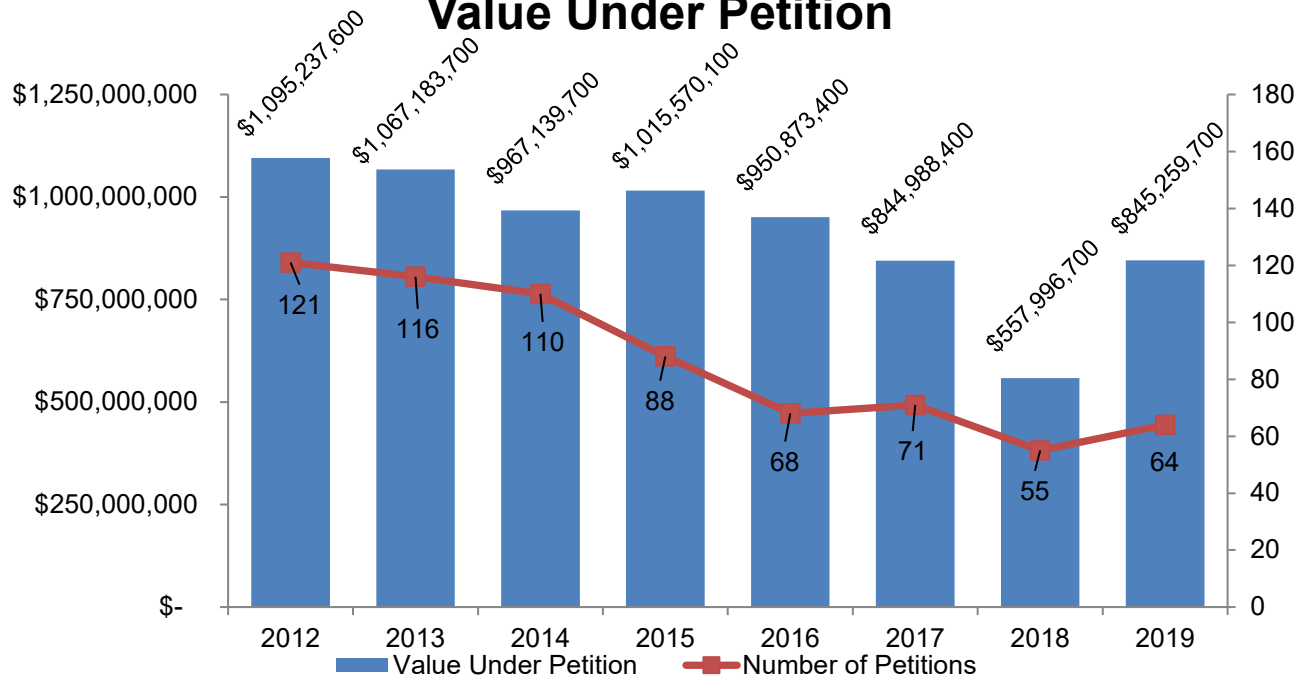
Below is a recap of market value inquiries and appeals over the past seven years. As illustrated, the number of formal appeals to the Local Board of Appeal and Equalization (LBAE) is typically less than one percent of the total parcels in the city. Between the mailing of notices on March 6, 2020 and the LBAE meeting on April 6, 2020, staff fielded 311 calls and reviewed 242 properties. Ultimately, 60 changes were made by the LBAE and 5 changes were made by the County Board of Appeal and Equalization (CBAE).

Local Board Appeal History							
	2014	2015	2016	2017	2018	2019	2020
<b>Total Parcels</b>	20,633	20,639	20,650	20,774	20,839	20,893	20,910
<b>Staff Inquiries</b>	454	378	257	289	474	351	311
<b>Staff Reviews</b>	371	227	166	155	271	286	242
Change/No Change	83/288	75/152	42/124	57/98	73/198	43/243	47/195
<b>Appeals to LBAE</b>	65	39	59	43	72	79	77
Change/No Change	61/4	34/4	54/5	39/4	52/20	66/13	60/17
<b>Appeals to CBAE</b>	2	0	1	0	11	6	9
Change/No Change	2/0	N/A	1/0	N/A	5/6	5/1	5/4

## Tax Court

In the past eight years, about \$7.4 billion in Minnetonka property value has been appealed by filing petitions with the Minnesota Tax Court. These petitions require a substantial amount of time and resources to resolve. Although the timeframe has been shortened with scheduling orders, many of these cases may remain on the tax court calendar for multiple years. During the interim, the property owners must continue to pay taxes. If a reduction in value is stipulated more than one year after the initial petition is filed, they receive a refund plus interest (at a rate determined by Hennepin County). The deadline to file an appeal with the Minnesota Tax Court is April 30<sup>th</sup> of the year the taxes are due; thus the most recent category in the chart below is the 2019 appealed values for taxes payable 2020.

## City of Minnetonka Value Under Petition



### Commercial Petition Activity

As the commercial market stabilizes and in some cases decreases, staff expects the number of petitions filed to rise. Property owners tend to file more petitions when the market is flat or decreasing.

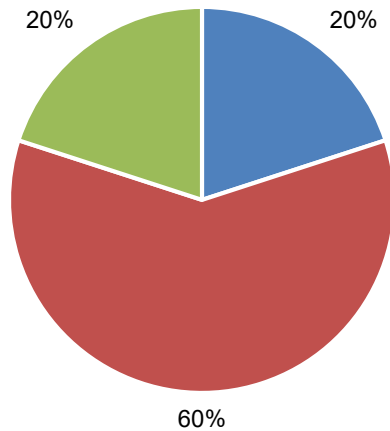
### Residential Petition Activity

There have always been fewer residential petitions than commercial petitions filed, and the number of residential petitions continues to decrease. Often homeowners file on their property because they have missed the LBAE and CBAE process. Many of Minnetonka's cases are stipulated to a value agreed upon between the homeowner and the staff appraiser.

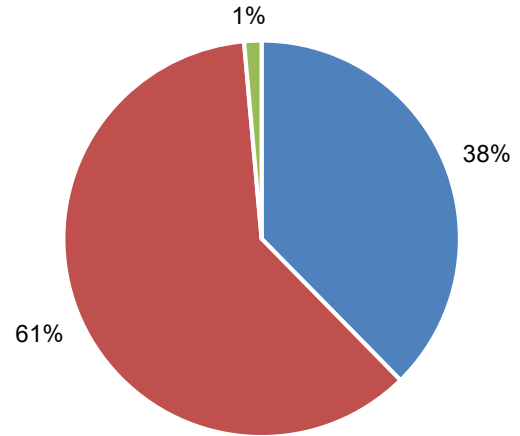
The charts below show the distribution of tax court petitions, as well as the value of those petitions. Although the vast majority of cases are commercial/industrial, apartment petitions make up a substantial amount of value under appeal.

# Total Petitions for Taxes Payable 2020

## Petitions by Property Type



## Petition Value by Property Type



■ Apartment ■ Commercial/Industrial ■ Residential ■ Apartment ■ Commercial/Industrial ■ Residential

Despite a large amount of value under petition, the assessing division continues to seek ways to increase productivity in handling the tax court process. The number of closed cases continues to remain low, which is due to the declining number of cases filed over the last several years. The goal is to resolve cases sooner to ease the scheduling burden and ultimately reduce any refunds given back to the petitioners.

## Public Information and Citizen Relations

The city provides public information in several ways to keep Minnetonka residents informed about the market value process, methods for appeal, and current property tax rates. Staff regularly updates the city's web page with current information, annually posts the assessment report on the City of Minnetonka website, and provides information in the Minnetonka Memo. Information regarding the Property Tax Refund, the Senior Citizens' Property Tax Deferral, and foreclosure prevention counseling is on the City's website.

The assessing division staff uses several methods to ensure that all who contact the city about market values or property taxes receive a prompt, courteous response. A record-keeping system tracks inquiries about market values to see that those inquiries are appropriately tracked through the review process. Every property owner that requests a staff review of their market value receives a response from the city assessing staff.

The assessing staff has worked diligently to provide clear information to property owners about a property tax system that is complex and often difficult to understand. Every spring, assessing staff sends introductory letters to residents in reappraisal neighborhoods. These have been well received by property owners and help increase the number of inspections the assessing division conducts in these neighborhoods.

## Assessing Staff

The assessing staff consists of the City Assessor, one Commercial Appraiser, two Principal Appraisers, one Residential Appraiser, and one Assessment Specialist.

**Colin Schmidt - City Assessor** Colin has been with the City of Minnetonka for six and a half years and has 32 years of experience in the assessment field. As the City Assessor, he is responsible for finalizing and approving the assessments every year, along with overseeing and directing the assessing staff. He also works to resolve tax court cases as they are scheduled. Colin currently holds the Senior Accredited Minnesota Assessor (SAMA) designation as awarded by the Minnesota State Board of Assessors, the highest designation awarded to assessors by the Minnesota State Board of Assessors.

**Jon Hicks - Commercial Appraiser** Jon joined the City of Minnetonka in 2020 with nearly 14 years of experience appraising commercial property. Jon's experience includes tax litigation for both private and public entities, as well as mortgage lending appraisal. His responsibilities include the valuation of commercial properties and property tax appeals. He holds both the Certified General and Senior Accredited Minnesota Assessor (SAMA) licenses in the State of Minnesota.

**Amy Weber - Principal Appraiser** Amy has been with the City of Minnetonka for the past 22 years. Her primary role is the valuation of residential properties, which includes single-family homes, condos, and townhomes throughout the city. Amy currently holds the Accredited Minnesota Assessor (AMA) designation as awarded by the Minnesota State Board of Assessors.

**Melanie Putz - Principal Appraiser** Melanie has been with the City of Minnetonka for four years. Before joining the staff at Minnetonka, she was working for Swift County in Minnesota as an appraiser. Her primary role is the valuation of residential properties, which includes single-family homes, condos, townhomes, and apartments throughout the city. Melanie holds the Accredited Minnesota Assessor (AMA) designation as awarded by the Minnesota State Board of Assessors.

**Erin Kastner - Residential Appraiser** Erin has been with the City of Minnetonka for three years. Before the City of Minnetonka, she was working at Rice County in Minnesota as a residential appraiser. Her primary role is the valuation of residential properties, including single-family homes, condos, and townhomes. Erin currently holds the Certified Minnesota Assessor (CMA) designation as awarded by the Minnesota State Board of Assessors, and she is currently working towards obtaining her Accredited Minnesota Assessor (AMA) designation.

**Denise Ostlund - Assessment Specialist** Denise has been with the City of Minnetonka for the past 22 years and has worked in the assessing division for the last 14 years. Her role in the assessment office is the handling and coordinating of all the special assessments, homesteading, and other administrative functions regarding special property tax classifications. Although she does not value properties for the City of Minnetonka, she currently has a Certified Minnesota Assessor (CMA) designation as awarded by the Minnesota State Board of Assessors.

Along with each designation, the Minnesota State Board of Assessors requires continuing education hours. Certified Minnesota Assessors are required to complete 50 hours of continuing education, while Accredited Minnesota Assessors and Senior Accredited Minnesota Assessors are required to complete 60 hours of continuing education in a four-year education cycle. This requirement ensures that each appraiser is continually learning more about the profession and staying current with market trends and valuation expectations.

<b>2021 ASSESSMENT CALENDAR</b>	
<b>DATE</b>	<b>ACTION</b>
<b>February 23</b>	Informational articles mailed as part of the March <i>Minnetonka Memo</i>
<b>February 24</b>	County Auditor's target date for mailing 2021 property tax bills
<b>March 8</b>	City Council receives the 2021 Assessment Report
<b>March 8</b>	City Council appoints advisors to the Local Board of Appeal and Equalization
<b>March 8</b>	City Assessor's target date for mailing the 2021 value notices for taxes payable 2022
<b>April 2</b>	Property owners are requested to file a formal appeal to appear at the Local Board of Appeal and Equalization
<b>April 12 &amp; April 26</b>	Local Board of Appeal and Equalization
<b>April 30</b>	Last day for property owners to file State Tax Court petitions for the 2020 assessment (payable 2021)
<b>June 14</b>	Hennepin County Board of Appeal and Equalization

# Appendix: Statutory Requirements

## General

Minnesota law establishes specific requirements for the property tax system, including the assessment of property (M.S. Chapter 273). Properties that qualify for the homestead market value exclusion receive a reduction in taxable market value. The exclusion is a maximum of \$30,400 at \$76,000 in market value and then decreases by nine percent for every dollar over \$76,000 in market value as the property value increases. The exclusion phases out for properties valued at \$413,800 or greater.

The law now requires the following:

1. All real property is valued at market value, which is defined as the usual or most likely selling price during the study period. Special exclusions such as the homestead market value exclusion and the veteran's exclusion are subtracted from the market value to arrive at the taxable value.
2. Property is classified according to state law, and the tax capacity is calculated based on the following tax capacity rates.

## Tax Capacity Rates for Property Taxes Payable in 2021

Residential Homestead:	
First \$500,000 of value	1.00%
Amount over \$500,000	1.25%
Rental Housing:	
First \$500,000 of value	1.00%
Amount over \$500,000	1.25%
4 or more units	1.25%
Commercial/Industrial Preferred:	
First \$150,000 of value	1.50%
Amount over \$150,000	2.00%
Seasonal Residential:	
First \$500,000 of value	1.00%
Amount over \$500,000	1.25%

3. The tax capacity is multiplied by the tax rate (the total of county, school, city and miscellaneous levies) to determine the amount of property tax.
4. Finally, any credits, such as those for agricultural preserve, are then subtracted to yield net taxes due.

The annual property assessment focuses on the very first step of this process – establishing an estimated market value for each parcel of property. Market values are assessed locally by the city or township assessor, if there is one, or by the county assessor. The work of the local assessor is monitored by the county assessor, whose work in turn is monitored by the Minnesota Department of Revenue. The Minnesota Department of Revenue is authorized by law to adjust the property assessment to help ensure county-wide and state-wide equalization of property assessments.

As a result, Minnetonka and other Hennepin County cities must regularly report to the county assessor, who has established the standard that local property assessments reach at least 95 percent target ratio of actual market values to sale prices. At times, local assessments have been adjusted by the county assessor or the State of Minnesota to meet this standard.

State law also requires that each individual property be inspected by the assessor at least once every five years. As a result, Minnetonka and other cities set up rotating appraisal schedules to ensure that this requirement is met. **Due to the COVID 19 pandemic, all interior inspections were suspended for the 2021 assessment. Staff is currently relying on GPS technology, exterior inspections and telephone interviews with property owners to verify data as accurately as possible. We are proceeding into the 2022 assessment with the same precautions and will continue the no interior inspections policy until further notice.**

## Veterans Exclusion

In 2008, the State legislature amended the homestead law that provides a market value exclusion for all or a portion of property owned and occupied as a homestead by a military veteran who has a service-connected disability of 70 percent or more (M.S. 273.13 subd. 34). To qualify, a veteran must have been honorably discharged from the United States armed forces and must be certified by the United States Veterans Administration as having a service-connected disability. A veteran who has a disability rating of 70 percent or more qualifies for a \$150,000 market value exclusion.

A veteran who has a disability rating of 100% total and permanent, qualifies for a \$300,000 market value exclusion. To receive this value exclusion, a property owner must apply to the assessor by December 15 of the assessment year. The exclusion is a one-time application, and the property continues to qualify until there is a change in ownership. If a disabled veteran qualifying for a \$300,000 value exclusion predeceases the veteran's spouse, and if upon death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion carries over to benefit the veteran's spouse until he or she remarries, sells, transfers, or otherwise disposes of the property.

For the 2021 assessment year, there are 93 properties in Minnetonka that will be receiving the exclusion, totaling \$21,750,000 in value excluded for taxes payable in 2022.