

**EAST BETHEL CITY COUNCIL MEETING  
BOARD OF APPEAL AND EQUALIZATION**

April 21, 2010

The East Bethel City Council Board of Appeal and Equalization meeting met on April 21, 2010 at 6:30 P.M for a special meeting at City Hall.

MEMBERS PRESENT:    Bill Boyer                    Steve Channer            Kathy Paavola  
   Steve Voss

MEMBERS EXCUSED:    Greg Hunter

ALSO PRESENT:            Douglas Sell, City Administrator  
   Ken Tolzmann, City Assessor  
   Diana Stellmach, Anoka County

Acting Mayor Voss called the meeting to order at 6:30 PM.

**Boyer made a motion to adopt the April 21, 2010 Board of Appeals and Equalization Agenda. Paavola seconded; all in favor, motion carried.**

Sell explained that Mr. Tolzmann is with us this evening and has prepared a brief summary of the assessing work resulting in the 2010 pay 2011 valuations.

Tolzmann said good evening and welcome to the East Bethel Board of Appeal and Equalization. He said he is the East Bethel City Assessor.

Tolzmann said since the City appointed me as your Assessor, it has been his responsibility for establishing your market value. He said the current assessment we are here for tonight is the 2010 assessment which won't be payable until 2011. Tolzmann said this gives our City and County the opportunity to do the budgeting process this summer and fall then hold budget hearings in the fall. He said then in November, all that information will be put together and residents will be sent a Truth in Taxation Notice which is a good faith estimate on what their taxes are proposed to be for 2011.

Tolzmann said one of the things he would like to take a minute to explain, is the relationship between resident's estimated market value and their taxes. He said as many residents are well aware of, market values have dropped considerably, but their taxes have remained pretty much the same. He said the reason for this, is that the only purpose their market value serves, is to establish their fair share of the cost of services. Tolzmann said so that being said, if all properties' value changes proportionately as they have, and the costs of the county and the City remain the same, their taxes will remain pretty much the same.

Tolzmann said as the City Assessor, he works for the City of East Bethel. He said it is his priority to advocate on behalf of the taxpayers of this community, while at the same time maintaining a duty to uphold the property tax laws of the State of Minnesota. Tolzmann said he is available during normal business hours, and on weekends, by appointment.

He said he is sure a lot of residents are wondering just how do we come up with all these market values. Tolzmann said the whole process surrounds getting good information on sales that take place in the community. He said for this year, we are using sales that took place between October 2008 and Sept 2009 to determine your market value. Tolzmann said this is the process Statewide. He said all these sales are reviewed and determined to be either qualified or unqualified. Tolzmann said a qualified sale is one that is not a bank sale, relative sale, foreclosure sale or any other type of sale that would not be representative of market value. He said these good sales then are used comparatively with unsold properties to reach these new estimates of value.

Tolzmann said one of the more popular questions he has been receiving lately has surrounded the purchase of foreclosed properties. He said just because this property is purchased for a certain price doesn't mean that it automatically qualifies for being put on the tax roll accordingly. Tolzmann said it must be valued comparatively to a qualified sale to maintain equalization of the property tax code.

Tolzmann said for this 2010 assessment, there were 182 sales, of which 35 were considered good sales. He said overall, after this assessment was complete, these sales deviated from our new market values by only 7.4% with the average assessed market value being at 93.7% of the sale price. Tolzmann said overall, values declined by 11% from last years market value. He said as it stands now, looking at the new sales going into next years Pay 2012 assessment, there's a good possibility that the worst of the real estate market in East Bethel is behind us.

Boyer asked on page 11 there is a pie chart with parcel distribution, what makes up the "Other" on this chart. Tolzmann said the exempt properties. Boyer said so properties such as Cedar Creek and Sand Hill Crane. Tolzmann said yes, anyone that does not pay property taxes.

Voss said the purpose of tonight's meeting is for any taxpayer that has a disagreement with their property tax to approach council to discuss this. He asked first are there any pre-appointments. Tolzmann said he had a call about a property on Monroe Street by Hidden Haven, but he met with them and their questions were answered. Voss said being there are no pre-appointments, he asked any others to come to the podium and give your name and address.

Bruce Plochocki of 22537 East Bethel Blvd. Ne said his property is adjoining, it was a foreclosure. He said he had to do a certificate of value and to him that is what the value was. Plochocki said he was able to buy it at that price, no one else wanted to buy it and the indiscretion is about double, so the assessment should be more in line. He said if you fill out that certificate, if you pay \$100,000 for the property, how it can be assessed at \$200,000. Voss asked Tolzmann to explain this.

Tolzmann said you can have two houses that are exactly the same and across the street from each other, one is sold for \$200,000 and the other for \$150,000 because it was a foreclosure. He said if we used them as good sales, then it would not be consistent with equalization, they would be two exact properties paying two different taxes. Tolzmann said by law we can not look at foreclosure or bank sales when looking at good sales. He said the foreclosures or bank sales are selling at 25-50% less. Tolzmann said you need to look at what has already happened to the value of properties, they are 93-94% lower.

Voss said the home he just bought was bank sale, it was still on the market but it wasn't selling. Tolzmann said by law we cannot look at those. Plochocki said he has watched the market on his home go up 12-15% every year. Tolzmann said the value on paper is the sales we look at each year. Plochocki said so he is running a year behind. He said his is valued at \$100,000 more than he paid for the place. Tolzmann said but it was a foreclosure, what you paid for it was not representative of the market value. Plochocki said but they aren't selling for that amount, especially if they are all beat up. Voss said but can't the selling price be a decision by the bank when it is a foreclosure or bank sale. He said they really don't wait and see if they can get an asking price, they just need to get what is owed on it.

Boyer said it is his understanding that if you have a mortgage with bank and it went into a foreclosure or a bank sale they are not obligated to sell the home at market value, if all that is owed on it is \$100,000 they can sell it at that. He said isn't that one of the reasons they are not included in the market values. Plochocki said but he thinks they start higher and then they go down if they don't sell it. He said when you make out a certificate that is where you start again, that is where your taxes should start. Tolzmann said he doesn't look at a certificate of value and that is not what he uses to set the marketable value. Voss asked if Plochocki understands that the City Assessor determines the value, not the county. Plochocki said the taxes just keep going up and pretty soon we won't be able to live in our houses, and meanwhile the county guys just keep getting to drive new trucks and the city guys too.

Tolzmann said he thinks we have seen the worst it is going to be in East Bethel, he thinks it is only going to get better. Plochocki asked are you adjusting the mill rate to keep the income coming in. Tolzmann said your market value determines your share of the taxes. He said he thinks you will see the market come back. Voss said there are two processes. He said they are market values and budget process. Voss said we are working the market values now and the budget in about six weeks, staff is working on the budget right now. He said and those are all public meetings, they are advertised. Voss said out of curiosity, what is the broad effect of foreclosures on revenue stream. He said if the banks can't sell the house, how does that affect taxes. Tolzmann said the banks have to pay the taxes.

Mike Molzman of 330 Dogwood Road said he is in charge of the estate, had to pay the taxes, it is just a little shack, and he doesn't know as far as the shape of the foundation, it is all froze out, it has a bathroom, but it is froze out. He said the City deemed it inhabitable, but he knows there was an adjustment down on taxes, but he doesn't know if this was taken into consideration. Molzman said he knows there are properties around him valued for about 1/2 of what this one is. He said as it is deemed inhabitable, it has a storage septic tank, he got a letter from the inspector, there is no bathroom we are in the process of stripping it, it should be lowered. Molzman said it will cost about \$15,000 to be brought up to code. He said he doesn't know if the assessor took this into consideration.

Tolzmann said was through that area 2 years ago and he made notes on these types of properties. Molzman said he thinks this valuation was in error when they didn't consider these things. Voss said if it is uninhabitable and it doesn't meet code, it needs to be brought up to code. Molzman said that is hard to do since the title hasn't been transferred. Voss said it sounds like you need to bring it up to code. He asked is it your intent to bring it up to code. Molzman said as a non-homeowner his hands are tied. He said but the minute they say he will become the homeowner;

he has to come up with \$20,000. Voss said but you are the executor of the will. Molzman said no, he is a friend of the family. Voss said you made it sound like you were. Molzman said he was close to the property and the only one that could take care of it. Molzman said the person that was deemed to get the property is incarcerated and can't pay the taxes. He said so he is paying the taxes. Molzman said the incarcerated person is the probated owner, but they filed the improper paperwork and so he is in no big hurry, because he cannot pay the taxes.

Boyer said if you are not the property owner, he doesn't think you have any standing to be raising this issue. Voss said if you are representing the owner, to him this is a property that is run down and something needs to be done with it. Voss said he is not paying taxes, he is paying rent. He said when you came in he thought you were the benefactor for the estate. Paavola said she thinks the legal issues need to be taken care of. Molzman said the state of the property at this time is not good, it should not be valued the way it is. Tolzmann said if it is the way he says it is, he is reasonably sure what we have is a token value on the building. Mike said the building went from \$117,000 to \$97,000. He said the state of the house and sanitary systems have not been taken off the valuation. Tolzmann said if we do no action on this they can still appear at the county hearing and we don't have to schedule another meeting. Sell said if the Building Official has information he will share it with the City assessor. Tolzmann said the County meeting is June 14, 2010.

Bud Flagstad of 3300 229<sup>th</sup> Avenue NE asked what about open land, how do you evaluate that. Tolzmann said it went down about 10% this year. He said and Ag land went down about 15% this year, it depends on what kind of acreage it is. Flagstad said he is just curious. Tolzmann said if there is a home on it, then it would be different. He said it and it is valued by site unless over 10 acres. Flagstad asked are a lot of sales and mill rates controlled by the county. Tolzmann said no, but by the State of Minnesota. Flagstad said you hear about the schools cutting costs and what they have to do because of the loss in aid and because they can't increase their budget, what is East Bethel doing. He said when he was on the Roads Commission and we had lean years we had to do cuts.

Voss said for us this started in June, we laid out general priorities for the City and staff came back with reductions to the budget. Sell said and the 2010 budget as less than the 2009 budget. Boyer said and you have to remember the governor took 5% of our budget. Flagstad said the Road Commission budget was \$100,000 a year when he started on it. He said the way things are going now a days, we have to look at what we can cut. Flagstad said but it sounds like you are doing a good job. Paavola said we work very hard to look at what we need to have and what is just a we want thing. Boyer said and unlike most cities, police and fire is most of our budget. He said and he thinks the Anoka County Sherriff's Office should be commended because he doesn't think they raised our costs for sheriff services as much as usual this year. Sell said and we got a grant to help pay for this. Boyer said and staff has got a lot of grants, the Fire Chief has especially gotten a lot of grants. Flagstad said it sounds like you are doing a good job.

**Boyer made a motion to take no action on the properties at 22537 East Bethel Blvd. NE and 330 Dogwood Road NE and to adopt the valuations as proposed by the City Assessor. Paavola seconded; all in favor, motion carries.**

**Boyer made a motion to adjourn the meeting at 7:11 PM. Paavola seconded; all in favor, motion carries**

Attest:

Wendy Warren  
Deputy City Clerk