

City of Winsted
Local Board of Appeal and Equalization
City Hall Council Chambers
Tuesday, April 17, 2012
5:00 p.m.

Present: Mayor Steve Stotko
Council Member Dave Mochinski
Council Member Tom Ollig
Council Member Bonnie Quast
Council Member George Schulenberg

Staff Present: Brad Martens, City Administrator
Deb Boelter, City Clerk-Treasurer

McLeod County Assessor's Office: Sue Schulz, McLeod County Assessor's Office
Jodi Sell, McLeod County Assessor's Office

I. Call the Meeting to Order

Mayor Stotko called the meeting to order at 5:00 p.m.

II. McLeod County Assessor Presentation

Sue Schulz, McLeod County Assessor, introduced herself and gave a brief overview of the process for the Local Board of Appeal and Equalization. Jodi Sell, McLeod County Residential Assessor for the City of Winsted was also in attendance at the meeting.

Ms. Schulz presented information on the following:

- The Year 2012 Estimated Market Values for the City of Winsted With Comparisons From Previous Years
- Comparison of Agricultural Property Values From the Years 2011 to 2012 in McLeod County
- Number of Agricultural Property Sales in the Year 2011 in McLeod County
- Comparison of Residential Property Values From the Years 2011 to 2012 in McLeod County
- Number of Residential Property Sales in the Year 2011 in McLeod County
- Comparison of Commercial and/or Industrial Property Values From the Years 2011 to 2012 in McLeod County
- Property Values of New Commercial and/or Industrial Construction in the Year 2012 in McLeod County
- Comparison of Apartment Housing Property Values From the Years 2011 to 2012 in McLeod County
- Property Values of New Apartment Housing Construction in the Year 2012 in McLeod County
- Sales Listing for Residential, Commercial and/or Industrial Properties Sold in the City of Winsted in the Year 2012

Ms. Schulz explained that the McLeod County Assessor's office went to a new valuation system for evaluating commercial and/or industrial properties in the year 2011. As a result, property values for some commercial and/or industrial properties increased dramatically for the year 2012.

Ms. Schulz stated that apartment housing in McLeod County is based on income that was reported on a survey that was sent to apartment owners in McLeod County. The survey is mailed annually to ask for rental information from apartment housing.

III. Comments from Property Owners

a) Irene Weinbeck - 230 Main Avenue West

Maria Weinbeck addressed the City Council on behalf of her mother, Irene Weinbeck, 230 Main Avenue West. Ms. Weinbeck stated that the McLeod County Assessor's office has

the property valued at \$143,500 and the family had a certified appraiser evaluate the property and he valued the property at \$90,000.

Ms. Schulz stated that the appraisal the family obtained cannot be used as part of their valuation process. She continued by stating that independent appraisers use other criteria in their evaluation that are not allowed to be used in the McLeod County Assessor's valuation process.

Council Member Ollig asked if the valuation for the house at 230 Main Avenue West is higher because it is located in a commercial zoning district. Ms. Schulz stated that the evaluation of the house is determined by its use, which is residential, not by the zoning district it is located in.

Ms. Schulz gave a brief overview of what criteria the McLeod County Assessor's office uses to determine the valuation of a residential property. She continued by explaining how their criteria differs from that of an independent appraiser. Ms. Schulz stated that the State of Minnesota requires the Assessor's office to do a mass appraisal.

Ms. Schulz stated that McLeod County has the property at 230 Main Avenue West valued at \$140,000. Ms. Maria Weinbeck stated that the appraisal was valued at \$143,500 and that is the amount the realtor suggested to their family.

Ms. Maria Weinbeck stated that she believes that the value of the property at 230 Main Avenue West should be decreased. Council Member Ollig stated that as the Local Board of Appeal and Equalization they have to assume that the McLeod County Assessor's valuation of the property is correct and they do not have the authority to change the assessed value.

Council Member Ollig motioned to not change the McLeod County Assessor's value of \$140,000 of the property located at 230 Main Avenue West. Council Member Quast seconded the motion. Motion carried 5-0.

b) Steve Haugdahl – 183 Main Avenue West

Steve Haugdahl, 183 Main Avenue West, addressed the City Council. Mr. Haugdahl stated that when he received the property tax value statement for the year 2012 for the property located at 183 Main Avenue West, the value had increased dramatically. He contacted the City Administrator, Brad Martens, and Brenda Chmielewski, McLeod County Commercial and/or Industrial Assessor for the City of Winsted in December, 2011 to do a scheduled evaluation of his property located at 183 Main Avenue West. He continued by stating that it was his understanding that the purpose of the evaluation was to lower his property value for the property taxes payable in the year 2012. Mr. Haugdahl stated that the on-site evaluation was completed with Ms. Chmielewski and he also provided her with a great deal of information about the building and its use. Mr. Haugdahl stated that when Ms. Chmielewski contacted him in January, 2012 she stated that the property value for the building located at 183 Main Avenue West was not going to decrease in the year 2012; but, may decrease in the year 2013.

Mr. Haugdahl gave the history of the building and the issues with the current vacancies in the ground level office area. He continued by stating that the property value was increased \$88,200 in the year 2012. Mr. Haugdahl recommended to Ms. Chmielewski that the property value not be increased in the year 2012 and as he fills the vacant office area on the ground level that the McLeod County Assessor's office increase the property value accordingly.

Mr. Haugdahl stated that his property taxes payable in the year 2011 were \$9,610 and increased to \$15,682 in the year 2012; an increase of sixty-three percent (63%) from the year 2011 to the year 2012.

Council Member Ollig asked Mr. Haugdahl if the increase of sixty-three percent (63%) was for the City's portion of property taxes. Mr. Haugdahl stated that the increase was for the entire portion of property taxes payable. Council Member Ollig asked Mr. Haugdahl what the

increase was to the City of Winsted's portion of property taxes payable. Mr. Martens stated that the City's portion of property taxes payable for Mr. Haugdahl's property was \$2,599 in the year 2011 and \$3,873 in the year 2012. Mr. Martens continued by stating that this minimal increase is reflective of the City's Council's decision to have a zero percent (0%) increase to the 2012 property tax levy.

Mr. Haugdahl stated that the parking lot located on the east side of the building at 183 Main Avenue West has a separate Parcel Identification Number (P.I.D.) and the value of it has decreased. It was \$15,200 in the year 2011 and decreased to \$14,900 in the year 2012.

Mr. Haugdahl stated that he also owns the empty lot located south of the building at 183 Main Avenue West and the value of that property has decreased from \$16,500 in the year 2011 to \$11,900 in the year 2012. Mr. Haugdahl stated that Ms. Chmielewski indicated that the value of the lot that the building at 183 Main Avenue is located on is \$33,000. He continued by stating that the lot is the same size as the parking lot and/or the empty lot and yet the value is more than double the amount of the other two (2) empty lots. Ms. Schulz stated that the reason for the larger value is because the McLeod County Assessor's office has a tiered system for valuing property. The lot at 183 Main Avenue West has a building on it so the property is valued at \$4 per square foot. The empty lots are valued at \$2 per square foot. Ms. Schulz stated that the tiered system is used throughout McLeod County.

Mr. Haugdahl asked the City Council for help and guidance in considering the valuation of his property. He stated that it is difficult to pay the increased property taxes when the building is vacant and not generating revenue from renters. Ms. Schulz stated that the assessed value in the year 2012 has been decreased \$6,000.

Council Member Ollig asked if the property has been evaluated with the new system that the McLeod County Assessor's office has implemented. Ms. Schulz stated yes. She continued by stating that the County's responsibility is to look at the market vacancies of similar buildings and not individual building vacancies. Ms. Schulz stated that there is a thirty percent (30%) market vacancy rate in commercial properties in the City of Winsted. She continued by stating that Mr. Haugdahl's property at 183 Main Avenue West is receiving a vacancy rate for both the commercial part of the building on the ground level and also a vacancy rate for the empty residential apartments located in the upper level.

Council Member Ollig asked if McLeod County was directed to use the new valuation system for commercial and/or industrial properties. Ms. Schulz stated that the State of Minnesota's Department of Revenue does monitor how the counties evaluate properties and this new system provides for fair and equitable valuations.

Council Member Ollig asked if the new valuation system was implemented to make sure that all counties have comparable valuations of commercial and/or industrial properties. Ms. Schulz stated yes. She gave a brief overview of the criteria that the McLeod County Assessor's office uses when evaluating properties.

Council Member Ollig stated that when McLeod County decided to implement the new valuation system, they had the option to increase all commercial and/or industrial properties in one (1) year or phase the increases over a period of years. The McLeod County Commissioners decided to increase the valuations of all commercial and/or industrial properties in one (1) year.

Council Member Ollig stated the City of Winsted's Local Board of Appeal and Equalization can only consider changes that affect the City's portion of property taxes.

Ms. Schulz stated that the City of Winsted's Local Board of Appeal and Equalization can decide to decrease the value of a property; but, in the case of Mr. Haugdahl's property the McLeod County Assessor's office is recommending that the value not be decreased.

Council Member Ollig told Mr. Haugdahl that if he wants the value of his property to be decreased, the burden of proof is on him to show the McLeod County Assessor's office and the City of Winsted's Local Board of Appeal and Equalization why.

Mr. Haugdahl stated that his frustration is that he did not receive the information he requested from the McLeod County Assessor's office. Ms. Schulz asked Mr. Haugdahl what information he was looking for. Mr. Haugdahl stated that he scheduled the on-site evaluation with Ms. Chmielewski and Mr. Martens with the hope of receiving a decrease in his property valuation. He continued by stating that Ms. Chmielewski did not respond to him regarding a possible decrease in his property value and/or the option to phase his increase based on his ability to obtain renters in the building.

Council Member Ollig stated that Mr. Haugdahl can appeal to the McLeod County Board of Commissioners. Ms. Schulz stated yes.

Ms. Schulz gave an overview of how the McLeod County Assessor's office uses market vacancy information to determine property values.

Council Member Ollig asked Ms. Schulz to have Ms. Chmielewski contact Mr. Haugdahl regarding his property at 183 Main Avenue West before the McLeod County's Board of Appeal and Equalization. Ms. Schulz stated that she would have Ms. Chmielewski contact Mr. Haugdahl.

Council Member Ollig motioned to not change the McLeod County Assessor's value of the property located at 183 Main Avenue West. Council Member Quast seconded the motion. Motion carried 5-0.

Mr. Martens stated that he did tour the property at 183 Main Avenue West and it is a beautiful property; ready for renters.

c) Marv Vetsch – 121-1st Street North and 220 Main Avenue West

Marv Vetsch, 121 – 1st Street North and 220 Main Avenue West, addressed the City Council and stated that the value of his property has increased forty percent (40%) in the year 2012. He stated that the increases to the commercial and/or industrial properties in the City of Winsted is going to have a negative impact on the downtown area.

Council Member Ollig stated that the City Council did consider this issue and as a result, they approved a zero percent (0%) increase to the 2012 property tax levy. He continued by stating that the City Council is hoping to decrease the 2013 budget; which will result in a lower property tax levy in the year 2013.

Council Member Quast asked Mr. Vetsch if the properties he owns in Wright County have experienced such a substantial increase in value. Mr. Vetsch stated no.

Council Member Quast asked Ms. Schulz to explain. Ms. Schulz stated that Wright County has been using the same valuation system that McLeod County just implemented for several years. As a result, their commercial and/or industrial property values are at a rate that they should be according to the current market. Because McLeod County just implemented the same valuation system, it resulted in a substantial increase to property values in McLeod County to be consistent with the market value of properties in the area.

Council Member Ollig stated that implementing the new valuation system has proven that commercial and/or industrial properties in McLeod County have been undervalued for some time. Ms. Schulz stated yes.

Ms. Schulz gave an overview of how the market affects the valuation process throughout the State of Minnesota. Ms. Schulz gave examples of how the value of property differs in the individual cities located in McLeod County.

IV. Recommendations from the McLeod County Assessor's Office

a) Winsted American Legion – 161-1st Street North

Ms. Schulz stated that the McLeod County Assessor's office was contacted by the Winsted

American Legion, 161 - 1st Street North, today, April 17, 2012, in regards to the valuation of their property. She continued by stating that they did not have the opportunity to evaluate their property before the Local Board of Appeal and Equalization. Ms. Schulz stated the Assessor's office will evaluate the property before the McLeod County Board of Appeal and Equalization and make any recommendations at that meeting.

Mr. Martens asked Ms. Schulz to contact the City of Winsted if the Assessor's office does decide to make any recommendations to the McLeod County Board of Appeal and Equalization regarding the valuation of the Winsted American Legion property. Ms. Schulz stated that she would.

Council Member Ollig thanked Ms. Schulz for her attendance at the Local Board of Appeal and Equalization and for her professionalism.

Council Member Ollig also thanked Mr. Martens for personally visiting with the commercial and/or industrial property owners who contacted him regarding the increase to their property taxes.

V. Adjournment

Council Member Ollig motioned to adjourn. Council Member Schulenberg seconded the motion. Motion carried 5-0.

The meeting was adjourned at 5:50 p.m.

Steve Stotko

Steve Stotko
Mayor
City of Winsted

ATTEST:

Deborah R. Boelter

Deborah R. Boelter, MCMC
City Clerk-Treasurer
City of Winsted