



## **What's Up?!?!**

Assessors' Update on MN Property Valuation

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# Your Presenters

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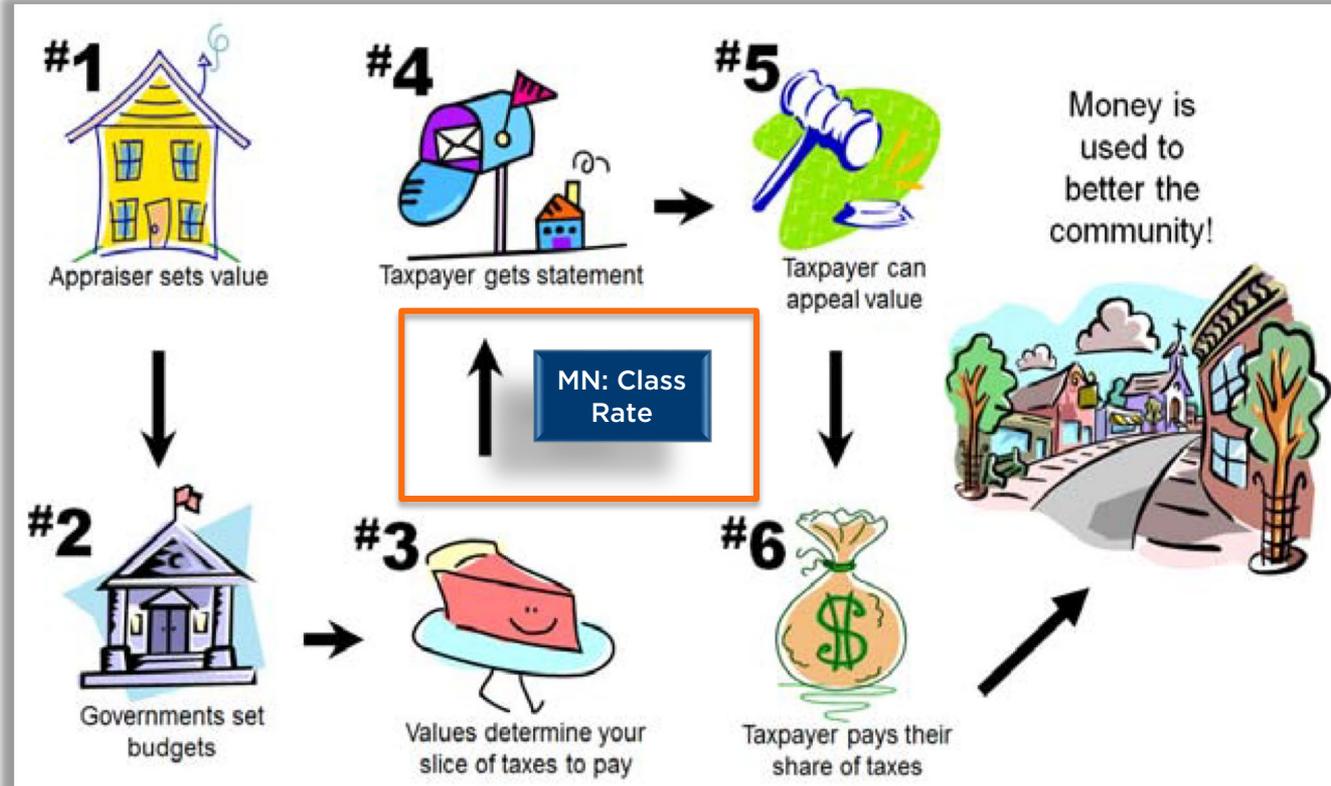


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# How Value Becomes Property Taxes



# Assessment

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County & Local Assessor's Role (for each property):



# Value, Class Rate & Levy Determine Taxes

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Assessor  
determines value  
and property  
tax class

Value and Class  
Rate Determine  
Tax Capacity

City's Levy is split  
amongst Tax  
Capacity

# Levies Are Going Up

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## County Levies (2025)

- Range: 1.5% - **25.2%**
- Median: 5.9%
- Mean/Average: 6.4%

## City Levies (2025)

- Range: -1.4% - **77.4%**
- Median: 6.7%
- Mean/Average: 8.8%

**CPI: 2.7% (trailing 12 months)**  
**Townships reflect similar averages**

# Projected Levies: Example

## LEVY FORECAST

2020-2029 Levy Increases (Including Public Safety Master Plan)

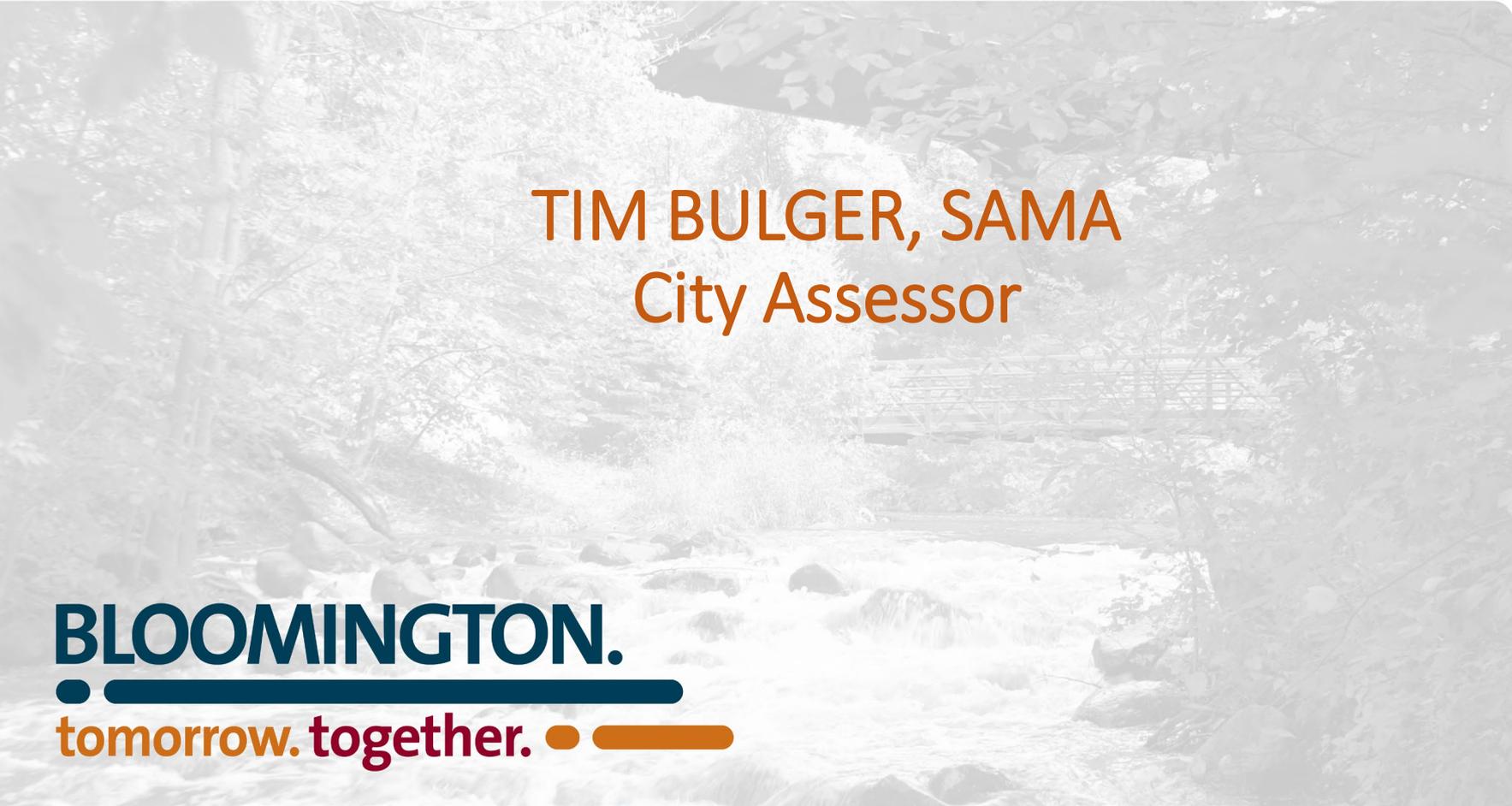


# Levies Rising

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- One-time funding spent (CARES, etc.)
  - ✓ Jurisdictions kept levies low during COVID, now catching up
- Staffing costs (~70% of levies = staffing costs)
  - ✓ Insurance
- Construction inflation higher than CPI
- Demand for services
- Public safety
- Levies set at one point in time, both lagging & predictive

**Let's not forget that cities and  
counties grow!  
More residents = More services**



**TIM BULGER, SAMA**  
City Assessor

**BLOOMINGTON.**

tomorrow. together.

# What I'm Covering

- Property value + tax shifts
- 4(d) Low Income Rental Classification (LIRC)
- Exemptions to be aware of

# Property Value Shifts

- Apartment and office market losses
- Industrial and retail are winners

Property Type	2024 Value	2025 Value	Gross % Change	New Construction	Net % Change
Automotive Services	264,882,500	289,458,500	9.3%	16,500,000	<b>3.0%</b>
Hospitality	730,683,900	746,384,600	2.1%		<b>2.1%</b>
Office/Medical Buildings	1,289,467,400	1,227,828,700	-4.8%	13,507,000	<b>-5.8%</b>
Retail Properties	1,427,702,200	1,471,900,400	3.1%	6,000,000	<b>2.7%</b>
Restaurants	88,517,900	91,963,000	3.9%	750,700	<b>3.0%</b>
Miscellaneous Commercial	152,077,000	155,203,200	2.1%		<b>2.1%</b>
Industrial	1,331,299,300	1,364,394,200	2.5%	2,959,800	<b>2.3%</b>
Apartments	2,238,640,300	2,209,231,800	-1.3%	71,275,100	<b>-4.5%</b>
Residential	10,244,175,600	10,356,012,600	1.1%	17,071,200	<b>0.9%</b>
<b>Total</b>	<b>17,767,446,100</b>	<b>17,912,377,000</b>	<b>0.8%</b>	<b>128,063,800</b>	<b>0.1%</b>

# Tax Shift

- Homestead Market Value Exclusion
  - Limit increased from \$413,800 to \$517,200 for pay 25
  - Max exclusion increased from \$30,400 to \$38,000
  - Additional 3,489 HMVEs for pay 25 in Bloomington
  - 17,808 HMVEs under old threshold, now 21,297 out of 24,271 total homesteads
- 4d(1) Low Income Rental Classification
  - Rate change for pay 25 had sizable impact on Bloomington

	23 pay 24	24 pay 25	% Change
<b>Total City Market Value</b>	17,110,031,100	17,684,661,400	3.4%
<b>Tax Capacity Used for Local Rate</b>	189,503,289	187,533,961	-1.0%
<b>Bloomington ATC Property Tax Levy</b>	75,459,345	83,916,003	11.2%

# 4d(1) LIRC: What is it?

- Low Income Rental Classification
- Tool to aid in preservation of affordable rental housing
- Annual application/reapplication to Minnesota Housing Finance Agency by 3/31
- Must enroll a minimum of 20% of units
- Units occupied by 60% AMI or below (determined by HUD)
- Enrolled units receive lower class rate for taxes
- Portion of tax savings must be reinvested in property

# Bedrooms	30% AMI	50% AMI	60% AMI	80% AMI
Efficiency	\$652	\$1,087	\$1,304	\$1,739
1 Bedroom	\$699	\$1,165	\$1,398	\$1,864
2 Bedrooms	\$838	\$1,397	\$1,676	\$2,235
3 Bedrooms	\$969	\$1,615	\$1,938	\$2,584
4 Bedroom	\$1080	\$1,801	\$2,161	\$2,881

# 4d(1) LIRC: What Changed

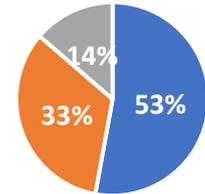
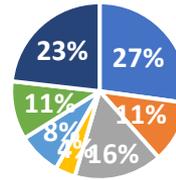
- Pay 24 had tiers of 0.75% for first 100k/unit in value, 0.25% for rest
- Pay 25 is 0.25% class rate across the board
- Tax savings between old and new rate must be reinvested in property
- Cities and towns must approve new properties before MHFA application if NTC of 4d(1) property in city/town exceeds 2% of total jurisdiction NTC

Year Built	1969
Units	55
Pay 24 \$/unit	\$135,200
	
Market Rate Pay 24 Taxes	\$108,618
Pay 24 Taxes	\$55,588
Prelim Pay 25 Taxes	\$23,232
Tax Savings	\$32,356
Percent Change	-58%

# 4d(1) LIRC: Why Does this Matter?

- Bloomington has 2,098 certified 4d(1) units out of 14,515 total units
- Majority are older and/or Class C properties
- Change in rate shifts taxes
- Enrollment may not improve affordability for many existing properties

4d Units by Year Built / 4d Units by Market Class

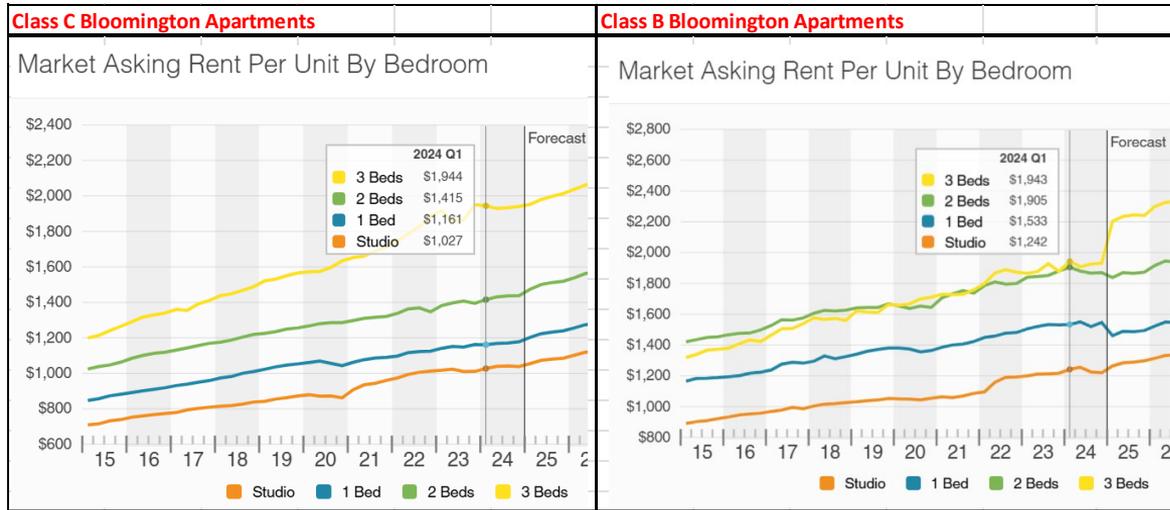


- 1960's ■ 1970's ■ 1980's ■ 1990's ■ 2000's ■ 2010's ■ 2020's
- Class C ■ Class B ■ Class A

24 Taxes Paid	25 Tax Estimate	Taxes Shifted
\$ 3,181,114	\$ 2,171,983	\$ (1,009,130)
*calcs exclude 168 new construction units		

# 4d(1) LIRC: Impact on Affordability

	60% AMI	Avg Class C	Avg Class B
<b>Studio</b>	\$1,304	\$1,027	\$1,242
<b>1BR</b>	\$1,398	\$1,161	\$1,533
<b>2BR</b>	\$1,676	\$1,415	\$1,905
<b>3BR</b>	\$1,938	\$1,944	\$1,943



# 4d(1) LIRC: Final Thoughts

- Most impactful on affordability for newer buildings
- Increased inquiries from apartment operators about enrollment
- City level incentive programs can assist in meeting goals
- Cities and towns will have the ability to approve or deny once NTC threshold is reached



## City of Minneapolis 4d Affordable Housing Incentive Program

Unit Size	AMI Level Required
OBR	50% AMI
1BR	50% AMI
2BR units and larger	60% AMI

### Building conversions

Rental units created through conversions of non-residential buildings may participate in the program at 60% AMI, regardless of unit size.

### Additional benefits include:

- Payment of first year application fee to the State of Minnesota for certification of the 4d property tax classification)
- Grant to each 4d property, in the amount of \$100 per affordable unit, capped at \$1,000 per property.
- Up to \$50,000 in energy efficiency funding through the Green Cost Share Program

# Exemptions to be Aware of

- Daycare Exemptions
  - Under the Rainbow Early Education Center v. County of Goodhue
- Affordable Housing IPPC Exemptions
  - Alliance Housing Incorporated v. County of Hennepin
  - Current status – tax statements go to renters at a higher class rate
  - No renter's property tax refund available
  - Administratively burdensome
  - Further erosion of tax base
- Economic Development; Public Purpose
  - EDA/Port authority held parcels
  - 9-year exemption



ALEX GUGGENBERGER, SAMA  
County Asessor



# What I'm Covering

- Common questions assessors get regarding “Tax Shift”
- Anoka County perspective on Tax Shift
  - Value Change Impacts
  - Levy Changes at Local Taxing Authority Level
  - Legislative Changes & Impact for Payable 2025
- What can we expect in the future?
  - Market Values
  - Budget/Levy Projections – Anoka County
  - Legislative Changes

## Common Questions Assessors get involving shift?

**Question:** I recently got my proposed tax notice, and I have some questions. How is it possible that the value of my commercial building only went up 2.6% the City Levy remained flat, yet my tax bill is going up over 8% again this year?

**Answer:** While the value of your property is only going up 2.6%, value changes experienced by other properties like yours as well as properties not like yours (Agricultural, Apartment, Residential) all factor into what you will ultimately pay.

**Question:** What about all the new construction taking place throughout the city and county? Shouldn't that reduce my tax burden?

**Answer:** Not all value listed or reported as "New Construction" is created equally. While most people see that number and equate it to newly created parcels, that term really serves two purposes. It represents value added to previously existing parcels as well as new improvement value on newly created parcels. It's the newly created parcels that can help spread the tax burden.

# THE PERFECT STORM OF EVENTS

Anoka County experienced significant tax shifts over the last 5 years. The three areas below are the primary drivers for this shift.

- Market Value Changes YOY
- Legislative Changes
- Budget/Levy Changes

## 5 Year TMV History & Levy % Change



# THE PERFECT STORM OF EVENTS

By looking at the changes in Tax Capacities over the last 5 years its understandable why Assessors are hearing more from Commercial/Industrial property owners.

These impacts can also be seen by looking at Tax Court petition volumes which have drastically increased in recent years.

### 5 Year Tax Capacity Changes

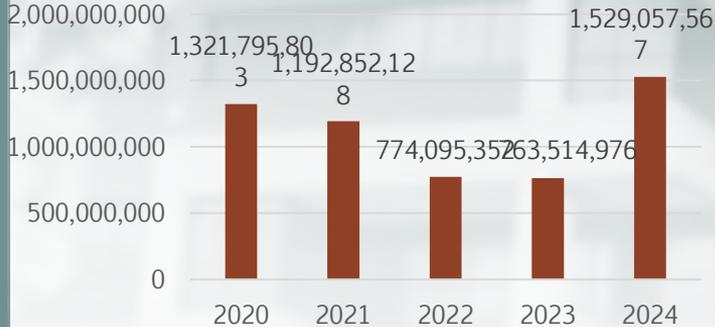


# Legislative Changes

## 2023 Changes - Effective for 2024 Assessment

- Homestead Market Value Exclusion Changes
  - Base increased from \$76,000 to \$95,000, multiplied by 40% for a maximum exclusion of \$38,000
  - As the value increases above the base, the exclusion is reduced at a rate of 9% and phases out at \$517,200 (previously \$413,800)

### Anoka County Impact



## Homestead Market Value Exclusion



Change resulted in \$765,542,591 of residential value being excluded from taxation beginning in 2025.

# WHAT CAN WE EXPECT IN THE FUTURE?

Market Values

Budget Projections –

- See Anoka County Projection Scenarios
- Fiscal Disparities

Legislative

2025 Proposed Budget	2026 Budget Projection	2027 Budget Projection	2028 Budget Projection	2029 Budget Projection
25.60%	8.25%	7.24%	11.72%	5.25%
24.30%	9.38%	7.24%	11.72%	5.25%
22.96%	10.58%	7.24%	11.72%	5.25%
17.88%	15.34%	7.24%	11.72%	5.25%
15.32%	17.90%	7.24%	11.72%	5.25%
19.81%	13.48%	10.90%	11.72%	5.25%

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