



2021

EQUALIZATION REPORT



Board of Equalization
April 13, 2021



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DUTIES OF THE 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 fifteen 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 property 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 change 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 equalization. The decision of the State Board of Equalization is final in this appeal process.

2020 RECAP | MESSAGE FROM ASSESSOR NICK LEE



With all of the uncertainty surrounding the events of 2020, it was anyone's guess how our local real estate market would react. Nationally interest rates hit historic lows, while building material costs skyrocketed due to shortages, increasing the costs of new builds 15 -20%. **Locally, builders built 25% more single family homes than in 2019**, and sales of homes reached new highs, both in volume and median sale price. The value of commercial permits increased, as **commercial building continued to thrive**. The market generally increased across the board.

Due to the ever changing nature of the pandemic, our department did not conduct any large scale onsite mass appraisals. Instead we reviewed the next two years' worth of properties using tools such as GIS, Pictometry, MLS, etc. This review will allow us to complete the actual onsite mass appraisal in the upcoming two years as staffed. Each segment of our market was analyzed and adjusted based on sales analysis. This analysis resulted in **adjustments to residential property typically around 3%**.

Since we had just finished a full reappraisal of commercial and more recently additional analysis on metal buildings for 2020, we were well prepared to analyze the effects of the pandemic on commercial property. Besides our typical analysis of all commercial property, we gathered additional information on properties that are exclusively income driven such as apartments and hotel/motels. Our analysis resulted in most properties receiving around a 2% increase, with an exception of hotels/motels. Our analysis revealed that hotels/motels suffered greatly due to COVID restrictions and fallout, and based on regional sales were reduced around 25%. These values will be reviewed next year with hopes the market strengthens and can return to near 2019 levels or beyond.

Once complete, our information was put on our property website for public review: (<http://assessments.westfargond.gov>). This website ensures transparency to every property owner so they know exactly what their value is based on, as well as gives them the ability to search sales and review special assessment balances.

Moving forward, it is **our goal to continue to track every portion of the market on a yearly basis** and apply incremental adjustments as needed. Hopefully, this methodology will cut down on the need to make significant adjustments in a single year.

MARKET CHANGE

PLANNING AND ZONING PROJECTED POPULATIONS

Below are estimated population statistics for the last ten years, as reported in the Planning & Zoning Annual Report. West Fargo has experienced an overall 49% population increase since 2011.



49%

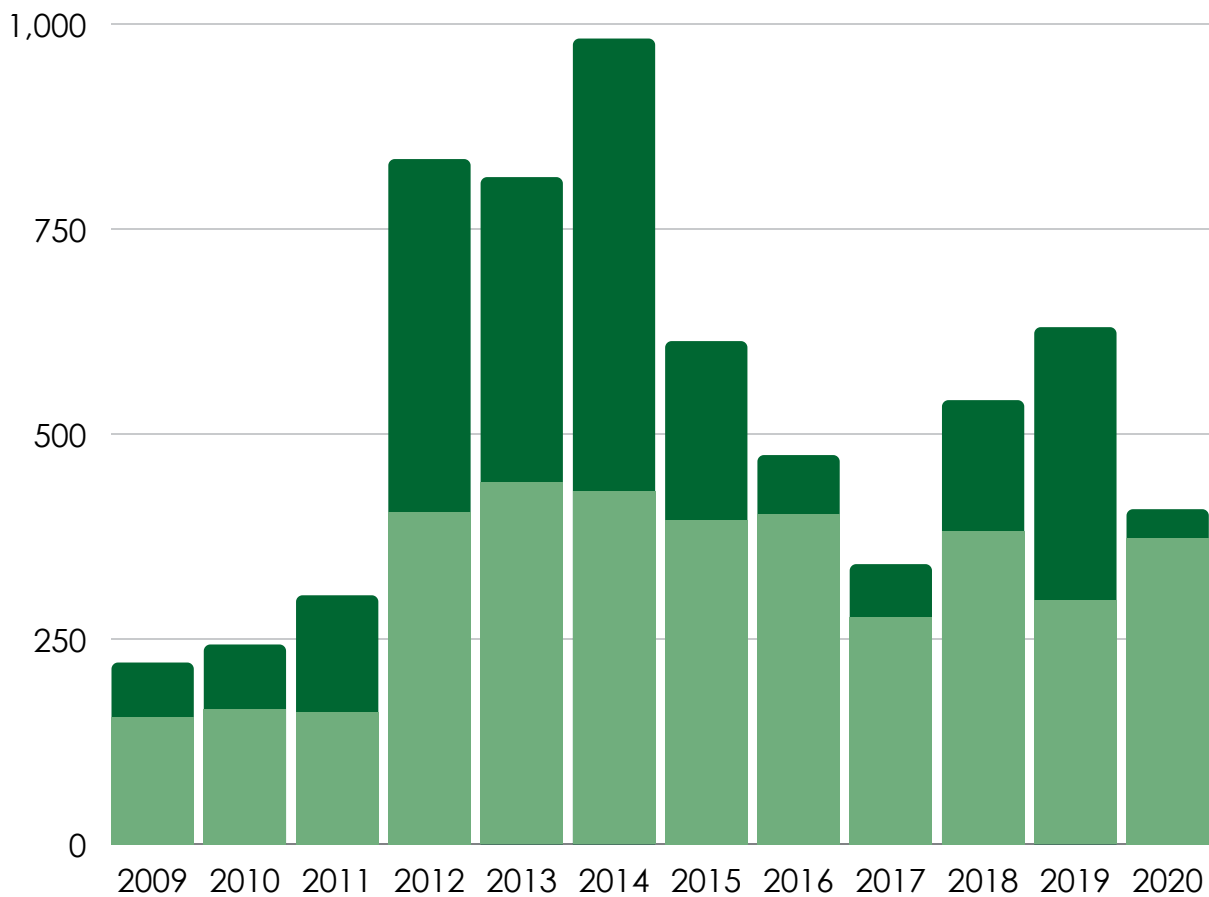
overall population increase
since 2009.

YEAR	POPULATION	ANNUAL GROWTH RATE
2011	27,498	0%
2012	29,588	8%
2013	31,330	6%
2014	33,360	6%
2015	33,471	0%
2016	35,477	6%
2017	36,358	2%
2018	37,874	4%
2019	39,064	3%
2020	40,988	5%

NUMBER OF PERMITS FOR RESIDENT UNITS

An important statistic to gauge growth is the yearly number of residential units added to the existing stock of housing. In 2020 new residential numbers **increased 25%** but multiple family units were down significantly.

10-YEAR BUILDING PERMIT HISTORY



 SINGLE FAMILY & TWIN HOMES

 MULTIPLE FAMILY (UNITS)

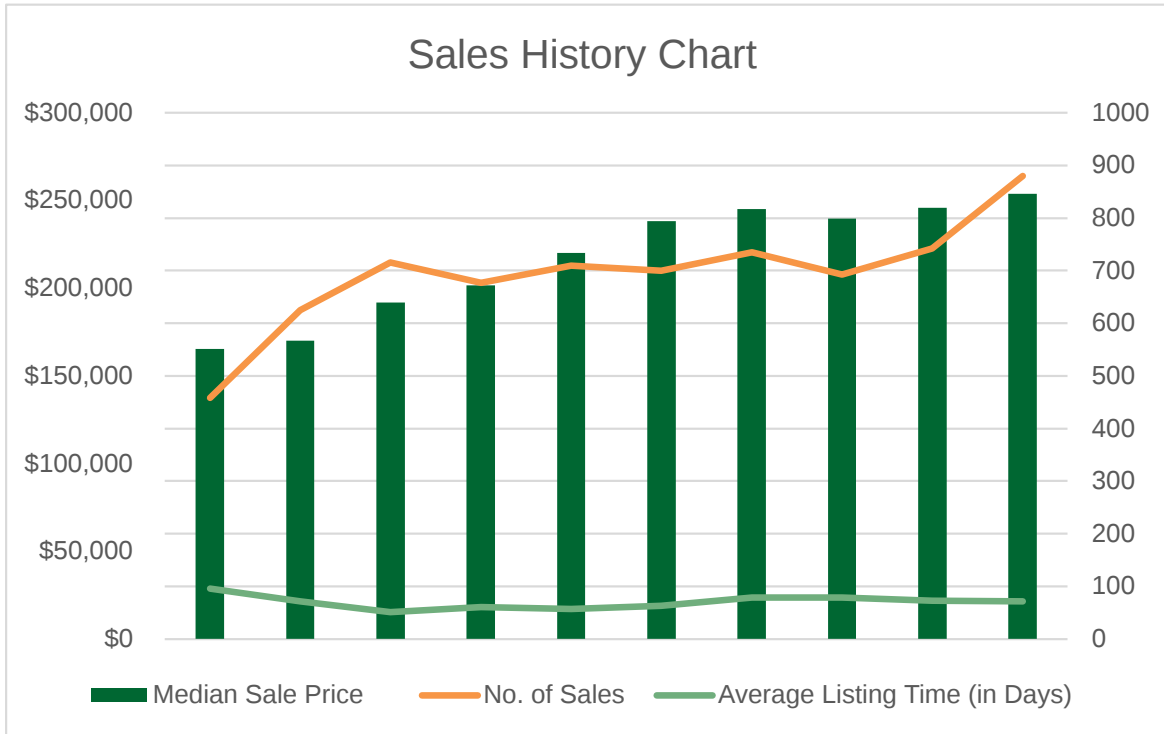
SALES HISTORY

West Fargo has seen very strong sales activity in the last ten years. Overall the number of sales and median sales prices have been steadily increasing, as interest rates have dropped to historic lows. 2020 marked another strong year, as number of sales and median sales price increased due to, at least partially, a significant drop in the average interest rate.

YEAR	NO. OF SALES	MEDIAN SALE PRICE	PERCENT CHANGE	AVERAGE LISTING TIME	AVERAGE INTEREST RATES
2011	458	\$165,416	2.00%	96	4.45%
2012	625	\$170,000	2.80%	71	3.66%
2013	715	\$192,000	12.90%	51	3.98%
2014	677	\$201,784	5.10%	61	4.17%
2015	709	\$220,000	9.00%	57	3.85%
2016	700	\$238,188	8.30%	63	3.65%
2017	735	\$245,000	2.86%	79	3.99%
2018	693	\$239,750	-2.14%	79	4.54%
2019	742	\$246,012	2.61%	73	3.94%
2020	880	\$253,988	3.24%	71	3.11%

*All numbers are from MLS yearly reports, interest rates from Freddie Mac.

SALES HISTORY



MEDIAN SALE PRICE

\$253,988

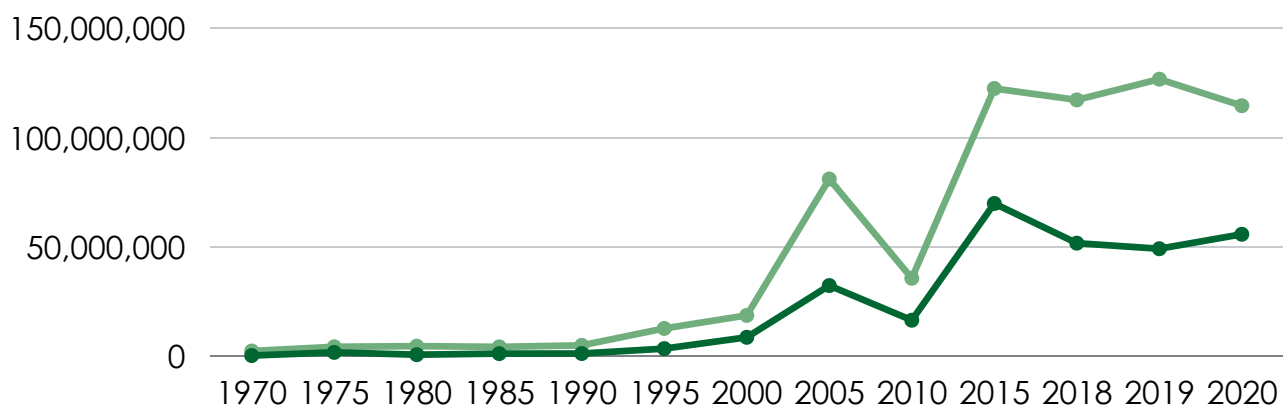
AVERAGE LISTING TIME

71 DAYS

BUILDING PERMIT VALUATIONS

Since 2011 building permit valuations have risen dramatically, with the majority of the increases starting in 2012. For 2020, residential and commercial permit valuations remained stable after dipping in 2017.

YEAR	RESIDENTIAL	COMMERCIAL
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
2016	\$106,556,837	\$62,374,000
2017	\$76,857,181	\$35,791,872
2018	\$117,253,195	\$51,779,126
2019	\$126,731,758	\$49,234,335
2020	\$114,596,262	\$55,850,262



West Fargo has experienced strong growth the last ten years, experiencing new highs in practically every category. The **population has increased an incredible 49%** while adding 3,563 new single family & twin homes and 2,377 multiple family units. The median property sale price has increased 54% as interest rates remain low, and building continues to be strong. Overall the market in West Fargo has been strong and continues to grow.

SALES RATIO ANALYSIS

for 2020

The North Dakota property tax is an ad valorem tax. This means 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 North Dakota legislature that local assessors use the results of sales ratio studies as a guide in making and equalizing assessments of property.

For the 2020 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 2020 ratio study, our commercial property sales resulted in a 91% median, which is near the low end of the tolerance. Due to the lack of commercial property sales, we were required to use three previous years of sales. Additionally, our residential property sales resulted in a 93% median, which is near the low end of the tolerance. Adjustments were made to both classes of property. Our final ratios after adjustment are within tolerance and listed.

2020 ASSESSMENT RATIO STUDY FOR THE CITY OF WEST FARGO

Median Ratio Residential
95.9%

State Mandated
90-100%

Median Ratio Commercial
92.1%

State Mandated
90-100%

PRD Residential
1.00

IAAO Guidelines
.98 to 1.03

PRD Commercial
1.00

IAAO Guidelines
.98 to 1.03

COD Residential
4.12%

IAAO Guidelines
Less than 15%

COD Commercial
9.92%

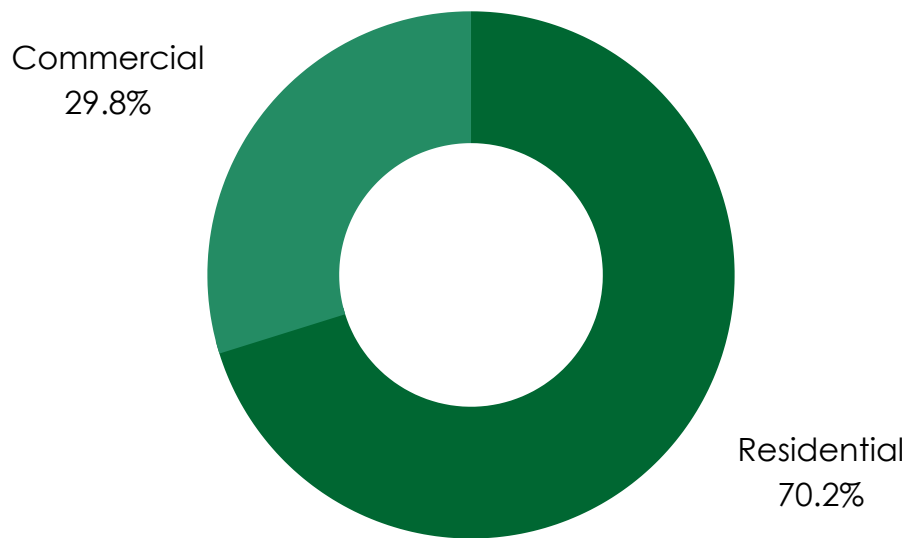
IAAO Guidelines
Less than 20%

*Definitions for statistical measures can be found on page 23. *All statistics become less relevant as additional years of sales are used.

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.

RESIDENTIAL VS. COMMERCIAL TOTAL VALUATIONS



2021

\$1,333,897,400

COMMERCIAL OVERALL
VALUATION

2021

\$3,134,695,900

RESIDENTIAL OVERALL
VALUATION

2021 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 2021 Taxable Valuation will vary somewhat from the final amount. Changes will occur between now and when the mill levy is determined in November. Examples of these changes include errors in assessments or exemptions not previously filed, as well as state offered credits which are not included in this calculation. The "adjustments" line item is an estimate of those changes that may occur. The report also contains an estimate of value for utilities such as railroads and pipelines. Utility corporation properties are assessed at the state level and valuations are submitted to the county every fall.

2021 TAXABLE VALUATION PROJECTION

Agriculture	\$23,745
Commercial	\$66,554,870
Residential	\$141,061,316
- TIF	(\$11,307,065)
- Adjustments (Estimated)	(\$750,000)
+ Utility Corps (Estimated)	\$1,706,750
Projected Taxable Value	\$197,279,616

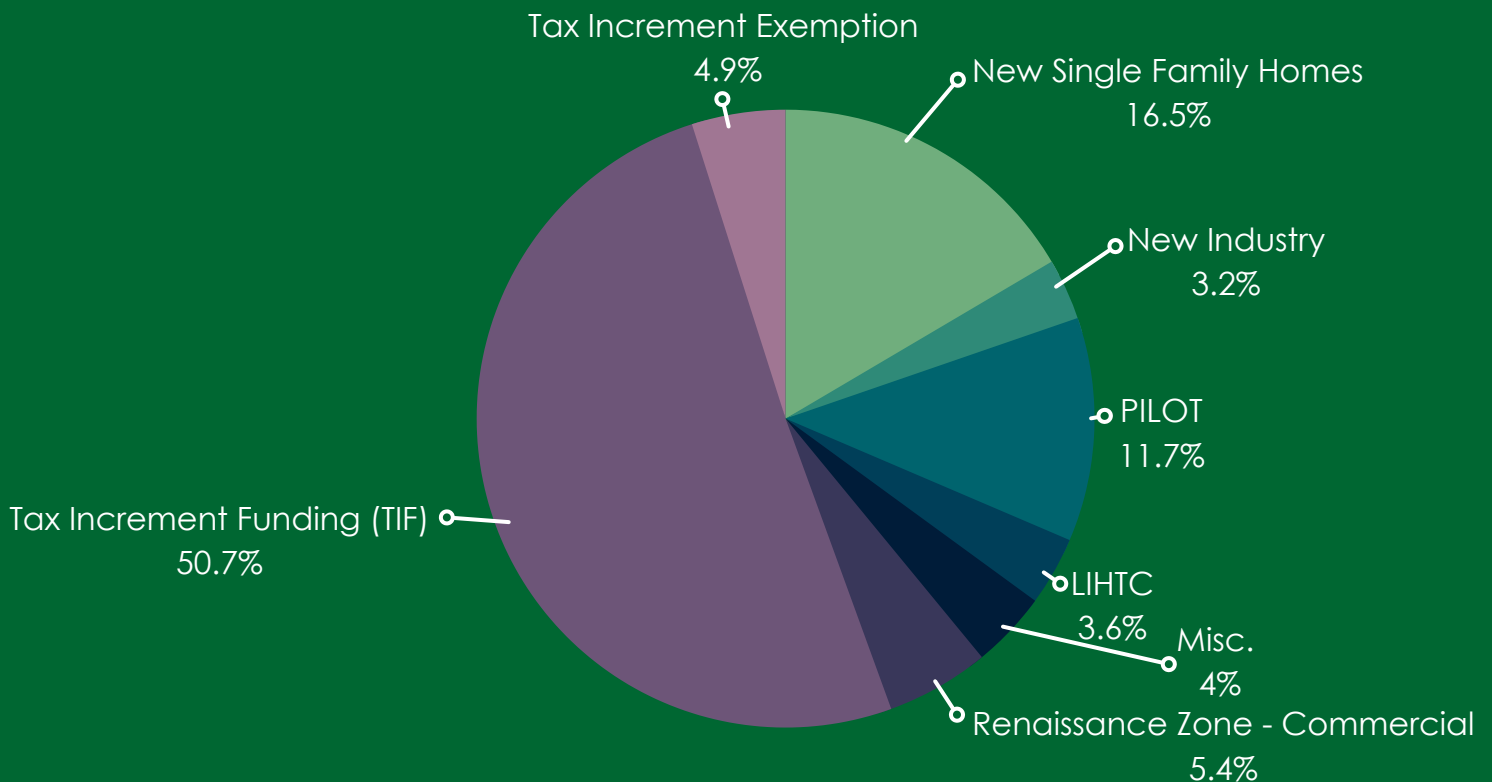
YEAR	VALUATION	PERCENT CHANGE
2012	\$80,520,107	4.07%
2013	\$88,720,277	10.25%
2014	\$98,891,772	11.40%
2015	\$113,738,389	15.01%
2016	\$140,295,259	23.35%
2017	\$155,988,015	11.24%
2018	\$165,740,720	6.76%
2019	\$173,565,972	4.72%
2020	\$187,772,574	8.19%
2021	\$197,279,616	5.06%

2021 EXEMPT PROPERTIES

Exempt property falls into two primary classes: discretionary and non-discretionary. Discretionary exemptions are granted for reasons such as relief for the disabled or elderly, economic expansion, or renovation of properties. Non-discretionary properties include those such as parks, schools, and post offices.

The chart below indicates what percentage of the overall discretionary exemptions granted in 2021 are for each type of exemption that the city participates in.

2021 EXEMPTION SUMMARY



Following is a breakdown of the discretionary exemptions for the 2021 assessment year and the total tax dollars uncollected by all entities due to these exemptions.

TYPE	TRUE AND FULL VALUE	TAX DOLLARS
New Single Family Homes	\$73,608,500	\$993,417
New Industry	\$14,152,900	\$212,230
Payment in Lieu of Taxes (PILOT)	\$52,539,400	\$787,855
Low Income Housing Tax Credit (LIHTC)	\$16,271,100	\$243,993
Remodeling (Residential)	\$198,300	\$2,676
Remodeling (Commercial)	\$3,266,100	\$48,977
Renaissance Zone (Residential)	-	-
Renaissance Zone (Commercial)	\$24,205,900	\$362,980
Tax Increment Financing (TIF)	\$226,146,300	\$3,391,102
Tax Increment Exemption	\$21,786,700	\$326,702
Wheelchair/ Blind Exemption	\$1,903,300	\$25,687
Group Homes/Lodges/Charitable	\$6,004,200	\$90,036
Daycare	\$6,280,200	\$94,175
Farm	\$826,000	\$11,148
Total:	\$447,183,900	\$6,590,976

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

TYPE	2021	2020	2019
New Single Family Homes	\$73,608,500	\$70,302,200	\$76,498,400
New Industry	\$14,152,900	\$14,862,200	\$17,155,000
Payment in Lieu of Taxes (PILOT)	\$52,539,400	\$44,827,100	\$45,666,700
Low Income Housing Tax Credit (LIHTC)	\$16,271,100	\$21,418,900	\$14,658,200
Remodeling (Residential)	\$198,300	\$247,900	\$144,700
Remodeling (Commercial)	\$3,266,100	\$2,405,300	\$1,910,200
Renaissance Zone (Residential)	-	-	-
Renaissance Zone (Commercial)	\$24,205,900	\$11,238,100	\$12,552,700
Tax Increment Financing (TIF)	\$226,146,300	\$195,790,400	\$179,496,900
Tax Increment Exemption	\$21,786,700	\$21,100,200	\$19,413,900
Wheelchair/ Blind Exemption	\$1,903,300	\$1,909,200	\$1,795,200
Group Homes/Lodges/Charitable	\$6,004,200	\$5,269,900	\$3,451,700
Daycare	\$6,280,200	\$5,336,300	\$4,709,700
Farm	\$826,000	\$481,200	\$444,200
Total:	\$447,183,900	\$395,188,900	\$377,897,500

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. The levy appears on the tax bill that property owners receive in December of the same year. The most recent bill is 2020 and the mill levy in West Fargo was 299.91.

10 YEAR MILL LEVY BREAKDOWN

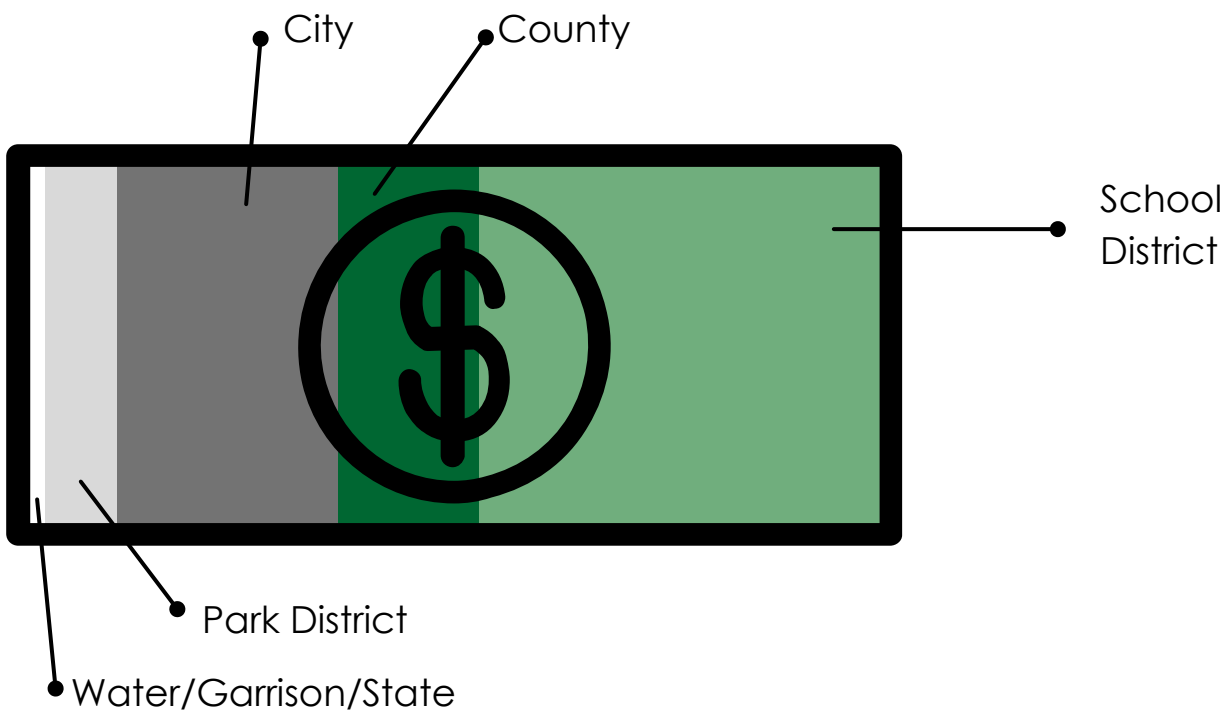
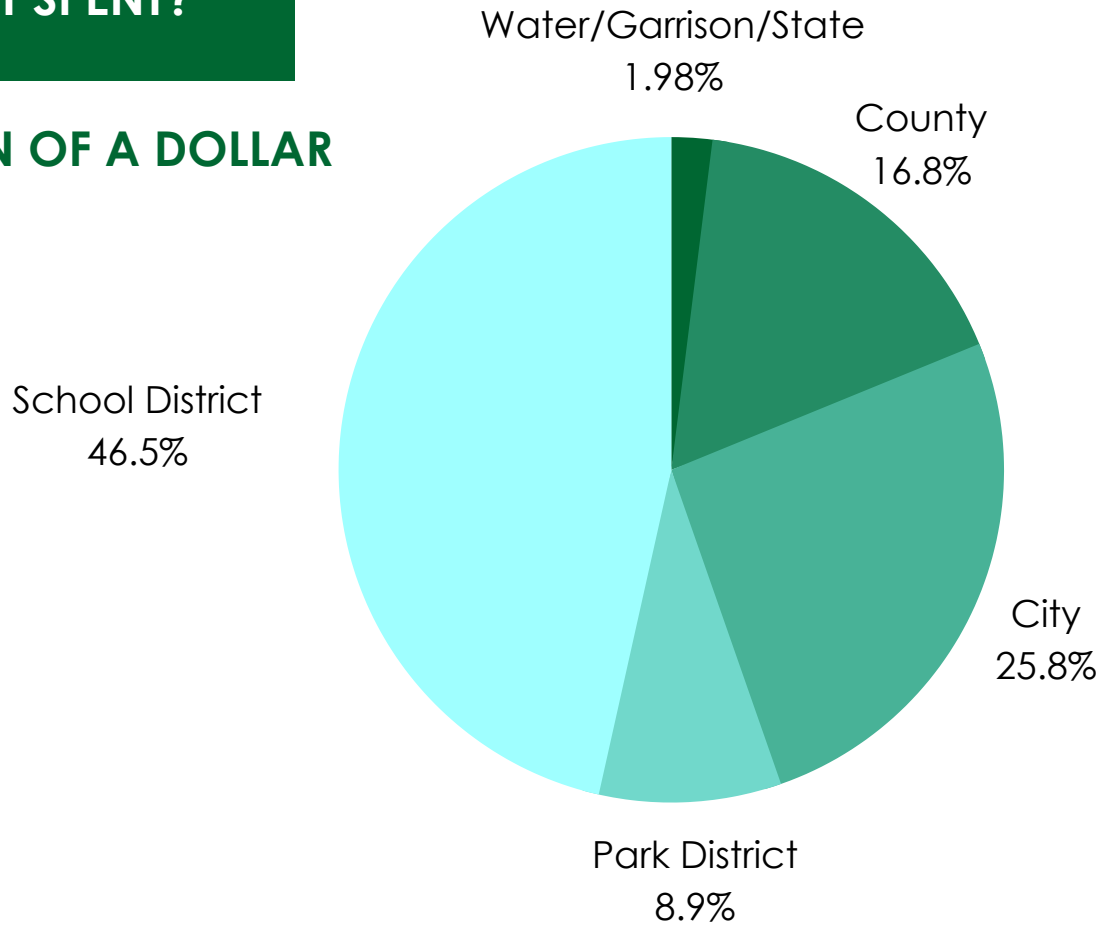
YEAR	CITY	PARK	SCHOOL	COUNTY	GARRISON	STATE	WATER	TOTAL
2011	91.03	34.56	192.2	69.58	1	1	6	395.37
2012	90.11	32.93	192.2	67.28	1	1	6	390.52
2013	89.11	32.45	142.2	66.17	1	1	6	337.93
2014	85.05	31.41	142.2	65.91	1	1	6	332.57
2015	80.08	29.75	139.17	60.75	1	1	5.5	317.79
2016	70.24	26.18	133.29	55.6	1	1	5.4	292.71
2017	73.08	28.02	129.27	47.46	1	1	4.5	284.33
2018	73.22	26.99	133.31	50.78	1	1	4.26	290.56
2019	77.98	27.06	137.26	51.68	1	1	4.11	300.09
2020	77.47	26.55	139.45	50.51	1	1	3.93	299.91

10 YEAR ANALYSIS OF TAXES

YEAR	MEDIAN SALE	MILLS	TAXES	MILLS 12% REDUCTION	EFF. TAXES	INFLATION	INFLATION CUM.
2011	\$165,416	395.4	\$2,943.02	-	\$2,943.02	3.17%	3.17%
2012	\$170,000	390.5	\$2,987.48	337.93	\$2,585.16	2.08%	6.44%
2013	\$192,000	337.9	\$2,919.72	297.38	\$2,569.36	1.48%	8.65%
2014	\$201,784	332.6	\$3,019.83	292.66	\$2,657.43	1.63%	10.26%
2015	\$220,000	317.8	\$3,146.12	279.66	\$2,768.63	0.13%	12.06%
2016	\$238,188	292.7	\$3,137.40	257.58	\$2,760.86	1.27%	12.21%
2017	\$245,000	284.3	\$3,134.74	-	\$3,134.74	2.12%	13.63%
2018	\$239,750	290.6	\$3,134.78	-	\$3,134.78	2.45%	16.04%
2019	\$246,012	300.1	\$3,322.16	-	\$3,322.16	1.80%	18.88%
2020	\$253,988	299.9	\$3,427.81	-	\$3,427.81	1.20%	21.02%
Change	54%	-24%	16%		16%	17.33%	21.02%

WHERE DO YOUR TAX DOLLARS GET SPENT?

BREAKDOWN OF A DOLLAR



MAJOR NORTH DAKOTA CITY COMPARISON

POPULATION/TAXABLE VALUE COMPARISON

CITY	ESTIMATED POPULATION	2020 TAXABLE VALUATION	2019 TAXABLE VALUATION	PERCENTAGE CHANGE
Fargo	124,844	\$625,416,802	\$594,010,112	5.3%
Bismarck	72,417	\$410,774,405	\$393,005,243	4.5%
Grand Forks	56,948	\$238,013,072	\$221,320,080	7.5%
Minot	47,370	\$212,177,545	\$221,078,110	0.5%
West Fargo	40,988	\$187,772,574	\$173,565,972	8.2%
Williston	33,000	\$142,000,000	\$140,070,882	1.4%
Dickinson	25,000	\$120,129,473	\$118,942,471	1.0%
Mandan	22,752	\$99,162,857	\$96,220,609	3.1%
Jamestown	15,226	\$48,743,334	\$46,206,841	5.5%
Wahpeton	7,792	\$19,945,166	\$18,816,775	6.0%
Devils Lake	7,500	\$20,078,059	\$19,870,329	1.0%
Valley City	6,380	\$19,339,035	\$18,751,063	3.1%

MILL LEVY/PROPERTY COMPARISON

CITY	2020 CONSOLIDATED MILL LEVY	2020 CITY MILL LEVY	TAX ON \$125,000 RESIDENTIAL	TAX ON \$125,000 COMMERCIAL
Fargo	292.12	52.00	\$1,643	\$1,826
Bismarck	244.94	68.70	\$1,378	\$1,531
Grand Forks	317.82	97.87	\$1,788	\$1,986
Minot	332.32	119.95	\$1,869	\$2,077
West Fargo	299.91	77.47	\$1,687	\$1,874
Williston	194.69	36.52	\$1,095	\$1,217
Dickinson	243.93	63.44	\$1,372	\$1,525
Mandan	269.10	63.00	\$1,514	\$1,682
Jamestown	324.64	117.95	\$1,826	\$2,029
Wahpeton	365.03	93.21	\$2,053	\$2,281
Devils Lake	320.63	91.09	\$1,804	\$2,004
Valley City	323.29	72.39	\$1,819	\$2,021

SUPPORTING INFORMATION

APPENDIX

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 a tax according to value. Property taxes are based on the value of property. The Assessment Department's role 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.

PROPERTY TAXES

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 revenue required is divided by the total taxable valuation of all properties in the city, which sets the value of a mill. The total revenue required divided by the value of a mill, determines the mill levy. To calculate an individual property's tax liability, the true and full value (as determined by the assessment office) is taken times an assessment factor, times a class factor, with the result taken times the mill levy.

For example: The market value of a home is appraised at \$150,000.

$\$150,000 \times 50\%$ Assessment Factor = \$75,000 or assessed value

$\$75,000 \times 9\%$ Residential Factor* = \$6,750 or taxable value

$\$6,750 \times .29991$ Mill Levy (2020) = \$2,024 or consolidated tax

*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.

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 license classifications for city assessors. Class I are for cities that file their own sales ratio to the state. Class II are for jurisdictions that file their sales ratio as part of their County.
- 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 OF AN ASSESSMENT OFFICIAL?

- County Tax Directors must become Class I certified by the State Supervisor of Assessments within two years of becoming appointed. Certification is obtained by completing 180 hours of approved and tested education specific to assessment and real estate appraisal.
- Class I City Assessors must be certified by the State Supervisor of Assessments within two years of becoming appointed. They must obtain 180 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 2 years of becoming appointed or elected to the position. The assessor must attend at least 80 hours of approved and tested education specific to assessment and real estate appraisal.
- Anyone holding a Class I license must obtain 20 hours of approved continuing education every 2 years to maintain their certifications.
- Anyone holding a Class II license must obtain 10 hours of approved continuing education every 2 years to maintain their certifications.

UNDERSTANDING YOUR ASSESSMENT

Most property owners are concerned about 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. An addition 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.

PROPERTY OWNER MISCONCEPTIONS

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. $\$1,000,000$ budget / $75,000,000 = .0134$ 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. 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 not 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 appeal solely because you feel that your property taxes are too high, you will NOT win the 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 on record for the property is wrong.
- There is evidence that comparable properties are selling for less than the true and full valuation of your property.
- The property valuation is accurate, but inequitable, because similar properties are valued lower.
- The property is eligible for an exemption that was not granted by the assessment officials.

CAN A PROPERTY OWNER APPEAL?

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 review to discuss the valuation.

During this review 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 just because you feel that taxes are too high. The appeal is only for determining if your valuation is fair and equitable.

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. 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 not 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 North Dakota State Tax Commissioner's Office to insure that the local jurisdictions are in compliance with setting property values. Every sale of property 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 is 90-100% of the true and full value, then the City of West Fargo would need to adjust 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.

EXEMPTIONS EXPLAINED

There are two types of exemptions allowed under North Dakota Statute; 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 it is owned and occupied for the first time. The builder is also afforded a one year 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 the start of construction. 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 five to ten years. The New & Expanding Industry exemption must be applied for prior to start of construction and the PILOT must be applied for prior to the 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 the 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.

DISCRETIONARY

- 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 bound property owners. The exemptions and credits range from \$100,000 to \$160,000 of the property's value. Most applicants must apply annually for the credits. The State of North Dakota 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 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. Due to annexations, West Fargo has three farmers that qualify 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.

NON-DISCRETIONARY

- 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

- 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.

**CITY BOARD OF
EQUALIZATION STATUES**

N.D.C.C 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
57-11-05.	ADDING PROPERTY TO ASSESSMENT LIST
57-11-06.	NO REDUCTION AFTER SESSION OF BOARD - EXCEPTION
57-11-07.	EFFECT OF FAILURE OF BOARD TO MEET

57-11-01. MEMBERSHIP OF BOARD - QUORUM - MEETING

- The City Board of Equalization 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.
- 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 fifteen 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 role 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.

