

Monday, March 07, 2022 via ZOOM
CITY OF MINNETONKA BEACH
Hennepin County Assessor Information Session
CITY COUNCIL MEETING MINUTES

Please note that Mayor Lindstrom has determined that an in-person Council meeting is not practical or prudent because of a health pandemic and that this Council meeting will be held remotely using Zoom. This is being done in accordance with MN State Statute 13D.021. Details to access the meeting remotely are below.

Roll Call: Mayor Jaci Lindstrom; Council Members: Tracey Breazeale, Susan Enlow, Steve Howarth, and Treasurer Chris Zinn. Absent: Vibhu Sharma

Staff Present: City Administrator Heidi Honey, City Clerk Jane Burgess

Guests: Michael Smerdon, Hennepin County Assessor

1. Call to Order.

Mayor Lindstrom called the meeting to order at 6:02 p.m.

2. Approve Agenda for March 7, 2022, Special City Council Meeting

Howarth motion, Enlow second to approve the agenda. Roll Call Vote: Breazeale – aye, Enlow -aye, Howarth – aye. All ayes, the motion carried.

3. Hennepin County Assessor to provide pre-Board of Appeal information to City Council

Smerdon stated that this is the first pre-board assessment meeting that has taken place since he has been doing the assessment for Minnetonka Beach. He presented the appeal process and timeline of the assessment process. He stated that the 2023 valuation notices would be mailed to residents later in the week.

Smerdon stated that he divides the timeline into four parts noting that this was done pre-COVID:

- 1) During the summer months his department conducts their quintile with home visits knocking on doors, walking around houses, measuring, taking pictures and asking to go through the homes to verify characteristics.
- 2) During the fall months they focus on new construction doing the same thing but also determining how far along they are with the building project.
- 3) During the winter months they do their analysis and crunch the numbers. They look at home sales, calibrate models and set the assessments.
- 4) During the spring months they valuation notices are mailed out. Residents can call Smerdon and appeal their values. If residents do not contact Smerdon they still can attend the Local Board of Appeals meeting. City Council would then decide what those residents' property values should be as a mediator. If residents still dispute their valuation, they can then take their appeal to the county level. Or, finally, they can go directly to the Hennepin County Tax Court.

When they analyze values they use a sales ratio study that goes from October 1st – September 30th put forth by the Department of Revenue who oversees the process Smerdon stated. Home sales that occur after September 30th are looked at. The values are based on sale assessment not set on just one sale, he added. Sales such as buying a home from a parent, foreclosures, tear downs are not included - homes not exposed to the market in a typical way.

Smerdon stated they aim for a median homes sales ratio of 95% meaning that if they looked at all the assessed values divided by the adjusted sales price then whatever that ratio is for all the sales in the study they move it so that the median of all of those is at 95% - the middle ratio is at 95%. He finds a model that works for everyone to treat everyone fairly.

Howarth asked Smerdon how he values a home that is basically land value. Smerdon clarified an earlier comment that demos are not in the Dept of Revenue study, but they are looked at for an indication of land value. When purchased it is for the land value, but sometimes people purchase nice homes and tear them down as well because they like the lot.

Lindstrom asked if Smerdon and his team are caught up with Minnetonka Beach as they are still somewhat new, and does he feel that they really know the values in the community. Smerdon stated that he knows Minnetonka Beach values better now, but COVID has prevented them from going through homes. They hope to do that soon to see what exactly is there.

Lack of inventory is pushing home prices up and higher demand has yielded high price increases. He expects it on Lake Minnetonka but homes over \$1 million are really surging even in places like Edina and Eden Prairie. Smerdon added that there were two home sales on Lake Minnetonka over \$10 million and it's been a long time since this has occurred. One was in Minnetonka Beach.

Smerdon stated that realtors and experts expect the high home prices to continue but maybe not at the rate they have been. He said he sees no reason for prices to decrease and no slowdown. Interest rates are still very low combined with high demand and low inventory. COVID changed people's attitude to get a home they really want and not waiting especially if they're working from home.

He presented the 2022 Hennepin County Value Summary stating that this is a great high-level assessment and reference to see a comprehensive breakdown of what is going on across the county. He also recommended the 2022 Annual Assessor's Report at www.hennepin.us/assessment

Smerdon added that because Minnetonka Beach has had so few home sales the numbers are more distorted than they really are. Closed sales in Minnetonka Beach at 100% = 10 sales.

Lindstrom commented that Minnetonka Beach only has two homes for sale at this time confirming the low inventory Smerdon stated.

Smerdon provided many different reference charts in the meeting packet. One explained real estate value increases on property assessments and may be included in the valuation notices residents receive. Another chart showed the 2022 Assessment Growth for single family residential properties off lake and on lake. He noted that Minnetonka Beach only had a 20.4% on lake increase and 13.9% off lake increase which is lower than nearly all the surrounding cities.

Smerdon noted that The Minneapolis/ St. Paul Business Journal stated the average sale price of a home in Minnetonka Beach in 2021 was \$2.35 million. Smerdon calculated at slightly less at \$2.27 million.

Smerdon stated that if a resident saw a 25% increase in home value it does not mean their taxes will go up 25%. It all depends on the County board, school district and city council to determine taxes based on their budgets..

Howarth asked Smerdon if he uses previously assessed values to calibrate new values and Smerdon stated no it starts over year after year.

Breazeale noted that there were a number of homes in Minnetonka Beach that were assessed higher than the sold price.

Smerdon expects a lot of calls from Minnetonka Beach residents when they receive their valuation notices and will spend a great deal of time educating them. He anticipates a large number of appeals this year for the April 11, 2022, meeting.

Lindstrom and Howarth praised Smerdon for his informative and educational presentation.

**Howarth motion, Enlow second, to adjourn the March 7, 2022, Special City Council meeting.
Roll Call Vote: Breazeale – aye, Enlow – aye, Howarth – aye. All ayes, the motion carried.**

4. The meeting adjourned at 6:55 pm

PUBLIC IN ATTENDANCE – The following people were in attendance via Zoom: Nell Mathews.

Lindstrom reminded City Council that the April 11th Local Board of Appeals meeting with Mike Smerdon will begin at 6:00 pm. The City Council meeting will follow. Smerdon stated that if there are a large number of calls from residents, City Council may need to reconvene more than once to discuss all of them.