

# SIoux CITY ASSESSOR BULLETIN

Sioux City Assessor's Office | 620 Douglas St., Sioux City, IA 51101 712-279-6535 | We Value Sioux City

SPRING 2011

## Equalization Drives Assessment Increases in Sioux City

In Iowa, residential and commercial property is assessed at market value. This means that whatever a house, an office building, a store, a warehouse or other structure might sell for is generally what it should be valued at for assessment purposes. This sounds simple enough. But it's not always easy to keep assessments and sale prices in perfect sync.

For one thing, only a small percentage of property is sold in any given year. In Sioux City, there were 841 residential and 76 commercial real estate transactions in 2010. But there are approximately 33,000 properties overall. Using such a small number of sales to estimate assessments for a large number of parcels makes it challenging.

Also, values fluctuate at each reappraisal because the sales they're based on may be quite varied. To improve accuracy and reduce these fluctuations, for the 2011 assessment we're using five years worth of sales (adjusted for time). The next reappraisal will be in 2013, and we'll drop the sales that occurred in 2006 and 2007 and pick up the sales that occurred in 2011 and 2012.

The national housing crisis of 2009 and 2010 had little effect on Sioux City, perhaps because we are largely an agricultural driven economy, and because there was no dramatic increase in property values here during the bubble years. The federal first-time homebuyer credit, however, did have an impact. While some would argue that it was a favorable impact that allowed for more home ownership, others who did not participate may feel otherwise.

In reviewing the statistical sales data, much, if not most, of the \$8,000 credit went to the sellers in the form of slightly



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higher asking prices and in turn, higher selling prices. This was predominately on more moderate housing — that in the \$50,000 to \$100,000 range. Higher-valued properties continued to suffer from few sales. Sales ratios, which drive assessed values, are insensitive to sales prices in that they are simply the assessed value divided by the sale price. Therefore a \$50,000 sale carries the same weight as a \$500,000 sale.

It is presumed, and has often been true, that if assessed values increase, so do property taxes. The taxing entities are focused and intent on not increasing property taxes — regardless of an increase or decrease in property values or a change in the state rollback. The budget process has been

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painful and sacrifices will be made to hold the line on property taxes in Sioux City.

## EQUALIZATION

The real estate market itself is very dynamic, with prices constantly fluctuating based on economic conditions; supply and demand; interest rates and more. But municipalities such as Sioux City and other jurisdictions around Iowa only revise property assessments once every two years. So while it's easy for assessments and market values to creep away from each other, Iowa has a way to ensure things don't stray too much. It's called "equalization." In a nutshell, the state mandates that the collective value of all assessments within a certain area must be within 95 to 105 percent of the collective market value of all property within that area.

If property is collectively selling for less than 95 percent or more than 105 percent of the assessed value, there's a problem, and across-the-board adjustments must be made to bring things back into compliance.

In Sioux City, the median sales ratio for residential property at the end of 2010 was 94.9 percent. The median ratio for commercial property was 93.6 percent. That means that properties here have generally been selling for somewhat more than assessed value, and adjustments must be made.

On average, residential assessments here increased 2 to 3 percent and commercial assessments increased 3 to 4 percent compared to 2009 values. These assessments are effective as of Jan. 1, 2011. New notices will be mailed to property owners in April informing them of the change in value. (Industrial property is not subject to equalization.)

It's important to remember a few things. First, these figures represent average citywide increases. Some parcels will experience smaller percentage increases or decreases; others will experience larger ones. It all depends on a variety of factors, including the specific location of the

property, its condition, trends in the immediate vicinity and many other things.

Second, many of the adjustments are due to changes in the value of land, not houses, buildings and improvements. This is because over the years, many valuation adjustments have already been made to structures, but the land value itself has not been calibrated for many years.

Finally, in order to be more precise, occupancy type is now a bigger consideration than ever before with commercial valuations. This is because different occupancies have unique nuances that affect value. We now compare the assessment of a building that houses a restaurant, an office, a medical facility, a convenience store or other entity against other structures with similar use to ensure more uniformity and fairness for all property owners.

## HEALTHY MARKET

Many people hate to see their assessment go up because they think that automatically means they'll pay higher property

taxes. That's not necessarily the case as discussed above; it depends on the tax rate and the percentage of property value that is taxed — both things that are not determined by an assessor. (For more information on our role, see accompanying article.)

But some people don't like to see their assessment go down, either, because that means the value of their real estate investment has declined.

In any case, taxes due based on the Jan. 1, 2011 assessments won't be levied until the 2012/2013 fiscal year, which begins July 1, 2012.

We're fortunate, that despite the challenging economy both nationally and locally, the Sioux City real estate market remains healthy. Property values in many areas of the United States have declined in recent years; many experts predict some markets will continue to lose value in 2011. Sioux City is certainly not immune to economic woes, but declining real estate values isn't one of our problems. Property owners in many other parts of the country should be so lucky.

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# DID YOU HAVE THE STEAK OR THE HAMBURGER?

*The following article was written by Tom Bredeweg, former executive director – Iowa League of Cities. It originally appeared in Cityscape, a magazine published by the League. It is reprinted here with permission.*

Over the past several years, one of the components to the city government team has been subjected to considerable criticism. In my mind, much of the criticism is misdirected and unfair. Our society seems to crave public services while detesting the taxes that pay for them, but that is no justification for us to single out our county and city tax assessors as the root of our problems.

City officials know, of course, that technically the county or city tax assessor is not a city or even a county official. The employing entity of the tax assessor is the county conference board, an entity designed to allow city, school, and county government to jointly oversee the work of the tax assessor. As a practical matter, the assessors are a key component of property tax administration that is crucial to the structure for funding local government. The role of the assessor is crucial, but it is a limited role. Much of the criticism stems from frustration with portions of the property tax system over which the assessor has little control.

When I think about the role of the assessor, I always recall those situations where a lot of friends decide to dine together at a restaurant. At the end of the evening, the waiter brings the bill. After lots of hems and haws, somebody typically takes the bull by the horns and calculates what each person owes generally a thankless task. It is not uncommon for some person to volunteer what his or her share is according to a person calculation, but usually short of what it really takes. Gratuities and sales tax are often overlooked by the individual diner when calculating their fair share.

The tax assessor has the function of allocating the respective burdens for property tax payers in the jurisdiction. The tax assessor does not establish what the tax burden is, just what share we pay and the share paid by our neighbor. Using my analogy, the assessor does not decide whether we are eating steak or a hamburger, whether we have dessert or not. The assessor calculates each person's share of the final bill.

State lawmakers pass laws that govern what is taxed, and what is not, and how property is to be valued. Rule-making is clearly delegated to the Iowa Department of Revenue. City,



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county, and school officials approve local budgets that determine the ultimate tax burden. The assessor performs the calculation using the procedures established by state statute and state rule.

We sometimes may be tempted to root against an assessor in a dispute over an assessment; it is an American tradition to cheer for the perceived underdog. But, when an assessment is lowered and eliminated without justification, the burden is shifted to the rest of us. It is similar to letting one of the diners skip out on the tab, leaving the rest of us to make up for it. This is not to say that there are not weaknesses in our current system. Inconsistencies from county-to-county detract from the equity among tax payers. To their credit, assessors have been among the first to recognize the problem and agree to help find solutions.

Almost everyone in Iowa agrees that our property tax system is in need of an overhaul. We will not be able to find appropriate remedies to problems if we do not accurately determine the problem in the first place. Blaming the assessors for problems beyond their contract detracts from our ability to find good solutions. In the meantime, city officials should value the role assessors play in maintaining equity to the degree we can under today's system. I would recommend a good pat on the back; that's a gratuity that doesn't cost the city a cent.

# Employee Spotlight



**PATTI McDANEL**

**Title:** Assessment Analyst II

**Job Duties:** As an analyst, and because of her extensive experience, Patti works closely with the assessor, the deputy assessor and the chief appraiser on nearly all functions of the assessor's office. She spends much of her time preparing reports and analyzing sales and statistical data and neighborhood and market trends. She works closely with the appraisal staff to ensure that what they

see in the field gets entered into the assessment data system accurately.

Patti also participates in the Board of Review process each year and operates the computers that ensure that the Board of Review and the taxpayer have the information they need during their hearing. She also keeps busy doing legal corrections, and she maintains all of the condominiums in Sioux City. Patti also handles numerous ad-hoc sales and work reports. As the liaison to the Computer department, she coordinates the maintenance of all hardware and software. Lastly, she manages the assessor's website and mapping functions.

**Background:** Patti started as a temporary employee working nights and entering data off the property record cards into the computerized assessment system. She subsequently became a full-time employee in early 1991. After a short hiatus in Sioux Falls staying home with her children, she moved back to Sioux City where she worked at Gateway for a few years before returning to our office in late 1996. She will soon celebrate her 15<sup>th</sup> consecutive year (18 years total) with the Sioux City Assessor's Office. Patti has taken many appraisal courses and attended many conferences and seminars to enhance her education and experience.

**Outside of work:** Patti enjoys reading and spending time with her children and family. Both of her children work at the local movie theater so they enjoy seeing as many free movies as they can. One of Patti's great loves is being an aunt and she enjoys spending time with her nieces and nephews and watching them participate in sports and other activities.

## ROLE OF AN ASSESSOR

The Sioux City Assessor, like all assessors across the state, is focused on one thing: estimating property value. While there is a connection between assessments and property taxes, we don't determine tax rates, set taxes or collect taxes. Our role is purposely separate and distinct from those who levy taxes, which allows us to be completely objective in our estimates. We have no vested interest in whether property values go up, down or stay the same.

Furthermore, we are not a city department. We don't report directly to the mayor, a city manager or the city council. Instead, we report to a conference board which comprises Sioux City City Council members, the Woodbury County Board of Supervisors, the Plymouth County Board of Supervisors (because part of Sioux City lies within that county) and a representative from each of the three school districts within the city limits (Sioux City, Lawton-Bronson and Sergeant Bluff-Luton).

This conference board provides tremendous expertise and good oversight for our office, yet no one individual or jurisdiction has more sway than another when making decisions about what we do. This structure holds us accountable, yet affords us objectivity.

Our operating budget is also separate from Sioux City's budget to ensure no one has undue influence over what we do via the funding we receive.

## QUESTIONS?

Accurate and fair property valuation is a team effort. It involves the taxpayer who knows his or her property better than anyone, the real estate professionals who work in the market every day — Realtors and appraisers — and the assessor who analyzes the information and sets the assessed value. We welcome calls, visits and e-mail messages from property owners. We work for you, and yes, we do make mistakes. If you think we have made an error, please let us know; if it is an error, we'll do our best to fix it.

We hope you've found this issue of *Sioux City Assessor Bulletin* to be informative. We'd like to know what you think. For more information on any of these topics, please contact us. We want to be your resource for property assessment issues.

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