

REAL

TALK



FROM THE POLK COUNTY ASSESSOR

www.assess.co.polk.ia.us

SPRING 2012

HOMEMAKERS FURNITURE APPEALS IOWA DISTRICT COURT DECISION

Homemakers Furniture in Urbandale is currently making an appeal to the Iowa Supreme Court with respect to the assessment of its property on Douglas Avenue.

The property was remodeled and expanded from 2007 to 2009 and consists of 215,000 square feet of showroom space and 200,000 square feet of warehouse space and offices.

The Polk County Assessor originally valued the newly renovated building at \$26.6 million in 2010.

Homemakers appealed the assessment to the Polk County Board of Review in 2010, claiming the property value was \$8.6 million and that the assessed value exceeded the fair market value. The Board of Review upheld the assessed value, and Homemakers appealed to Iowa District Court.

As part of the review process, Homemakers and the Polk County Board of Review each retained independent appraisers to value the property. The valuations from these four different appraisers ranged in value from about \$8.9 million to \$21.3 million.

Because of the difficulty in finding comparable sales data in this situation, all four appraisers supplemented their estimates with other approaches to valuation.

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POLK COUNTY HOMEOWNERS CONTACTED BY VALUEAPPEAL™

From time to time, homeowners may receive information from third parties offering services related to appealing home assessments.

This happened recently in Polk County when a number of homeowners received a mailing from ValueAppeal, a third party company based in Seattle, offering to provide assistance in appealing property tax assessments.

ValueAppeal's goal (and many other companies like it) is helping homeowners avoid overpaying property taxes and assisting those who otherwise would not appeal their assessments — either because they don't understand the process or don't have the time or knowledge to develop an appeal on their own.

The Polk County Assessor revalues homes as of Jan. 1 every odd-numbered year. In even-numbered years, assessments are only changed on homes where the homeowner applied for a building permit/made significant improvements to the home, or if an error was discovered.

Typically, about 60 percent of homeowners who appeal their assessments with the Polk County Board of Review receive some adjustment.

If you're interested in learning more about the appeal process, refer to the Polk County Assessor website at www.assess.co.polk.ia.us, for helpful information and tools, as well as access to information about what comparable homes in your neighborhood have sold for recently.

HOMEMAKERS FURNITURE APPEALS IOWA DISTRICT COURT DECISION

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THE IOWA DISTRICT COURT RULING

The Iowa District Court found that the appraisers testifying on behalf of Homemakers did not properly consider the value of the property as a going concern. In their appraisals, the appraisers thought the highest and best use of the property would be industrial, and proceeded as if the retail finishes inside Homemakers' property had little to no value.

The court agreed that if Homemakers were to relocate for any reason, there would not be an abundance of potential buyers for the property, and any future user could face some issues with parking and the configuration of the site.

However, the court also commented that Homemakers is a profitable enterprise, and has found the site and the building as it currently exists very suitable to the needs of a large-scale furniture operation. Homemakers has plans to further expand the warehouse portion of the building, and intends to remain at the current site for the foreseeable future. According to the court ruling, doubts about whether another buyer could be found are an appropriate consideration, but they do not justify completely disregarding the

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current use of the property. The court found the current use to be the highest and best use.

Based on its evaluations of the various appraisal estimates, the Iowa District Court ruled the value of the property to be \$21.3 million or about \$5.3 million below the original assessed value.

The case will likely reach the Iowa Supreme Court sometime next year.

FIVE FACTS ABOUT PROPERTY ASSESSMENTS

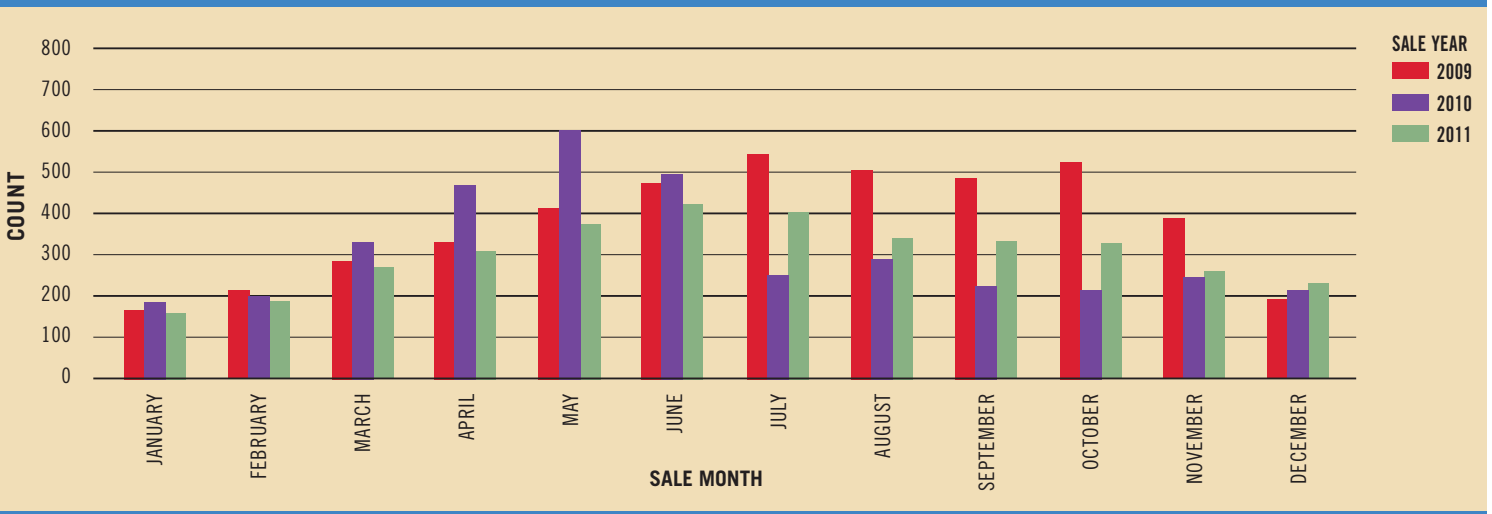
How well do you understand property assessments? Here are five facts to help you better understand how the process works.

- 1. Assessments are always as of Jan. 1 of odd-numbered years** for commercial, residential, industrial and agricultural properties — unless a property owner has obtained a building permit or a correction needs to be made. In 2011, 168,000 Polk County homeowners received assessment notices vs. only 11,800 in 2012. In even-numbered years, notices are only mailed when there's been a change in value.
- 2. Changes in assessments reflect the change in the value of the property over two years, not one.**
- 3. Taxes don't even begin to accrue until six months after the date of the assessment.** The taxes you pay this year in September represent the first half as the result of your Jan. 1, 2011 assessment.
- 4. Foreclosed properties aren't a part of the mix.** Assessors are focused on market value. Therefore, foreclosed properties or any sales that aren't considered arm's length aren't taken into account.
- 5. The Iowa Department of Revenue regularly compares home sale prices to assessments.** Assessments are based on a sample of homes and need to average between 95–105 percent of the sales prices. If they don't, either the Assessor or the Director of Revenue will make adjustments.

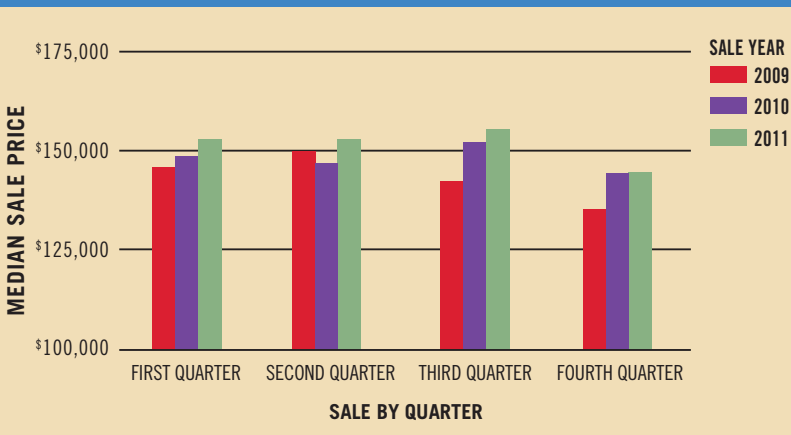
RESIDENTIAL SALES AND VALUES UPDATE

The volume of home sales and median sale prices in Polk County remain low compared to pre-recession figures. Unemployment rates and tighter credit are likely two contributing factors.

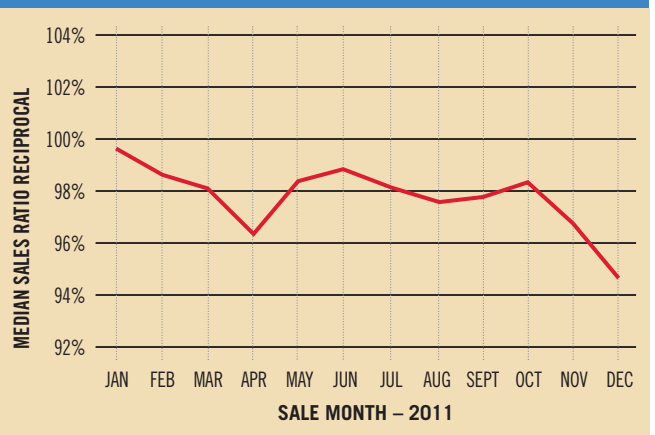
NUMBER OF SALES BY MONTH — 2009-2011



MEDIAN SALE PRICE BY QUARTER — YEARS 2009-2011



MEDIAN SALE RATIO RECIPROCAL BY MONTH



The chart (above right) shows the median ratio of all sales prices divided by the assessed values for each month in 2011. The median ratio stayed below 100% for each month, and decreased even more in fourth quarter. This means that in general, sales prices continue to occur below assessed values and that property owners may continue to see reduced assessments in January 2013.

POLK COUNTY RESIDENTIAL BUILDING PERMITS

Year	New Dwelling	Total
2000	2,037	11,449
2001	2,446	12,391
2002	2,751	12,470
2003	3,129	14,359
2004	3,407	14,685
2005	3,366	15,473
2006	2,430	16,912
2007	1,817	17,091
2008	1,044	15,636
2009	1,125	15,161
2010	1,144	14,434
2011	1,038	13,174

Through year end. Includes new starts for single family, townhouse and condominium units.

SALES SNAPSHOT

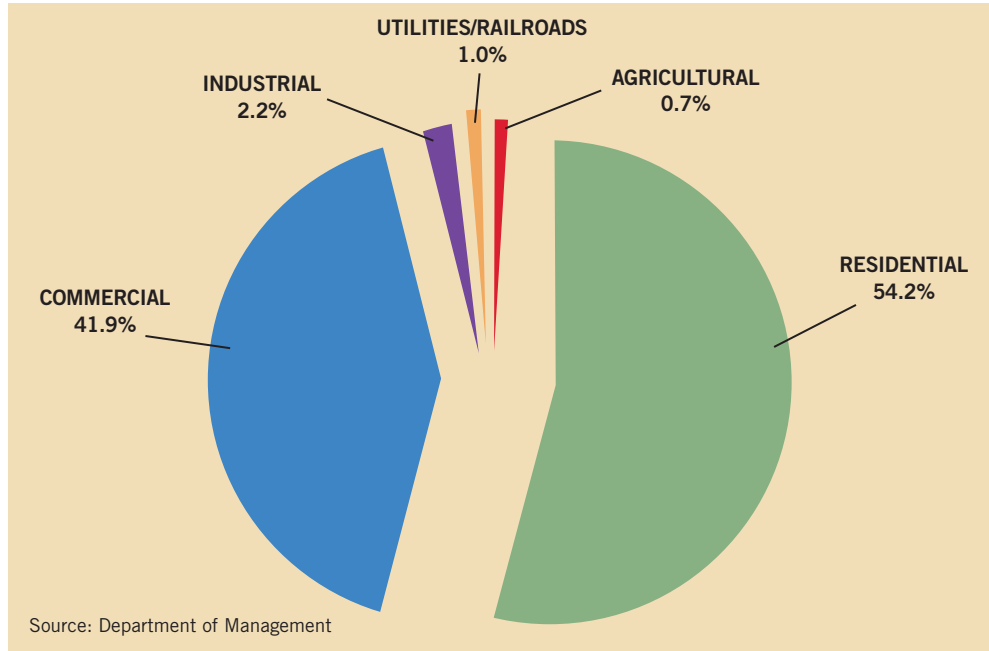
Year	RESIDENTIAL		COMMERCIAL	
	Number of Sales	Median Sales Ratio	Number of Sales	Median Sales Ratio
2009	4,517	100.7%	109	101.7%
2010	3,745	102.3%	101	104.2%
2011	3,655	102.3%	112	101.3%

Through year end. A sales ratio is calculated by dividing an assessment by its sale price. For example, if a home is assessed at \$150,000 and sells for \$160,000, the sales ratio is 0.9375 (or about 94 percent). A median ratio of less than 1.0 means property is generally selling for more than assessed value. A ratio of more than 1.0 means property is generally selling for less than assessed value.

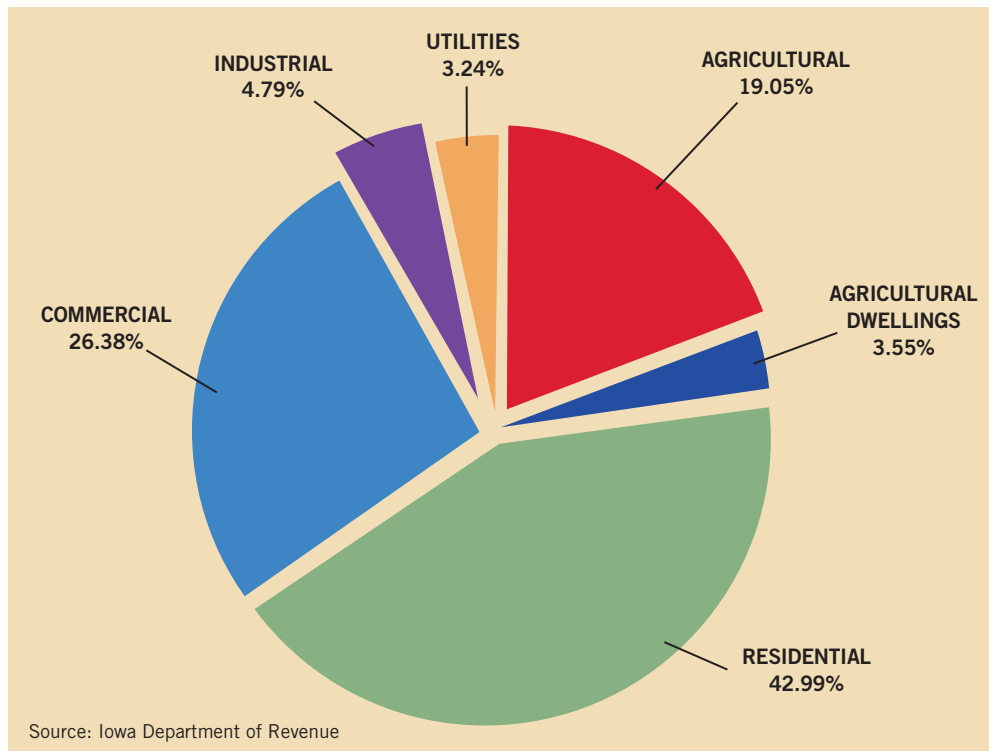
WHO PAYS PROPERTY TAX IN IOWA AND POLK COUNTY?

The following charts show how the property tax burden is split across different property types — showing how Polk County compares to the state of Iowa. While Polk County has a greater percentage of commercial property than the state as a whole and a smaller percentage of agricultural property, the charts demonstrate that residential property owners pay the bulk of the property taxes in both Polk County and the state.

WHO PAYS PROPERTY TAX IN POLK COUNTY



WHO PAYS PROPERTY TAX IN IOWA



REAL TALK

QUESTIONS?

We hope you've found this issue of *RealTalk* 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.

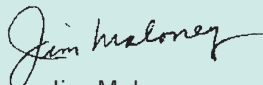
Previous issues of *RealTalk* are archived on the Polk County Assessor's website at www.assess.co.polk.ia.us.

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OUR MISSION

The mission of the Polk County Assessor is to estimate the fair market value of residential and commercial property. The Assessor doesn't determine tax rates or calculate or collect taxes. If you have questions or want more information about what we do, please let me know.


 Jim Maloney
 Polk County Assessor