

2009 HOUSE FINANCE AND TAXATION

HB 1198

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1198

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 12, 2009

Recorder Job Number: 6838

Committee Clerk Signature

Minutes:

**Chairman Belter:** I will open the hearing on HB 1198.

**Representative Glen Froseth** testified in support of HB 1198 (**See Testimony #1**).

**Chairman Belter:** Are there any questions for Representative Froseth:

**Representative Bob Hunsakor:** I am the State Representative from District 6, which encompasses the same geographical area as Representative Froseth. HB1198 is before your committee to address the rapid increase in property taxes at Lake Meigoshe and other recreation service districts that have a similar problem. Over the years, lake properties were purchased for family enjoyment and retirement pleasure. Many of these homes were seasonal and have been enjoyed by families for several generations. Many are occupied by elderly people who have a limited income; these elderly people wish to live out their years at their lake homes. In recent years, expensive year-round lake homes have been built and sold at ever increasing prices, which has caused taxes on all homes at the lake that may force those who cannot pay their tax bill to move to another location. These folks are in this position with no control over it. It is crucial that legislation be passed that will be fair and will enable these folks to live in the home of their choice. My fear, in representing that particular district of our state, is that we are moving in a direction where lake homes, whether they are seasonal or year

round home, will no longer be available for families that do not have a significant financial resource. It seems very unfair to take people who have had these lake homes in their families for generations who may not have much more income than social security and, because of something out of their control, they may be forced to move into an apartment or some other dwelling in one of the nearby cities. I would just ask your favorable consideration of this bill.

**Chairman Belter:** Any questions?

**Senator David O'Connell:** I am Senator from District 6. I will be real brief. There are other people here to explain what the bill really does. My biggest concern is that some of the people bought lake homes for probably \$20,000 20 or 30 years ago. Now there are big beautiful homes coming in at \$750,000 and on up. That has created a situation where the taxes go up and the people who started there with a cabin probably won't be able to stay with the taxes going up. I don't know what you are going to have to do to make it fair for everybody, but basically people have been there a long time. There are approximately 900 homes at that lake at this time, a little over 100 seasonal homes. To make it fair for the people who have been there for a long time is what we are worried about. To try to keep taxes down so it is a fun place for people to go again. I stand for questions at this time.

**Leonard McGuire, Former Roland Township Supervisor:** I have been involved in these taxation and property values for the last six years. We can no longer control these locally. We need help from legislation to control the issues going on at the lake. We hope to show you with the handouts we have (graphs and charts) how bad the tax issue for the residents of Lake Metigoshe Recreation Service District. We hope after this presentation that you will see our problems and support HB1198. Bob is with me. He has worked with these charts so I would like Bob to go through them and then I have a few charts I would like to go through.

**Bob Kornkven:** I am Bob Kornkven and I have owned property at Lake Metigoshe since 1975 and for the last ten years, it has been my permanent residence. I have seen a lot of changes happen. For the last six years, I have been on the township board and we have struggled with some of the changes going on. Today I would like to explain what I perceive as a valuation inequity that is happening around Lake Metigoshe. Hopefully when we get through with the graphs, you will see that it could be happening in other rec service districts or other lake properties in the state. When I am done, I hope I will have convinced you that this bill is worth of your support. Last page is a map of Bottineau County. The area in pink is Roland Township. The area in yellow inside that pink is where Lake Metigoshe is at. The ND Century Code doesn't talk about shoreline property or lakeshore property, but the Century Code does talk about rec service districts. In our case, the Lake Matigoshe rec service district is approximately 1000 feet away from the shoreline. In that area, there are approximately 850 cabins and some additional properties that would be off the lake. This band of land around the lake represents about one half of one percent of the total area of Bottineau County. In area, it is a small deal. The reason we are talking about rec service districts is because it is in the Century Code. It is not a difficult process if you have a lake with these same problems to become a rec service district. Now I would like you to go to the front page and look at the pi chart of what Bottineau County taxable valuations looked like on 2002. The area in pink is Roland Township. The Sales Ratio (Page 3) spells out the struggles we have had trying to work with the sales ratio. In 2003 we took a 25% jump in valuation, in 2004 we had a professional assessor come in and look at our lake and a lot of properties were increased 40-125%. You will see some that were way more than that and some that actually were less than that. We have been stuck with increases since because sales have actually been increasing since that time. You can see 2005 was 16-20%, then a couple years of 8-10% increase. In

2008 our township increased the land value 8%. The county came along and said we needed to make more progress in getting to true and full and they increased our structures 42.85%. The State Equalization Board said that wasn't quite enough and they increased us another 20% in land values and 5% in structure values. The net of what happened in 2008 was that 29% in land values and 50% in structure values. Most people at the lake saw around a 40% increase in values on their properties. If you are structure rich and land poor, it was a little more than 40%. If you are land rich and structure poor, it was a little under 40%, but 40% was a pretty common number. One of the other items that happened when the state gave us that directive, they also directed that at the end of 2009, we are going to be at 100% of our "true and full". It is going to be where it is supposed to be. Also, since that time, we have had 18 sales at Lake Metigoshe. The result of those sales is we are no longer at 82%; we are at 62 ½%. In order to accomplish what the state is requiring us to accomplish, we are going to be taking a 60% increase again this year in total valuation. That number scares all of us at Lake Metigoshe. There are a lot of people up there who will not be able to handle that number. The next chart is a summary of what lakeshore sales have been doing across the state. It comes directly from the Tax Dept. website. It shows the number of sales in each of the different counties (and you will see that Bottineau County is sitting with 41 sales—not quite half the sales. Our sales volume value is \$6 million. We are at 60% of the value there.) The last column is the median. That is the true and full over the sales value. Obviously, you people know we are supposed to get 95 to 105%. You will notice there are significant problems throughout the state. There is one mistake on this sheet. It's not Williston; it's Williams County. The other thing I would like to note on this is the statewide ag sales ratio out of this same report says today the statewide ag ratio is 45.8%. The statewide lakeshore ratio is 62%. The sales ratio of ag land in Bottineau County is 49%. You can see what has been happening

from year to year. The next chart gives some of the history of Roland Township. You will notice that 70% of the sales within the \$100,000 range and below. Also, I want you to note that the first two columns in number of properties reflecting total valuation and the middle column is the number of properties—structure value only. The bottom chart is from 2008 but it is a cumulative chart of the three years of sales. You will notice that even with the increased values that we have applied this last year that 65% of the sales are still below the \$100,000 range. What I am trying to point out here is if you took and looked at the second column, the number of properties reflecting total valuation, you would see that in 2007, we had 35 properties valued over \$200,000. In 2008 we have 116 properties valued over \$200,000. Yet if you look in the far column, you will see that we had two sales in those three years in that category. We had 11 structures over \$200,000 in 2007 and now we have 36 structures over \$200,000 and still only two sales. Lake Metigoshe is in the second phase of development.

There is no more lakeshore property to be had at Lake Metigoshe. If you want to own a piece of the lake, you are going to have to buy something that has already been developed. What we happening is that people are able to come in, buy a lower-priced property, rip out the structures and start over. That's what the second phase of development is doing, but when that happens, using the sales ratio approach, you are going to inflate everybody. If you have a \$50,000 piece of property and someone buys it for \$100,000, rips out the structures, everybody's value on the lake theoretically doubles. It is happening time and time again at Lake Metigoshe moving through this second phase of development.

**Representative Grande:** I have a question on your statement there. So I purchase that piece of land for double its value....is that what you said? Now I own it so I want to upgrade my property and put in a \$500,000 house. Are you saying you don't want me to?

**Bob Kornkven:** Absolutely not.

**Representative Grande:** That is kinda of how it sounds.

**Bob Kornkven:** I am just saying that this is how sales ratio affects everybody. Hopefully I can answer them. I am more comfortable shoveling out a grain bin than standing up here.

In 2008 in Roland Township, instead of 7 1/2% now the valuation is 21.8%. The lake portion of that is 92%. Also it is interesting to note that Bottineau has grown 11%, but in those six years they have added a hotel, a Super Walmart, a bank, but they have gone from 10.8 to 11% and we have gone from 7 1/2 to 21%. You can see that we have grown from a \$29 million lake to a \$128 million lake in 2008. I also think it is noteworthy that the mills have not changed significantly so what is happening is basically the lake area is picking up any increase in budgets that both the school and the county have had. In 2009 there is a line which says 1.6 that is what we could look like this next year if nothing gets done here. We would become a \$205 million lake and our taxes would increase substantially. In 2009 if this bill passes, the next line that says .045 (assessed value times .045), our taxable value would actually be \$4,632,000. We would be somewhere in value between what we were in 2007 and 2008. Chart 7 (page 8) shows individual cabins on Lake Metigoshe. It shows that #10 cabin has taken substantial increases, but so has the #900 has taken substantial increases. I think the interesting part of this is that I live on Minot Beach, I am a full-time resident and there was a property that was valued real close to #300 property. It was an 81 foot lot with an older cabin, a boat house that was falling down, and an outhouse. It sold this last summer. The day after it was sold, all the structures were gone. The individual paid \$300,000 for that piece of property valued closed to #300. His buildings were worth around \$50,000 so he really bought an \$88,000 lot and that is what we would have it valued at, but he paid \$300,000 for it. He is one of the 18 sales that have caused our sales to go back to 62%. When you look at this, the

\$88,000 piece of property he had when he removed the structures is now going to be worth about \$135,000-140,000 after you add that 60% back on to it. You can also see that the #10 piece of property, which is a house right next door to him that is real similar to that value. That 60% means that individual will go from \$387,000 to \$619,000 next year because of what is going on. That is how sales ratio works at the lake. We have houses, older cabins and tear down properties, but when they sell at a premium, it affects everybody. One of the other things I want you to notes is that for every \$100,000 of increase, the tax dollars generated is about \$1300 at today's mills. This chart is an estimate if nothing gets done that shows what Bottineau County will look like next year. You will see that instead of 21%, we will be at 26%. If you had time to look it over, you would see that no other subdivision is going up in value. Our increases are taking care of everybody else. This last chart is a summary of what is going on. When you look at that, also look at the map of Bottineau County. In 2008 if you took Roland Township alone with Lake Metigoshe, we were at 21.93% of the taxable valuation compared to all the cities combined in Bottineau County which were 15%. All the ag land (about a million acres in Bottineau County) were at 62% so we are one third the size of all the ag land in Bottineau County. Ag land is valued at about 50% of the sales ratio. In 2009 if nothing happens, Roland Township is going to be 28 ½%. These are astounding numbers to me and, hopefully, I am communicating that to you as well. We are going to be double the value of all the cities in Bottineau County if nothing happens. We are also going to be half the value of all the ag land in Bottineau County. That little one tenth of one percent area is going to be worth the same value as half the county on one side and half the county on the other side. There are amazing things happening up there and without help, there are going to be other amazing things that happen up there. In conclusion, I would like you to know that the Bottineau County commissioners have signed on and support our efforts to change this. They

emphasize with the situation we are in and I hope I have been able to convey to you what the sales ratio approach to valuation does when you have a lake like ours in the second phase of development. I also hope you can see where we have shifted the tax burden of Bottineau County to that lake. Given these two reasons, I hope you can support HB 1198 and give our lake the chance to enjoy the quality of life that they subscribe for and would like to continue on with. A defeat of this bill will also give a different signal. It will tell those without significant means that they can no longer live at the lake.

**Representative Kelsh:** I have a series of questions. Are all the assessments based on the sales comparison approach alone? Are you bound by law that you cannot use a cost approach? For instance, if it costs \$350,000 to build a new cabin, is that not taken into account in the assessment? That is one of the basic tenants of real estate appraisal. I am just wondering if that is part of state law that you cannot use the cost approach in making an assessment.

**Bob Kornkven:** I would say that it goes into the formula, but I'm not an appraiser. It has been hammered into us that it is the sales ratio approach to valuation that we are struggling with. When our assessor goes out, she uses the computer program put out by Vangard. Vangard is a professional assessor and those numbers are in there and so our sales. They are a component, but it is the sales ratio approach that is driving valuation.

**Representative Kelsh:** I own property not on this lake, but at an adjoining lake about six miles away so I am pretty familiar with the area. You have a small number of sales because a lot of this property doesn't turn very often, does it? The same family has owned it for 40 year. In many instances, they are like little hot dog stands that have been expanded. There is no more lake property out there so it has almost created a bubble. Is that true?

**Bob Kornkven:** There is no more property available on Lake Metigoshe. It is not all developed, but the state owns portions and a camp owns some. No other development is going to happen on Lake Metigoshe. If you want to buy a cabin, you are going to have to buy it from someone else.

**Representative Pinkerton:** You have the situation where people have lived in fairly modest cabins for many years and now, because of this limited market and very little commerce, the appraisals have gone from \$200 a frontage foot for the lake property to \$1000 per frontage foot or more. Is that correct?

**Bob Kornkven:** That is correct. We are at \$1100 today per frontage foot and still going up significantly.

**Representative Pinkerton:** By using the recreation district, you are looking to try to moderate the change in prices both in being too expensive for people to continue to hold and also trying to prevent a collapse of the market value.

**Bob Kornkven:** This bill would have that effect.

**Representative Headland:** Bob, according to your charts, your local leaders in the political subdivisions don't appear to have lowered the levy. They have just taken the additional dollars that the recreational property and put it in their budgets. I can understand your dilemma here. From what I understand, Lake Metigoshe is probably the premier recreational property in the state. My question is how will the people in the outer areas of Bottineau County proceed if we pass this bill because it will be a major property tax shift?

**Bob Kornkven:** I don't know if I am prepared to answer that completely. We have property owners in all corners of our county. I think it is significant that when we have been going through this, many times we were told we had to get the legislature to change the law. We met with the state equalization people and the auditor, Bob Peterson, followed me out and said,

"The law is the law here. You have to get with your representatives and try changing the century codes." Anyway, I think as far as local people, I think it was a big step for our county commissioners. We had unanimous support from our county commissioners and there is a letter there which states that. They are out there with those people. No county commissioner owns any property at Lake Metigoshi. Three of them are farmers, one lives in the city of Bottineau so we have those people understanding the issues as well.

**Representative Headland:** For ag property we use productivity to come up with our property tax. In essence, this bill, if passed, would shift most of the burden to residential property in Bottineau County. I have some concern with high property taxes in the state and the fairness on all the residents of Bottineau County and if they are aware of what you are asking us to do with this bill..

**Bob Kornkven:** I don't disagree with you completely, but when we were studying this and talking about this, it could be the county would be out \$150,000 from what they had this year and what our taxes could generate for them next year. That is \$.15 an acre across our farmland and our farmland is the biggest asset we have in our county. It is not going to shift much to the cities, but our farmers are going to have to pick up that bill if, in fact, our budgets stay the same. It would be \$.15 an acre.

**Representative Headland:** Correct me if I am wrong, but I don't think any of it would shift to ag property because of the productivity clause so I think the only place to go with it is residential and commercial and I am just not certain that people who reside there are aware of what could happen to their property taxes if we pass this bill.

**Bob Kornkven:** Where we were in 2007 in that chart, we will be above that figure in 2009 even with this legislation. The only reduction we are going to have is from the 2008 to the 2009 number. We have increased 2002, 2003, 2004, 2005, 2006, 2007, and 2008. Nobody

else has increased. With the passage of this, we will go from where we are in 2008 back to above where we were in 2007. I have a couple more things and I want to touch on them real quickly. This is just going to slow the tax issue at the lake; it is not going to change the values. It is just going to slow the tax issue. If these prices continue to escalate, we will be in two or three years back where we were in 2008. The county has lived on the increases we have had and nobody else has had. As far as saying we are looking for a big reduction, we are not. We are looking to be stabilized some place. If we don't get stabilized here, if nothing changes (and we projected this out to 2014), and you made the comment about buying a lot of \$50,000 and putting a \$500,000 house on it. You buy that \$50,000 lot now for \$100,000 and you put a \$250,000 house on that. If nothing changes, that will give you a value of \$350,000. By 2014, that will be worth \$1 million in assessed value. There are no sales in those numbers happening up there. There are no sales to speak of over the \$200,000. Yet every time a piece of \$50,000 property sells, that multiplier gets doubled and we take a \$200,000 house and it goes to \$400,000. Next year when that cheaper property sells for 70% of the sales value, that factor gets changed and that \$400,000 house keeps going up. The value goes up, but the other ones are going up too. If nothing happens at all, this is the pie chart for 2014 that we will be contributing to Bottineau County—just about 50%.

**Chairman Belfer:** Please state your name for the record.

**My name is Leonard McGuire.**

**Representative Kelsh:** Do you know of any sales of modest cabins? Are those sales also increasing in value?

**Lenny McGuire:** Yes, whether they are left in tact or torn down, they are assessed so much for land and so much for structure. That doesn't change. All Bob was pointing out was that most of those cheaper structures are being torn down so that land is where the value is. Then

people are putting up a home and a \$200,000 house is not an extravagant home. So they have \$300,000 invested. Then you go through one year, two years or three years of the sales ratio the way the sales have been and that \$200,000 piece of property is all of a sudden \$400,000 to \$450,000. The sales don't show it, but the sales ratio formula creates that. I have looked at every angle to try to do something and I don't know what else to do.

**Representative Kelsh:** I think they should take the cost model and incorporate that into whatever they are using to make their assessments. That would take care of the problem because they would be getting rid of those that are driving the costs up.

**Lawrence McGuire:** I think that would have some merit. When something new is assessed at this cost rate, the multiplier gets it up so quickly. I have talked to the county tax commissioner. The law, so she tells me, is based on the sales ratio based on your current sales. Somebody mentioned sales. We had 41 good sales last year-that's about 5% of our market. 70% of them are less than \$100,000. We could come up with other solutions, but God knows I have lost a lot of sleep in the past six years trying to figure out what that is.

**Representative Weiler:** Either one of you, I am looking over the mill levies and I understand that the valuation increase is an issue. We have been through that in other places in the state. Even some of the years, there are increases in the mills. Has there been an outcry from the residents as to why the mills haven't been reduced?

**Lawrence McGuire:** Yes and we appealed on most of those at the township level. Another thing I wanted to point out is that there are property owners from all over the state of ND at this lake. There are property owners from Minot (the second biggest zipcode). We have tried to address that, but when the schools take a \$100,000 increase, it kicks on x number of mills. When the county is doing more, that takes more mills. We haven't gotten anybody but the township to reduce mills.

**Representative Weiler:** Obviously if there is nothing being done with the mills. As an example, in my county, our mills have been reduced because of the valuations to try to keep the budget from going out of control. Maybe there needs to be a change at the school board, the county and the city—maybe they need to look at their local officials instead of coming to the state because the mills are increasing along with exorbitant increases in valuations. It doesn't make sense to me.

**Lawrence McGuire:** That's true, but like Bob had pointed out, there are about 10% of the people who own lake property who live within the district. The other 80-90% do not have any influence on the school board or a county commission because they live in Ward County or Burleigh County or Morton County or Williams County. There is a pretty small chorus that keeps harping. When we are going against teacher's unions and others.... Anyway, when you have no influence on them, we get \$100,000 here, it raises everything up. The first year in 2004, we got a mill reduction countywide. Everybody in the county got a mill reduction. We had a tax increase; they had a mill reduction so they basically had a tax reduction. We have picked up that bill ever since.

**Chairman Belter:** Any other questions of Mr. McGuire? Thank you. Any further testimony in support of 1198?

**Dwayne Getzlaff, Lake Metigoshe:** In reference to Mr. Weiler's question on mill levies, I am the county superintendent so I work with a lot of schools. They are mandated to be 155; if they are below that, they are going to lose funding. This year they asked for \$333,000 more. Their mills actually went down a little bit, but they still got their \$333,000. We sent them \$400,000 in three months for oil and gas. I did call administration and ask them if they really needed the \$333,000. You just got \$400,000 from oil and gas. They got it all. I don't begrudge the schools getting their money. We are maybe 48<sup>th</sup> or 49<sup>th</sup> in teachers salaries, but sometimes

we have to realize we are 48<sup>th</sup> or 49<sup>th</sup> in population also. I do have all the teacher's contracts in my office. They are getting taken care of pretty well in our neck of the woods. Also, with these 850 cabins at Lake Metigoshi, about one third to two thirds could be hauled two miles away, set down with a "free" sign and nobody would pick them up. They are summer cabins, no insulation, no well on the property; but people are coming up there—it's supply and demand. If you have a lot and want to sell it, you are going to get top dollar. You leave and they tear it down. But it does affect everyone who doesn't want to sell. People who have been there for years. My place started out about \$77,000. Now it's \$250,000 and if nothing gets done, it will go to \$500,000 next year just because the state has mandated the county to be at 100%. If the 155 mills for schools goes down to 100, it is going to help—but can we keep it down there?

**Chairman Belter:** Any questions of Mr. Getzlaff? Any other testimony in favor of 1198? Any opposition to 1198?

**Sandy Clark, ND Farm Bureau:** I represent the North Dakota Farm Bureau. I am a native of Bottineau and Bottineau County. I am just glad I am not related to any of these folks today. On behalf of the Farm Bureau, we certainly understand the situation they are faced with and their dilemma. We believe property taxes are too high on all kinds of property across the state. We have always said that; but I think when you look at that case, unfortunately they started really low and had to play catch up. It is one of the things that says stay on top of your assessments on an annual basis so that you do not put yourself in this kind of situation. Unfortunately, I think the same thing is happening in Bismarck and Fargo and West Fargo maybe to a different degree, but it is exactly the same situation. There has been a real growth spurt, a real demand for properties in some of these cities and when that happens and a lot of building is going on, it raises the value of everybody. Another comment that has been alluded

to a number of times is that this is a local issue because when there is that much of an increase in valuation, they should certainly be lowering the mill levies. We are all responsible for our own destinies and when we live in these areas, we have to hold the local elected officials accountable. Along the lines of the bill, I may be wrong but if you have a recreation service district and everybody is in that district, this would also lower commercial and centrally assessed property within that area I am thinking. I am not an expert, but I do believe it will shift property taxes and will make the city of Bottineau resident's taxes go higher and possibly ag land as well. The other thing I would caution is that I understand the local situation but would this start a state precedent? Would we have everybody with a little body of water want to start a recreation service district in order to get their taxes down at 4 ½%? Sometimes I think we have to look at the larger impact. I have a great deal of sympathy and compassion. I know how much the lake contributes to that community.

**Chairman Belter:** Any questions?

**Representative Pinkerton:** My kids work at the church camp there and we have a cabin over on Long Lake and our property values have not gone up. Ad valorem is no longer working on Lake Metigoshe because someone has oil and comes up and buys a bunch of lakeshore; but if someone bought all the lakeshore, property values would plummet because it is such a small market. It is kind of like agricultural land on the edge of Minot. It is worth a lot of money, but it is protect by agricultural laws. I think what these folks are asking for is some protection because of such a small market driving market values. Do you understand the amount of animosity there is between lake residents and the rest of the residents of Bottineau County and how failure to address this in some manner is going to create more animosity? Do you have some method of addressing this besides saying the schools should operate on less money?

**Sandy Clark:** I do understand the situation up there. Do I have another solution? No I do not. If primary taxes could be easily solved, this would have been solved a long time ago for all of us. This is an issue from one part of the state to the other and I understand there is a different situation up there; but when we also look at the numbers that were presented, you can also see how very, very low they were in 2002. They had some real jumps to make up. I understand they are picking up a share and it is a very unique market

**Representative Pinkerton:** We bought property in the late 90s and the property values ad valorem driven were very low. Property values were low. I think my first tax statement (I had a trailer house) was \$12, but there were a lot of properties trading hands at \$15-18,000 back in the late 90's. There were more expensive properties, but there were very inexpensive properties there and they were driven on an ad valorem basis. It is only when the lake became fully built and the properties were squeezed like San Francisco that property values got out of whack. To stay with these kinds of valuations, the animosity on that lake is tremendous right now. I think to oppose this without some solutions is worse than (inaudible). Do you agree?

**Sandy Clark:** Without question, I have family there and I recognize the animosity level is. I don't know how you can change the fundamental philosophies of supply and demand. I don't know if that is a function of government. I'm not sure that we would support letting government mess around with supply and demand. I don't think, I know.

**Representative Pinkerton:** I am sorry and I am going to step right off the edge here, Sandy, but you know we have interfered with supply and demand on ag property already. You support staying with the same formula for ag property, don't you? That is no longer supply and demand, but ad valorem value so I think this is a special situation that should have some special consideration also.

**Sandy Clark:** That's for you as a committee.

**Representative Drovdal:** Property taxes pay for services, whether city or county. They pay for the services of Bottineau County. In listening to the testimony, it sounds like services (of course, the cost of Bottineau tax revenue has gone up so services have increased, but the complaint is that all that additional increase is being paid for by this little group and not by all the people receiving it. Now is that fair when you talk about fairness?

**Sandy Clark:** No that is not fair. I don't know. I have to look back at these items. These are based on taxable valuations, not based on taxes paid and there will be different taxes in different taxing districts, different mill levies in different taxing districts. I am not sure I can answer that question.

**Representative Froseth :** More a comment than a question. We talked about inequities and we have had the same thing happening in the southeast part of the state and the foothills of the Turtle Mountains where people come in and pay huge amounts of money for land just to have a piece of land to hunt on. Their taxes are not going up because the tax on ag land is set. They don't have to pay any larger taxes on that property. Just recently a quarter of land north of Bottineau in brush area sold for \$1400 an acre. The value of that land is probably \$140 an acre, but they are not paying any higher taxes than the guy who owns the land right next to them. There are inequities all over. Everybody is wracking their brains about what to do with some of those large prices paid for ag land that is just used for recreational purpose. Nobody is complaining there because nobody is paying higher taxes. There are all kinds of inequities and sometimes you have to create a balance where you maintain this property and pay some taxes on it or give it up. There are families that have been up there for a hundred years and properties have been in the same families who won't be able to keep that property.

**Sandy Clark:** I can certainly appreciate that. My family did not have recreational property at the lake, but I would comment on the situation that I understand that there is property being

● sold up there in the hills. There is brush country—and it is only brush country—being used for recreational purposes and I believe it should be taxed as commercial property. It is not ag land at that point. There may be an issue there too.

**Representative Kelsh:** Would Farm Bureau support something similar to California Proposition 13 where valuations are frozen until the property changes hands or is sold within a recreation service district?

**Sandy Clark:** I think we would have to think about that. We have previously stood at this podium and opposed freezing valuations because we think the market has got to be able to work. If you freeze valuations, it does not allow the market to work. When you are looking for a solution and I am not advocating this; I just throw it out there—4 ½% could be raised—you could use a higher number.

● **Chairman Belter:** Any other opposition to 1198? Any neutral comments?

**Representative Froelich:** Mr. Chairman, I would like to put Marcy on the hot seat. There was a comment made that no one else's taxes had increased in Bottineau County. Is that a fair statement?

**Marcy Dickerson, Tax Department:** I don't know how true that is. I would assume that most other property in Bottineau County has not increased to the extent that the Lake Metigoshe area has, but I am sure there have been some increases. The whole Bottineau County has probably had a certain amount of increase, but not the dramatic increase that the recreation area has.

**Representative Froelich:** Let's say we went with this piece of legislation so there is going to be a decrease in tax coming off this property. That would probably create a shift in the county to other properties, correct?

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**Marcy Dickerson:** Yes that would create a shift. I would like to address what Representative Headland asked before. It would affect the ag property as well because it wouldn't be increasing the value of the ag property. Assume that all property just by nature was frozen, not by legislative intent. If all property remained at the same value, the residential, the lakeshore and the ag remain the same value for 2009; if you cut the taxable value in half on one class of property (recreational), then the taxes would be spread over that much less. There would still be the same value for ag, for other residential and commercial outside Lake Metigoshe, but only half as much value within that recreation service district so that would affect all property tax. Also the reduction to 4 ½% (where it is a 50% reduction on the residential property, it is actually a 55% reduction on commercial property within that area because commercial property is assessed at 10%) There is \$556,000 worth of taxable value of commercial value in the recreation service district.

**Representative Froelich:** Do you have any numbers, if this bill were to go into effect, as to how that shift would take place?

**Marcy Dickerson:** No, I don't have, but I think we could develop something if you wanted. I did not prepare anything like that.

**Representative Froelich:** Mr. Chairman, is that possible?

**Chairman Belter:** Anything is possible.

**Representative Froelich:** I would like to see where we are to date and to see where we would be at if this bill went through.

**Chairman Belter:** Marcy, on these recreational areas, are there other examples you can think of that are having similar problems with valuation increases that are causing the problem they have in Bottineau?

**Marcy Dickerson:** Yes, Mr. Chairman, there are other areas. Some of them are other lakes also. A number of years ago there was a reassessment done at Lake Isabel, which isn't too far from here and the values went up tremendously. Last summer I investigated complaints at Golden Lake in Steele County. Again, values are going up tremendously, but the difference there is about half the lake is still available for development—but similar issues are elsewhere.

**Representative Froseth:** In reference to Representative Froelich's request for that information, I don't think it would be a fair comparison unless you extend it out to 2014, like Mr. Kornkven did on the pi chart. The valuations are increasing so fast at Metigoshe that you are going to get a big drop and big tax spread the first year; but by three or four years later, the lake will be back to the same amount of taxes they pay today. Unless you extend that projection out to 2014, it will not be a fair comparison.

**Marcy Dickerson:** I don't believe I have a good enough crystal ball to go out to 2014. Looking at what has happened to real estate bubbles in other parts of the nation today, Metigoshe could be a bubble as someone mentioned. Right now in North Dakota, we are not experiencing those big drops in the value of real estate a lot of areas are experiencing; but I wouldn't say for sure, with the coal issues and the green movements, what is going to be our market value of anything in ND in the next five to six years.

**Representative Froseth:** Just use the same percent of gain at present and extend it out.

**Marcy Dickerson:** If I can get a copy of Mr. Kornkven's chart you are referring to, I would be glad to try to do something with the understanding that I would be basing it on his projections—not mine. I don't feel that I am competent to make that kind of projection at this point.

**Representative Brandenburg:** Wouldn't there be a way the local tax assessor in Bottineau County could deal with the situation and handle it locally and come to the state (inaudible)?

They have got different methods they can use to assess that value. Isn't there any way that can be done?

**Marcy Dickerson:** One thing that came to my mind during the conversation was that perhaps at the local levels, they could discriminate a little more carefully between the different types of property. There has been testimony that there are properties that are not really wanted for the property that existed; they are wanted for the land so they can build a new one. Maybe there could be a little better fine tuning of which assessment should go up and which assessment shouldn't go up so much. I don't know. I have not inspected the individual parcels in Bottineau; but what the sales ratio study does, by the time it gets to the state, is to say that a class of property in the county should be between 95 and 105% of market value. The class of property—we have, at the state level, broken residential down between “regular residential” and “lakeshore residential” because in lots of areas, including a couple of lakes I mentioned previously, the lakeshore values have been skyrocketing and the sales have been high. Other residential property, which would include the city of Bottineau and small cities and even the township's residential isn't going up so much. I think they could zero in a little better on which properties within that lakeshore area, which type of properties need more of an increase while other properties don't. They could be a little more discretionary; but once it gets to the state, the state says all lakeshore property is too low. The local assessor or the county tax assessor might be able to say that one property is too low based on the types of property that has been selling and another isn't.. That would have to be done at the local level; because at the state, we are basically looking at residential is too high or too low, commercial is too high or too low. Even though it is not based on market value, if agricultural value isn't up at the NDSU value per acre, it can be too high or too low.

**Representative Brandenburg:** I understand you are just throwing this out if you look at two different classes. Maybe one that has been upgraded and developed at one level and the ones that want to have their own shacks and cook a hotdog in the summer. If they have oil money and want to spend \$300,000, I can understand the problems. They could have two different classifications.

**Marcy Dickerson:** It wouldn't have to be two levels. It would just be more personalized assessment. Now, of course, that is getting completely away from the trend towards mass appraisal today which, in my opinion, is necessary. You don't get the detail; you don't get the fine tuning maybe that you would like; but it is necessary in the bigger areas. There is no way you can look at every house or make individual calls on every house, especially in a bigger area like Bismarck or Fargo. No way, you have to do mass appraisal; but all of these appraisals programs are based on the mass appraisal theory, which is good, which is necessary, but it doesn't allow for the fine tuning which be an advantage in a situation like Lake Metigoshe.

**Representative Kelsh:** Is there a requirement that the mass appraisals be all done on sales comparison approach as opposed to just cost approach?

**Marcy Dickerson:** There is no such requirement. There is no requirement actually for a sales ratio study at all. The Century Code says that the tax commissioner or state supervisor of assessments may conduct a sales ratio study. It is accepted as a good procedure nationwide. All jurisdictions believe in conducting sales ratio studies, but there is nothing that limits the assessments to the results of that study.

**Representative Kelsh:** So the assessor in Bottineau County could do a personalized assessment of each one and assess if it cost this homeowner \$500,000 to put in a granite

countertop and all these other things that are driving the rate up versus some property next door.

**Marcy Dickerson:** That is correct, but with the procedures that are in place and the history that has been used in ND since sales ratio studies were first begun, still overall, the county residential property would have to come within 95-105% of what is dictated by the sales ratio study. That procedure could probably be changed, but that has been in place as long as I have worked here---33 years.

**Chairman Belter:** Any other comments?

**Leonard McGuire:** This comment has come up two or three times today that changing the value of a \$500,000 home or locking it in is not the issue. The expensive places are not driving this. It is the bottom end stuff that is driving it because of the sales ratio. We do not have sales at \$300-400,000. We have sales at \$50,000 that are selling for \$100,000 that are doubling everything else. I have had so many people say that it is all those fancy homes that are being built. That's not what is driving this upward. It is the lower value stuff that is creating the sales ratio that is artificially raising the values of everything. We have addressed just the segments that are driving the sales ratio and we are told that that is not fair; you can't do that. The law says that you must assess everyone the same percentage across the board. We could go in and probably take those 7% of sales that are \$25,000 t \$100,000 and raise them to that value; but then you are going to get this class warfare that my place is \$300,000 or yours is and mine is worth \$50,000 and that doubled mine. It is the way the sales ratio is working that is doing this for us.

**Chairman Belter:** Any other testimony? If not, we will close the hearing on HB1198.

Committee members, we will come back in after session closes

Upon reconvening after session:

**Chairman Belter:** Committee members, I am somewhat at a loss at what to do with this. I guess I am inclined to appoint a subcommittee and look at the various issues. Although this issue is huge in Bottineau, I know there are some other areas in the state that also have similar problems so I am going to ask Representative Froseth and Representative Pinkerton to work on this issue a little bit. Is there anybody on our side here that would want to volunteer to help with that? Representative Weiler looks very interested.

**Representative Weiler:** Mr. Chairman, whatever you want.

**Chairman Belter:** Since you are a realtor and like property taxes, you can counsel members.

**Referred to subcommittee consisting of Representatives Froseth, Pinkerton and Weiler.**

# 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1198

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 21, 2009

Recorder Job Number: 7489

Committee Clerk Signature



Minutes:

**Chairman Belter:**

**Representative Froseth:** This is a hog house to 1198. What this new amendment does is focus the definition of a recreation service district that is available to take advantage of this provision. Marcy Dickerson, as you may remember had some concerns about anybody forming a recreation service district and getting their taxes cut in half. This also moves it into a different section of the code. The language says the recreation service district may not include any property within city limits or within an area where a city has exercised extraterritorial zoning authority. There was some concern also in the City of Bismarck about a couple of small lakes that are fully developed and that could possibly form a recreation service district. However, it must be formed by a county, not a city, so that should address Marcy Dickerson's concerns there. In section 2, the assessments of recreation service district property, once 90% or more of property in a service district has been developed, the true and full value of any parcel of property and any improvements on that property may not be increased to more than the true and full value of that property as assessed in 2008 so this will hold the valuation at 2008 levels. People who testified said that the valuation was expected to go up 60% in 2009 and that would basically drive a lot of people away from their properties there. The exceptions

to that provision are if the parcel is sold, the parcel may be reassessed at the true and full value, not exceeding the sales price. Presently if you have a cabin worth \$100,000 and it sells next year for \$150,000; it will be revalued and reassessed at that \$150,000 price. If any improvements have been made on the property, the true and full value of the property may be increased by the amount not exceeding the cost of the improvements. If you have a \$100,000 cabin and you build a \$50,000 addition, it will now be assessed at \$150,000. It will be assessed the same way as the present properties at 9% of assessed value so there is no 4½% factor. It goes back to the 9%. What this does is hold the line on valuation increases, with the exception of new sales and new additions to the property.

**Representative Headland:** There isn't any other property in this state that is frozen. Shouldn't it at least be able to increase at a level other property does?

**Representative Froseth:** What would that percent be? This is an example that just happened this past week in Bottineau County. A real estate agent said he had listed a three bedroom house that was 15 years old that had a valuation of \$125,000 on it. The property taxes on that piece of property in the city of Bottineau have gone up \$111 in the years 2006 – 2008. A similar three-bedroom cabin at Lake Metigoshe in that same time period has gone up over \$800 in tax. It has gone up more than 10% over the same type of residence property in the city. Ag properties haven't increased at all in Bottineau County except for the additional mills assessed, but the valuations haven't increased in that time period at all.

**Representative Wrangham:** No matter how I look at it, I keep coming back to the fact that the same rules are followed in Bottineau County as in the rest of the state. There have been other areas of the state where property taxes have doubled in one year. Is it right? Probably not. Do we have an answer? I don't think so. I think we really open up a can of worms when we start dictating how they assess the property in particular areas like this. If this is a good

plan to do it this way, maybe we should do it statewide on all properties. I have a problem for those reasons voting yes on the bill.

**Representative Pinkerton:** I will support the amendments Representative Froseth has brought forth on this, but I too have questions about whether this is a slippery slope to get onto being that there are factors here—but there would be factors on riverfront properties in Bismarck or anywhere. I guess it would be an open question if this looks like it is going to be defeated, if there is any way that we could go back and try to rework the amendments a bit to make it more palatable. I think we would both be receptive to that.

**Representative Froseth:** I would be open to any suggestions that might work. I also have property valuations for a little chunk of property in Bottineau County on Lake Metagoshe that has carried the tax load for increases for Bottineau County for the last six or seven years.

There hasn't been any increase in other property; that's why the property in the city of Bottineau hasn't gone up any more because the lake is carrying the load. It is inequitable; that's not fair either. Property taxes aren't fair. There are variations in property taxes all over. The bills we dealt with this morning—there are going to be variations across the state if we pass those bills also. It just isn't an equitable form of taxation, I feel. I would be open to any type of inflationary factor on this if that is what it takes to get it passed. I think we have to give some relief. That is a very important piece of property in the state of North Dakota. North Dakota doesn't have a lot of waterfront property, not like Minnesota. Minnesota has lakes all over that have property right down to the waterfront. North Dakota has Lake Metagoshe and probably two or three other smaller parcels that have the same things to offer in our state. I think it is a special interest in the state that should be dealt with with a little special consideration. That's my soapbox speech; but I guess I would be open to an inflation factor.

**Representative Brandenburg:** I have been thinking about this too because I see the inequity. The way it looks to me at the lake is we have a two class system. We have people who are able to buy the lots, pay a high price for them, and then develop them. You also have people who have a little old building out there, who come out and cook hot dogs two or three times a summer and pay \$100 for taxes. Why can't the tax assessor have two different classes of developed and undeveloped? If you can afford a \$300,000 home, you can afford to pay taxes; but if you have a hut out there and just come and camp out. Why can't something like that be worked out? If you can afford a \$300,000 home; I am sorry but I don't feel sorry for you paying taxes. If you don't have a job or are on a fixed income and you want to go out there and cook hotdogs, why should I have to pay \$1,000 for taxes for a cabin?

**Representative Froseth:** I think that is one of the issues that is inequitable about valuing property by recent sales using sales ratio as the main factor. You don't do that in farm land.

**Chairman Belter:** My answer would be you have to find another place to cook your hot dogs. I understand the problem they are facing there, but I don't know how you rectify it. It is no different than when you take two pieces of agricultural land. I could give you an example on my farm. The man, who farms right next to me never gets his crop seeded, never gets it harvested and we both pay the same amount of tax. Yet he gets no income off his and I get income. There are two different situations. In Bismarck, property along the river has to be worth a lot more than property that isn't on the river based on sales.

**Representative Weiler:** We are going through the same problem here in Bismarck with Southport, which is the development on the river with the bays and the million dollar homes. Obviously they are worth a lot more because of the water and the size of the homes than the houses that are a block in off the water. The problem happened here too when some of these

smaller, older homes that haven't changed see the value of those homes go sky high because of the value of the homes around them.

**Chairman Belter:** It is the land that is driving it.

**Representative Weiler:** It's the same problem and we haven't done anything about that.

That is just the way it is.

**Chairman Belter:** It is not the house. A \$300,000 home on Lake Metagoshe should be taxed approximately at the same rate as one in the city of Bottineau unless there is a mill levy difference because of township or school district or something like that. If you take two properties on the same taxing district, a \$300,000 house, whether it is on Lake Metagoshe or in Bottineau, the house itself is going to pay the same tax. But it is the property underneath it that makes the difference. That's the problem you have got there because a lot in Bottineau probably isn't worth very much; but at the lake, somebody is probably willing to pay \$100-\$200,000 to put a house on the water.

**Representative Froseth:** It is 322 mills in Bottineau County.

**Representative Brandenburg:** That is the thing I was looking at. In 2002 it was 324 mills and now it is 300 mills, but the same mills brought in \$435,000 but the 300 mills brings in \$1.5 million so the valuations have increased by that much.

**Representative Froseth:** I will tell you what they are doing with those taxes. They are keeping the taxes in the rest of the county low.

**Representative Weiler:** My reason for not wanting to do anything with this bill is that again we are looking at putting something in the century code that only affects a very few people. When they brought this bill to us, the people that it affects are the people who have been there for 30 or 40 years who have a little shack--not a \$400-500,000 home--and these people want to stay there so their grandkids can come. I understand that and I am sympathetic to that. I don't

think the people putting the \$500,000 house up are the ones complaining as much as the ones with the older homes whose value has gone sky high because of all the other homes. They are saying they can't stay in their homes much longer because they can't afford the tax. Not to be heartless about it, but my guess is that if they have been there for 30 or 40 years, the home is paid off. When it comes time to pay the property taxes, go to the bank and get a loan.

**Representative Froelich:** Didn't someone from the Tax Department say that the county had some leeway in there too?

**Chairman Belter:** Marcy Dickerson made some comment to that effect, but I don't remember how.

**Representative Froseth:** Between the 95 and 105% of true and full value. In the arguments against the property along the Missouri River and Lake Metagoshe, those people live there year round. That is their permanent residence. There are 850 cabins at Lake Metagoshe and about 10% of them are year-round residences. The rest are summer vacation spots. They go there on the weekends. Some of them are used in the wintertime for snowmobiling, but I think there are only 80 permanent residences or about 10% of the property owners are permanent residents. That's the difference between somebody that owns a house in Bismarck and lives there year round and somebody that owns a cottage at Lake Metagoshe.

**Representative Pinkerton:** It is probably not very popular with the lake owners, but the truth is that Representative Weiler is correct there. They are utilizing that property and they certainly want the gain when they sell it. They don't want to sell it for the price it was in 2008; they want the full value. From the sound of our conversation, it doesn't sound like we have enough support for a "do pass" when it goes to the floor with the bill as it stands. There is an economic advantage for the city of Bottineau and that surrounding area. Bottineau flourishes when a lot of small communities don't because of the lake property and people coming up

there and spending money. Bottineau is a pretty thriving little town. If these lake owners opted to take that increase in taxes but didn't have to pay it--if it was held like a lien against the property (and when it came time to sell the property—if they had accumulated say a \$300,000 house and their taxes were \$5,000 a year over and above what they were paying, over a 20 year period, that would be \$100-200,000 lien against the property) similar to the bank loan you referred to. I don't think they are going to be very happy with that solution; but if you are trying to maintain an older couple that had been there for a long time—is something along those lines a solution? It would be like a reverse mortgage except on a reverse mortgage you do have to pay interest. This would be non-interest bearing just because of the advantage that community has in keeping that property going because it will hurt economically eventually. People will stop buying.

**Representative Headland:** I am just thinking that every piece of property has a limit as to where it is going to go. You kind of wonder if we aren't getting close. I don't think that the solution really works. If we are going to address property tax reform, we need to do it on all properties. I cannot support the amendment.

**Chairman Belter:** We have a motion from Representative Froseth to move the amendments .0101 and a second from Representative Pinkerton. I am going to support the amendments. I wish I could vote for this bill, but I just think we are going to break more things than we are fixing. That's my concern. Any other discussion? **The motion to approve the amendment .0101 carried.** We have HB 1198 before as amended. **I have a "do not pass as amended" motion from Representative Grande and a second from Representative Weiler.** Any discussion? **A roll call vote on the "do not pass as amended" motion resulted in 7 ayes, 4 nays, 2 absent/not voting. Representative Weiler will carry the bill.**

# 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1198

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 26, 2009

Recorder Job Number: 7782

Committee Clerk Signature

Minutes:

**Representative Brandenburg:** Mr. Chairman, I would like to reconsider our actions on HB 1198 which is the bill dealing with Bottineau County and a class for rec service districts.

Maybe we can look at this. It got my attention that with more information, maybe we could work with this bill. We do have a problem. Certainly something the committee can look at and see if we can fix it.

**Chairman Belter:** Can we hold your reconsideration. I have asked Rita to hold this bill and we are sitting on it. Can we delay your action for another day, Representative Brandenburg and Representative Froseth?

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1198

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 10, 2009

Recorder Job Number: 9120

Committee Clerk Signature

Minutes:

**Chairman Belter:** HB 1198. We acted on this before. We had a “do not pass” with a 7-4-2.

If you want to reconsider, that's fine. Otherwise leave it as is. It is the Lake Metigoshe bill. I guess we will leave the bill as is since Representative Froseth was going to add other amendments and those failed. Unless there is anything else, we will leave HB 1198 as a “do not pass”.

**REPORT OF STANDING COMMITTEE (410)**  
January 21, 2009 8:18 p.m.

**Module No: HR-12-0687**  
**Carrier: Weiler**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1198: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (7 YEAS, 4 NAYS, 2 ABSENT AND NOT VOTING). HB 1198 was placed on the Eleventh order on the calendar.**

VR  
2/11/09  
1082

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1198

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-02 of the North Dakota Century Code, relating to assessment of certain recreation service district properties; to amend and reenact section 11-28.2-01 of the North Dakota Century Code, relating to property that may be included in recreation service districts; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. AMENDMENT.** Section 11-28.2-01 of the North Dakota Century Code is amended and reenacted as follows:

**11-28.2-01. Establishment of recreation service districts - Petition -**

**Purpose.** The board of county commissioners of any county, at any meeting of the board, by majority vote of all of the members may, upon the petition of ten percent of the individuals who qualify under section 11-28.2-03 as voters of an area to be included within a proposed recreation service district, call for an election of all of the qualified voters of the district to determine the question of the establishment of a recreation service district for the purpose of providing services, which may include police protection, sewer and water, garbage removal services, and public road construction and maintenance, in addition to those provided by the local governing body or agency to summer homes, cottages, and other residences and establishments that exist within the area, and provide for the improvement and control of the environmental quality of the recreation service district. The recreation service district must be limited in size and location to an area contiguous to or within one-quarter mile [402.34 meters] of the recreational waters of the area or to the areas of land which are dedicated to public use for recreational purposes. A recreation service district may not include any property within city limits or within an area where a city has exercised extraterritorial zoning authority. In addition, the district must consist of not less than forty privately owned seasonal homes or cottages and other residences and establishments. If a petition is presented to the board of county commissioners calling for an election, the petition must be accompanied by any information required by the board of county commissioners, including the boundaries of the proposed recreation district, the approximate number of qualified voters, and a sufficient deposit of money to cover all costs of the election. Within sixty days after the calling of an election, the board of county commissioners shall provide an election on the question of whether a recreation service district should be established and shall establish procedures for voting and other necessary matters not inconsistent with this chapter. The county commissioners shall give at least thirty days' notice of the election by certified mail to all qualified voters. If a majority of the qualified electors voting on the question approve of the establishment of a recreation service district, the district must be organized.

The board of commissioners of a recreation service district may extend the boundaries of the district to property within or contiguous to the one-quarter mile [402.34 meters] limit through the annexation procedures provided in sections 11-28.2-06 through 11-28.2-08.

**SECTION 2.** A new section to chapter 57-02 of the North Dakota Century Code is created and enacted as follows:

**Assessment of recreation service district property.** In a recreation service district in which ninety percent or more of the property in the district has been developed, the true and full value of any parcel of property and any improvements on

that property may not be increased to more than the true and full value of that parcel as assessed in 2008 except:

1. If the parcel is sold, the parcel may be reassessed at a true and full value not exceeding the sales price; or
2. If improvements on the property have been made, the true and full value of the property may be increased by an amount not exceeding the cost of the improvements.

**SECTION 3. EFFECTIVE DATE.** Section 2 of this Act is effective for taxable years beginning after December 31, 2008."

Renumber accordingly

Date: January 21, 2009

Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1198**

House FINANCE AND TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Grande Seconded By Weiler

| Representatives             | Yes | No | Representatives          | Yes | No |
|-----------------------------|-----|----|--------------------------|-----|----|
| Chairman Wesley R. Belter   | /   |    | Representative Froelich  | /   |    |
| Vice Chairman David Drovdal |     | /  | Representative Kelsh     |     | /  |
| Representative Brandenburg  | /   |    | Representative Pinkerton |     | /  |
| Representative Froseth      |     | /  | Representative Schmidt   |     |    |
| Representative Grande       | /   |    | Representative Winrich   |     |    |
| Representative Headland     | /   |    |                          |     |    |
| Representative Weiler       | /   |    |                          |     |    |
| Representative Wrangham     | /   |    |                          |     |    |
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Total (Yes) 7 No 4

Absent 2 (Schmidt + Winrich)

Floor Assignment Weiler

If the vote is on an amendment, briefly indicate intent:

2/11/07

**REPORT OF STANDING COMMITTEE**

**HB 1198: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (7 YEAS, 4 NAYS, 2 ABSENT AND NOT VOTING). HB 1198 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-02 of the North Dakota Century Code, relating to assessment of certain recreation service district properties; to amend and reenact section 11-28.2-01 of the North Dakota Century Code, relating to property that may be included in recreation service districts; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. AMENDMENT.** Section 11-28.2-01 of the North Dakota Century Code is amended and reenacted as follows:

**11-28.2-01. Establishment of recreation service districts - Petition - Purpose.** The board of county commissioners of any county, at any meeting of the board, by majority vote of all of the members may, upon the petition of ten percent of the individuals who qualify under section 11-28.2-03 as voters of an area to be included within a proposed recreation service district, call for an election of all of the qualified voters of the district to determine the question of the establishment of a recreation service district for the purpose of providing services, which may include police protection, sewer and water, garbage removal services, and public road construction and maintenance, in addition to those provided by the local governing body or agency to summer homes, cottages, and other residences and establishments that exist within the area, and provide for the improvement and control of the environmental quality of the recreation service district. The recreation service district must be limited in size and location to an area contiguous to or within one-quarter mile [402.34 meters] of the recreational waters of the area or to the areas of land which are dedicated to public use for recreational purposes. A recreation service district may not include any property within city limits or within an area where a city has exercised extraterritorial zoning authority. In addition, the district must consist of not less than forty privately owned seasonal homes or cottages and other residences and establishments. If a petition is presented to the board of county commissioners calling for an election, the petition must be accompanied by any information required by the board of county commissioners, including the boundaries of the proposed recreation district, the approximate number of qualified voters, and a sufficient deposit of money to cover all costs of the election. Within sixty days after the calling of an election, the board of county commissioners shall provide an election on the question of whether a recreation service district should be established and shall establish procedures for voting and other necessary matters not inconsistent with this chapter. The county commissioners shall give at least thirty days' notice of the election by certified mail to all qualified voters. If a majority of the qualified electors voting on the question approve of the establishment of a recreation service district, the district must be organized.

The board of commissioners of a recreation service district may extend the boundaries of the district to property within or contiguous to the one-quarter mile [402.34 meters] limit through the annexation procedures provided in sections 11-28.2-06 through 11-28.2-08.

**SECTION 2.** A new section to chapter 57-02 of the North Dakota Century Code is created and enacted as follows:

**Assessment of recreation service district property.** In a recreation service district in which ninety percent or more of the property in the district has been

developed, the true and full value of any parcel of property and any improvements on that property may not be increased to more than the true and full value of that parcel as assessed in 2008 except:

1. If the parcel is sold, the parcel may be reassessed at a true and full value not exceeding the sales price; or
2. If improvements on the property have been made, the true and full value of the property may be increased by an amount not exceeding the cost of the improvements.

**SECTION 3. EFFECTIVE DATE.** Section 2 of this Act is effective for taxable years beginning after December 31, 2008."

Renumber accordingly

2009 SENATE FINANCE AND TAXATION

HB 1198

# 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1198

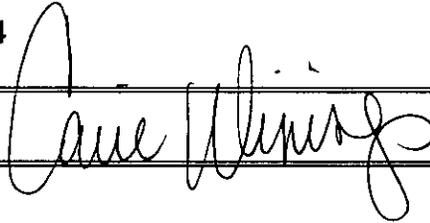
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/17/2009

Recorder Job Number: 11114

Committee Clerk Signature



Minutes:

**Chairman Cook:** Opened discussion on HB 1198.

**Representative Glen Froseth, District 6:** See Attachment #1 for testimony as sponsor and in support of the bill. (Explains the bill)

**8.07 Chairman Cook:** Did I hear you say that you think it is fair that someone can come in and \$1400 per acre for ag land and have it taxed at only \$140 an acre true and full value?

**Rep. Froseth:** I don't know if I think it is fair or not, but that is the way our system works. I Think it points out a very inequitable situation between the sale of that property and the sale of property at the lake. There are vast inequities in our system.

**Chairman Cook:** I agree with you that there are vast inequities but as we look for a solution to this problem, don't you think that it might be wise that we look at some of the inequities?

**Rep. Froseth:** We have passed laws in the past few sessions that have allowed ag land property to be taxed the way it is.

**Chairman Cook:** We have passes a lot of laws that have had unintended consequences and when we recognized that then we should really fix them, don't you agree?

**Rep. Froseth:** I would agree with that.

10.30 **Representative Bob Hunsakor, District 6:** See Attachment #2 for testimony as a sponsor and in support of the bill.

13.25 **Senator Triplett:** We can look at this in a whole variety of different lights. In one point people are talking about some of the people that have grandchildren that they want for everyone to enjoy the benefits of the lake home, maybe they should share the costs. Then maybe they can afford it. When I hear stories about families wanting it to be a communal place then maybe there are other ways of holding the land. They could separate it among the family members in many ways.

**Representative Hunsakor:** I agree with you. I see nothing wrong with that. At the same time there are a host of folks there that do not have children in the area.

**Senator David O'Connell, District 6:** Testified in support of the bill. I don't know what the answer to this is. I would like the tax experts to come up with a solution to the problem. There are 110 permanent residents up there that need help.

**Chairman Cook:** As we look at how counties, school districts, townships build their budgets, they take the dollars needed and divide it out amongst the property owners based on the taxable value of the land. We have a million acres of farm land in Bottineau County and it is taxed at 65% of what its true and full market value is. Do you ever sit down and see what the numbers would be if it was treated the same as residential property?

**Senator O'Connell:** There was a bill that did that but it failed on the floor.

18.05 **Leonard McGuire, Lake Metigoshe Resident:** See Attachment #3 for testimony in support of the bill. (Also refers to several charts in Attachment #4 – additional testimony handed out for Roland Township)

30.35 **Chairman Cook:** You understand that this bill is a far cry from the prior bill that you introduced.

**Leonard McGuire:** I absolutely understand that.

**Chairman Cook:** You hired Vanguard Appraisers, why them and did you look at other companies?

**Leonard McGuire:** A new home was being assessed we hired Dakota Appraisals from Bismarck and they had this project for a year or a year and a half and said that they were not capable of doing it and they brought Vanguard to us.

**Chairman Cook:** I understand about equalizing to assessment between one lake piece of property and another. If you freeze a piece of property at the 2008 assessment value until it is sold, it is then possible that you could have two pieces of property that would be equal in value and one would be assessed a lot more, correct?

**Leonard McGuire:** That would be true, but the way it is right now we equalized and then we have a little piece of property down here that is valued at \$50,000 that sells for \$100,000 and a \$200,000 that raises because that one is going up more than the other one. That is what has put us at such a high number. You alluded to the agricultural property and you have before. I don't want to go there. We are being used as a political ping pong here because we are just here and everything else is out here. This is personal; it is coming out of our pocket.

**Senator Triplett:** When you talk about the increase in the last couple of years. What is the actual dollar value of increase?

**Leonard McGuire:** One in Bottineau increased to \$1800 and mine is around \$2700 initially in 2006 they were the same assessment. May I make one more comment?

**Chairman Cook:** Yes.

**Leonard McGuire:** you had made a comment before about Bottineau not being assessed properly before so we went back and looked at what Rugby was assessed out and their value is very similar to Bottineau.

**Senator Triplett:** Chart 6 of larger handout, page 7 of 11, you referenced the year 2008 the far right column, the total amount of tax dollars shown there for recreation service district, is listed as \$1,693,219 and divided that number by \$900 but if I did my math correctly that is \$1880 in average, is that right in terms of what your taxes are in your district?

**Leonard McGuire:** That is correct; this is only the county and school taxes. There are other assessments that are in there as well to make a total.

**Chairman Cook:** That has to be about 90% though?

**Leonard McGuire:** Yes.

**Senator Anderson:** Not to put you on the spot, in looking at the taxes on like valued homes, the cities tax wouldn't be on the recreation mills. What are the mills that the recreation organization pays, how do they compare with the city tax that isn't being paid.

**Leonard McGuire:** Roland Township is around 300 mills and I believe the city of Bottineau is around 428 mills.

38.00 **Senator Dotzenrod:** You have a chart 1A, I followed that chart down and there are three categories, agricultural, Bottineau County without the lakeshore, and then the lakeshore. When you go over to the right hand side and you end up with \$148 million, what are the numbers above there?

**Leonard McGuire:** Those are the increases that we took in those particular years based on the sales ratio.

**Senator Dotzenrod:** Question on numbers.

**Leonard McGuire:** Clarifies numbers on chart.

40.25 **Vice Chairman Miller:** What year were the roads and sewer put in?

**Leonard McGuire:** The roads were paved in 1998-1999 and the sewers were done in the early 80's.

**Vice Chairman Miller:** Have there been any foreclosures that have happened?

**Leonard McGuire:** I am not aware of any.

**Senator Triplett:** Gives example of situation in Grand Forks of a market analysis, it seems to me this is an analogy that the people have been paying under what the value should have been and they are the ones complaining and they shouldn't be. The ones that have been paying your taxes to make up the difference should be the ones complaining. Could you respond to that based on what you are paying? Why do you think \$2800 is too much? If it was in Bottineau it may bring \$100,000.

**Leonard McGuire:** The sales ratio is what has driven this thing upward. (gives an example)

46.20 **Carol Moberg, Lake Metigoshe Resident:** Testified in support of the bill. The lake has been a part of my family's life for almost 40 years. We planned to retire at the lake and offer the same memories we have shared at the lake to them. Five years ago my husband died in an accident before he could live his dream. I went forth holding on to that dream for my family and a place to heal. Now with the tax increases I will be unable to stay in my home on my limited income. My home, church, and life are there. I will lose another part of me. Thank you.

47.40 **Jim Ertresvaug, Lake Metigoshe Resident:** Testified in support of the bill. My family has had property there for more than 100 years. Our cabin is still used as a summer home and it is considered our family home. We only use it about 3 months out of the year. Only about 150 of the residents are year around. The piece of property is very small and cannot be considered as a permanent resident and yet we are taxed as residents. For comparison in Bismarck our property taxes have increased but not nearly as much as there. It really doesn't have to do with the ag land. The outrageous tax increases up there have been year after year. In 2009 we will have another 60% increase in property value. What we are being assessed is over and above what the county has budgeted.

51.38 **Senator Anderson:** You said something about what you are being assessed is over the county budget, what do you mean by that?

**Jim Ertresvaug:** The way I understand it, the county and all the entities put their budget together and decide what the mills are that are needed and then after that was done the state tax department said that our properties were not valued correctly yet and they need to go up another 20%. So then that 20% was tacked onto the lake values and that added to the income of the county.

**Senator Anderson:** I am not quite sure that is accurate.

**Senator Triplett:** I mentioned this to the previous speaker. I am less interested in the increases or the percent of increase than I am in your actual dollars. Could you tell us what you pay on your Bismarck taxes and what you pay on your cabin?

**Jim Ertresvaug:** Lake Metigoshe is \$3300, and in Bismarck it is almost \$2800.

53.38 **Jim Diggums (sp?), Lake Metigoshe Resident:** Testified in support of the bill. I feel this tax is an extremely unfair tax. I have made no improvements in the last 20 years yet my property taxes have gone up thousands of dollars and they are projected to go up another 30-40% next year. There is no reasonable reason for mine to go up all because someone else pays a premium price for land that they want. The supply is limited and the demand is greater for the property. Taxes should only go up when a property is sold. The buyer decides what the value of the property is. My son and grandson would like to retire here. I am too old to go back to work to pay taxes. The stock market has hit retired people very hard. I have contacted the local authorities to help us. My last resort is to come here, please pass this legislation.

56.09 **Senator Triplett:** Do you understand that only raising the property tax when a property is sold would be a whole change in the North Dakota tax system?

**Jim Diggums:** I don't know. I am sure you are right. We are talking about the recreational service district.

**Senator Triplett:** We as state lawmakers are required to make sure that we treat all of the citizens of North Dakota fairly and if we do a whole change in the theory of property tax for your kind of property, don't you think that every other property owner in the state of North Dakota would have a lawsuit against us for treating them unfairly?

**Jim D.:** I am not a lawyer. I don't know.

**Senator Triplett:** Please bear with us as we struggle to deal with this. I don't think that we can do that.

**Chairman Cook:** I think we can find language in the constitution that makes your statement accurate.

**57.30 Paul Sund, Lake Metigoshe Resident:** Testified in support of the bill. Not everyone has grandchildren, but everybody knows that in North Dakota at one time back there were many kids in a family. In North Dakota a lot of families are getting smaller. I don't know much about mill levies and the tax issue. I do have children and family that would like to come back to the property. I think it is unfair to say that they should help pay the taxes to keep the place. We don't know what their jobs will be or their future. I don't know much about tax issues and all that, but we are being taxed unfairly around Lake Metigoshe. A lot of us just want to be able to enjoy what our fathers and grandfathers have blessed us with.

**1.00.46 Addie Berg, Lake Metigoshe Resident, and Roland Township Assessor:** Testified in support of the bill. I would like to respond to one of the concerns that were brought up in the senate bill hearing. I do have a Bachelor's Degree in business administration and computer science. After 30 plus years in the corporate world I accepted the position as the Roland Township Assessor. I later also accepted a part-time job with Bottineau County as the deputy

to the tax director of equalization. As a township assessor I am only required to have limited training; however I am three credits away from the same certification as any state/county director of equalization. We are not having the problems at Roland Township because of a lack of education. My education has been provided by the state tax department, by the Association of Assessing Officers, by Vanguard professionals, and by the Bottineau County tax director of equalization. I believe that I have demonstrated the confidence in assessing properties to the Roland Township board as well as to the county director of tax equalization. The newer homes that I have been in charge of have been assessed the same way that the other lower priced or older homes have been. We use the same pricing manual and the same land pricing approach. I believe that those homes that are newer are taxed accordingly and are assessed properly. I make every effort to analyze our sales ratio. We try to take the appropriate action to apply the necessary increases that we possibly can. I try to help the residents with applying for tax exemptions that they qualify for. Now, as a tax payer, we believe that the taxes are simply out of line in Bottineau County. There needs to be uniformity. It is mostly because of the sales ratio that we have to apply. We have a retirement home at the lake and we are now paying \$4600 in taxes. We have made now improvements in our home. Our home in 2009 will have almost doubled in value. There are people who do have means to buy property at elevated prices. They tear down the cabins and build new ones. That in fact impacts everyone at the lake. I understand market value. It is significant. The county commissioners have the final say in the county's budget. The state provides mandates for the school levy. With three commissioners, primarily representing ag land properties, our commissioner generally stands alone with only 100 plus voters at the lake. We do not have any political clout in Bottineau County. The year around residents at the lake are actively involved in the community. However I believe this will have a drastic impact if the residents have to take all

their dollars and put them into taxes and/or leave the lake. The sales ratio is one of the primary drivers in this. With the year 2009 we have been given a mandate that we are to be at 100% of full and true value, and that is \$61 million spread across 850 cabin owners, or about \$70,000 per cabin owner. You have the power and authority to make this change. We ask that you look for uniformity across Bottineau County as well.

1.10.03 **Chairman Cook:** I do recall testimony that there were some questions as to whether or not you were telling the folks of had to be done and whether or not it was in sync with Marcy Dickerson. Since that hearing have you and Marcy Dickerson had a conversation?

**Addie Berg:** We have not.

**Chairman Cook:** Did you listen to the tape?

**Addie Berg:** Yes.

**Chairman Cook:** I think that you all need to be on the same page and you should have a conversation about that.

**Senator Anderson:** I have been trying to write down numbers here, is the \$4800 all consolidated?

**Addie Berg:** Yes.

**Senator Hogue:** You mentioned that you run up against the sales ratios, and I am wondering if you could walk me through that process.

**Addie Berg:** When we take a look at all the good sales in our county, I look to see where the sales are happening. They are in the lower priced properties. They are the ones that are willing to sell and get out, and there are buyers that have the means to buy them. We look at the best way to spread the monies to get to 100%. If it is the lower priced cabins that are selling, that is where we need to put the money. If you truly assessed a cabin using a pricing manual, if a cabin is worth \$50,000, how can you take 40 or 50% and apply it to the cabin and

increase its value to \$150,000. We find that we need to allocate those costs to get to 100% between the dwelling and the land. We try to do that appropriately.

**Senator Hogue:** How do you spread out that balance?

**Addie Berg:** We have spread it among all the owners at the lake. The values of the Bays are not the same as the lake because of location. We have a different pricing scheme for points. Lake front property is different than back from the lake. We do look at building. Now we are trying to focus the issue on the properties that are selling.

1.16.08 **Vice Chairman Miller:** There are about 850 homes on the lake and 150 that are there permanently?

**Addie Berg:** Correct.

1.16.55 **Senator Dotzenrod:** You used the number of \$70,000, is that value of the property?

**Addie Berg:** With the sales ratio that we are currently at, we will have to generate \$61 million dollars to come to the 100% full value; just looking at averages that would be \$70,000.

1.18.25 **Terry Traynor, Assistant Director, North Dakota Association of Counties:** See Attachment #5 for testimony in a neutral capacity on the bill. Amendment proposed here as well.

1.20.30 **Chairman Cook:** I don't know, the bill as introduced probably would need constitutional muster to, I think someone could question it. I would really question if these amendments meet constitutional muster. I understand what you are trying to do.

1.21.09 **Leon Samuel, Morton County Tax Director:** Testified in neutral capacity on the bill. If they had of stayed at what Vanguard came in with they probably would not have had this problem. Location is key. The location dictates the price to a great extent. The mills make a difference as well. Gives many of examples of why you don't distribute that value across the board. They shouldn't be valued at more than market value. This is a problem all over.

**Chairman Cook:** I challenge you to find it in the code, it is not in there.

1.26.36 **Chairman Cook:** How long have you been the tax equalization officer for Morton County?

**Leon Samuel:** Since 1975.

1.28.20 **Marcy Dickerson, State Supervisor of Assessments:** See Attachment #6 for testimony in neutral capacity on the bill.

1.30.54 **Senator Hogue:** We heard that conflicting information about whether there is a legal requirement to get to 95-100% of market value. Is there?

**Marcy Dickerson:** The statute requires that property be assessed at true and full value which in residential is generally market value. It says at market value which to me that means 100%.

The state board of equalization has adopted a policy of allowing the values to be considered appropriate and within tolerance if they are between 95% and 105%. The Attorney General was asked about that tolerance with regard to agricultural property and he responded that that was an appropriate position. They are not that cut and dry.

**Senator Dotzenrod:** this bill proposes to freeze these values at 2008, has this done in other states?

**Marcy Dickerson:** It has. (Gives example of California) I have heard that this in not working out well.

**Discussion:** A discussion occurred among committee members on what Proposition 13 did.

**Senator Triplett:** Do you have any comments on the process the township assessor said?

**Marcy Dickerson:** I believe that what Ms. Berg said is consistent with state law. I think maybe they might want to look more carefully at their sales and check them for good sales vs. ones that should be thrown out.

1.36.10 **Chairman Cook:** Closed hearing on HB 1198.

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1198

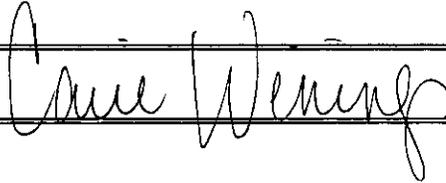
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/25/2009

Recorder Job Number: 11510

Committee Clerk Signature



Minutes:

**Chairman Cook:** Reopened discussion on HB 1198. (Explains the amendments that would like to have on the other bill that would help in the situation)

**Discussion:** The committee discussed the situation at Lake Metigoshi in regards to this bill.

Most agreed that passing this legislation solely for that area was not the best solution to the problem. The situation does exist but there are others throughout the state that has similar problems. The issue of what the school district mills is set at and if that is potentially part of the problem was also discussed. Senator Hogue voiced his support of the bill. The fact that no one brought their tax statement to show us on paper was brought up. They are not willing to sell them either. The homes would sell for what they are assessed at. The homestead tax exemption and lowering the mills were discussed as options to relieve the problem.

**Chairman Cook:** Your wishes?

**Senator Oehlke: Moved a Do Not Pass.**

**Senator Anderson: Seconded.**

**Chairman Cook:** Discussion?

**Senator Oehlke: Moved a Do Not Pass.**

**Senator Anderson: Seconded.**

**A Roll Call vote was taken: Yea 5, Nay 1, Absent 1 (Senator Triplett)**

**Senator Cook Will Carry the Bill.**



**REPORT OF STANDING COMMITTEE (410)**  
March 30, 2009 9:01 a.m.

**Module No: SR-54-5791**  
**Carrier: Cook**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1198, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)**  
recommends **DO NOT PASS** (5 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING).  
Engrossed HB 1198 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1198

January 12, 2009  
Testimony 1

# HB 1198

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Mr. Chairman and members of the Tax and Finance committee, for the record I'm Representative Glen Froseth of District 6, which is all of Bottineau and Renville Counties and the north half of rural Ward County.

HB 1198 is being submitted for your favorable consideration in an effort to address high property valuations and taxes in several specific areas of the state where taxes have skyrocketed due to rapidly increasing property valuations.

As you are all aware, property taxes have been an issue all across the state. However, there are small areas where it has become such a burden; these areas are on the verge of property owners giving up their long held holdings due to the exorbitant tax increases.

HB 1198 pertains to property within a Recreation Service District. There are only a few such Districts in the state. The largest is at Lake Metigoshe in Bottineau County, another is at Rice Lake in Ward County, Lake Ipsilon in Rolette County and Strawberry Lake in McLean County. There could be other parcels affected by this proposed bill, but at the present time they are not organized as a Recreational Service District.

A Recreational Service District is defined in NDCC 11-28-2 as property within one-fourth mile of a lakefront and organized by the majority of the property owners within that area.

HB 1198 will address the high property taxes within those Recreational Service Districts by adding a provision in 57-02-27. Sub-Section 5 is new language to place these properties in a category to be valued at four and one-half percent of assessed value.

Presently these properties are assessed the same as residential property at nine percent of assessed value.

Although this may seem like a drastic reduction, most of these properties are for recreational purposes and are not the prime residence of the owners.

As an example, the property at Lake Metigoshe, which is in Roland Township of Bottineau County, is valued at more than \$134 million, which is more than 20 percent of the total value of the entire Bottineau County, including all the agriculture, commercial and residential property of the County.

Several Roland Township Board members, property owners and other interested parties are present today to share information with the committee and I ask for your indulgence to listen to the history and the story they have to tell about what is happening to recreational property in the state.

Also attached to my testimony are several news articles and other communications in regard to what has happened to many of these recreational property taxes.

I ask you for your favorable recommendation and stand for any questions.

Thank you for your consideration.

Glen  
385-4395

## Roland Township Bottineau, ND 58318

Chairman:  
Bob Komkven 263-4178  
Clark/Treasurer:  
Glenore Gross 263-4318  
Zoning Administrator  
Terry Volk 263-1047

Supervisors  
Dwane Getzlaff 263-4000  
Richard Gross 263-4318  
Vern Jacobson 263-4831  
John Fulsebakke 263-4599  
Assessor  
Addie Berg 263-4900

**September 30, 2008**

**RE: Courtesy Notice of Increase in Real Estate Assessment**

**From: Roland Township Board and Assessor**

This notice provides you with an *updated "Courtesy" copy of the Notice of Increase in your Real Estate Assessment for taxable year 2008. This replaces the notices sent to you in March 2008.*

Based on the Roland Township Market Analysis and the State Board of Equalization's requirement to be in compliance with the True and Full Market Value in accordance to North Dakota Century Code 57-02-27.1 and 57-02-27.2, we in Roland Township are required to make changes in values assessed for 2008. **It's the Law!**

For 2008, the 2007 sales indicate lakeshore property values are only at 57% of True and Full Market Value. In order to show steps to adhere to this State Requirement, in **March 2008** the Roland Township Board of Equalization elected to show a 13% *increase in the True and Full Value (Sales Ratio-Market Analysis)* by increasing lakeshore land values with Lake Front Properties by approximately 26% and by removing 10% of the discount on Structures, which equated to a 11.1% increase on structures. After implementing this change, Roland Township True and Full values were at 72 % of the true and full market value, as in past years the Township continued to strive to be at least 70% of True and Full Market value.

At the **April, 2008** Roland Township Board of Equalization meeting, with the urging of the public, the prior motion was rescinded and the Board elected to increase lakeshore land values with Lake Front Properties by approx 8.5%. After implementing this change, Roland Township True and Full values were at 60% of the true and full market value. These value changes were submitted to the County Director of Tax Equalization.

The Roland Township True and Full Residential values were increased from 57.4% to only 60% of the market value, less than the 70% in prior years. By law, and to adhere to the state requirements specified in the North Dakota Century Code, **in June 2008**, the Bottineau County Board of Equalization (County Commissioners) deemed it appropriate that Roland Township needed to show continued, and more significant, progress in achieving compliance. The County Director of Tax Equalization recommended to the County Board of Equalization, at a minimum, to remove the 30% residential discount currently applied to Lakeshore Structures (dwellings), resulting in a 42.85% increase in T&F structure value and to increase **rural residential** properties by 10%. After hearing from Roland Township residents, board members and legislative members; the Bottineau County Commissioners voted and approved the recommendation by a 4 to 1 vote. This increase brought Lakeshore Residential properties at approximately 71% of the True and Full Market Value.

## Roland Township Bottineau, ND 58318

At meetings in August and **September 18, 2008**, the State Board of Equalization heard discussion from Roland Township residents regarding the situation at Lake Metigoshe and across Bottineau County. While they expressed some concerns regarding equalization within the County, the State Board of Equalization directed Bottineau County Auditor to increase the Lakeshore properties another 20% on land values and an additional 5% on structures. This brings Lakeshore Residential Properties to approximately 82% of True and Full Market Value.

To implement the increases of the Roland Township Board, County Board of Tax Equalization and the State Board of Tax Equalization, the following changes have been made to your property values;

1. Roland Township owners with Lake Front land were initially affected by an average increase of 8.5% - April 2008.
2. Roland Township Lakeshore Structure values were increased with the removal of the 30% discount applied since 2005. Increasing structure values to 100% of True and Full value, instead of the 70% resulted in an approx. 42.85% increase. June 2008.
3. Roland Township Rural Residential properties were increased by 10%. June 2008
4. All Roland Township Lakeshore Residential property values (not just Lake Front land) were increased by an additional 20% for land, and an additional 5% on structures to abide by the State requirement. September 2008.

It is imperative that you also know that each of the following changes may apply to your specific values assessed for year 2008.

1. Any changes (permits/removals) to property made during the 2007-2008 year will subject you to a change in the value assessed to your structures, or land (splits, change in use, etc.) if applicable.
2. A change in percentage of completion (structures) will also warrant a change to the values assessed.

**Please note:** With the Township Boards vote to rescind the motion approved in March and with the application of the County and States changes, ***the True and Full values have changed from the previous mallngs.*** Please review these notices in order to make appropriate plans for your tax statements sent to you in December of 2008.

**We encourage you to call upon your legislators, the Governor, the State Tax Department, and County Commissioners to discuss your concerns and/or interest in changing the current North Dakota Century Code Law, especially as it relates to our Lakeshore Properties.**

If you have specific questions on your appraised values in Roland Township, and or wish to discuss possible consideration for Homestead credit or Disability Exemptions, please contact Addie Berg, Roland Township Assessor at the number listed above. The Township Board and the Assessor make every effort to ensure fair and equitable treatment in determining appraised values.

We appreciate your support and understanding of our need to adhere to State guidelines.

# Historic rise could alter lake's heritage

The year 2008 will be one many people remember for the historic fall of the financial industry and Wall Street.

An historic rise, however, is the story of the year in Bottineau County.

The increase in value of lakeshore property was a story that began in March and came to a crescendo in December when the arrival of tax bills declared what everyone knew was coming.

The recent increase in valuation around Lake Metigoshe translated into at least a 20 percent increase in taxable values for more than 1,300 property owners.

**The recent increase in valuation around Lake Metigoshe translated into at least a 20 percent increase in taxable values for more than 1,300 property owners.**

Sixty-four of those owners have seen an increase greater than 50 percent. Many of those property owners, 439, have seen values increase at least 35 percent.

The debate began in March when the Roland Township Board adjusted values based on what it believed would at least show progress toward equalization.

At a public hearing, the board members got an earful and a pledge to fight increases all the way to the state board of equalization, if necessary.

That is exactly what happened. Members of that board - Gov. John Hoeven, Ag Commissioner Roger Johnson, Tax Director Cory Fong, State Auditor Bob Peterson and State Treasurer Kelly Schmidt - took in solid testimony from Roland Township Board President Bob Korkven. The group, except for Hoeven who was not present, then piled on an already large increase in value and made it an unprecedented one in the history of Bottineau County.

The subsequent increase in valuation was the largest in the history of the county and will give the Bottineau School District an extra \$333,000 in spending power and the county an additional \$245,000.

Perhaps what will change even more is the make up of Lake Metigoshe beyond 2008.

Because the state board has already recommended more valuation increases for next year, the costs of having property at the lake may become cumbersome for some families. That, in turn, may mean the departure of people who have a long history in the area and were as much guardians of the lake's heritage and beauty as enjoyers of it.

The rising valuations don't show any sign of curbing in the future which will make 2008's story of the year extend into 2009 and the upcoming session of the N.D. Legislature.



KRX  
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Email: krx@opi.com

## Deer

Perhaps I've been wondering if animals have I the cold and sn curiosity tends see a deer trail the deer trails a more like tunne

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RECEIVED

# Sudden impact

## Adjusted land values could spell big tax hikes

By Jason Nordmark  
Of The Mirror

The recent increase in valuation around Lake Metigoshe will translate into at least a 20 percent increase in taxable values for more than 1,300 property owners. Sixty-four of those owners will see an increase greater than 50 percent.

A majority of those property owners, 439, will see values increase at least 35 percent.

While mill levies have yet to be set for 2008, there's more than a very good chance property owners around the lake will see major tax increases.

Using last year's tax rates as a measuring stick, a structure valued at \$140,600 had the owner paying \$1,406 in taxes in 2007. If everything were to stay the same, that property owner would pay \$1,911 in 2008. That translates into a 36 percent increase in taxes in one year.

All this comes in light of the State Board of Equalization's recent move to increase land values around the lake by another 20 percent and values on structures by another 5 percent.

Bottineau County Tax Director Lisa Peterson said the average taxable value increase on residential properties during the past five years has been around 5 percent annually. She said supply and demand is driving up land values at such a rapid pace.

In addition, Peterson said just because the land values around the lake experienced extraordinary increases, doesn't mean taxes will shoot up at the same pace.



### The Potential Punch

The comparison below shows the potential impact of the land value increase on lakeshore property in Roland Township using last year's mill levy. Because increases were made separately on land and structures, four different examples were used. The examples reflect existing properties at Lake Metigoshe.

#### Land Low Value/Structure High Value

| Current Value   | New Taxable Value | Last Year's Taxable Value | Last Year's Taxes | Potential Taxes* |
|---|-------------------|---------------------------|-------------------|------------------|
| \$386,000   | \$17,400          | \$11,790                  | \$3,560           | \$5,254          |
| 48% increase in taxable value and potential 48% increase in taxes |                   |                           |                   |                  |

#### Land & Structure Comparable (Main Lake)

| Current Value   | New Taxable Value | Last Year's Taxable Value | Last Year's Taxes | Potential Taxes* |
|---|-------------------|---------------------------|-------------------|------------------|
| \$366,000   | \$16,470          | \$11,628                  | \$3,511           | \$4,973          |
| 42% increase in taxable value and potential 42% increase in taxes |                   |                           |                   |                  |

#### Land High Value/Structure Low Value

| Current Value   | New Taxable Value | Last Year's Taxable Value | Last Year's Taxes | Potential Taxes* |
|---|-------------------|---------------------------|-------------------|------------------|
| \$140,600   | \$6,327           | \$4,658                   | \$1,406           | \$1,911          |
| 36% increase in taxable value and potential 36% increase in taxes |                   |                           |                   |                  |

#### Land & Structure Comparable (Bay Area)

| Current Value   | New Taxable Value | Last Year's Taxable Value | Last Year's Taxes | Potential Taxes* |
|---|-------------------|---------------------------|-------------------|------------------|
| \$116,200   | \$5,229           | \$3,793                   | \$1,436           | \$1,579          |
| 38% increase in taxable value and potential 10% increase in taxes |                   |                           |                   |                  |

\*Mill levy is assumed the same as last year and is subject to change for 2008

The tax director noted that, in most cases, when land values go up, mill levies go down.

Even if mill levies do go down, however, property owners around Lake Metigoshe will most likely still be paying a bigger piece of the pie.

Roland Township Board President Bob Kornkven testified at the equalization board's meeting on September 18 in Bismarck. He described the township's effort:

### Taxes

(Continued on Page 10)

### Get off the water

Lake residents are disposing of land in a new way.

## University enrollment figures up around 3 percent

Total head count of 655 students, said Paula Berg, MSU-B associate dean of student affairs.

The head count includes every student that is taking at least one class, Berg said.

or more credits, and 310 are part-time, taking up to eleven credits.

While the university has seen an increase in full-time students — the numbers are up by 42 students, or 12 percent — it has

Berg, however, attributed this decrease to the fact that some of the part-time students have moved on to become full-time students.

"We're pleased with the numbers," Berg said. "In the past, the

full-time (students). That's why we're pleased to see the initiatives we've started have reversed that trend."

The number of first-time, full-

Source: S.L. 1967, ch. 104, § 14.

**11-28.1-15. Board of county park commissioners may contract — Contents.** Any board of county park commissioners may contract with one or more political subdivisions for the participation in or the performance of police protection and garbage removal services in accordance with section 54-40-08. Any such contract shall set forth fully the purpose, powers, rights, obligations, and the responsibilities, financial and otherwise, of the contracting parties.

Source: S.L. 1967, ch. 104, § 15.

**11-28.1-16. Service assessment funds and the disbursements thereof.** The provisions of chapter 40-24 shall be followed in the collection and disbursement of the funds to be collected to cover the cost of operating a service district; provided, however, that nothing in chapter 40-24 shall limit the length of time for which assessments for police protection and garbage removal services may be levied. Such assessments may be levied so long as the service is rendered.

Source: S.L. 1967, ch. 104, § 16.

## CHAPTER 11-28.2

### RECREATION SERVICE DISTRICTS

| Section  | Section  |
|--|--|
| 11-28.2-01. Establishment of recreation service districts — Petition — Purpose.  | ing for improvement — Levying special assessments and taxes and imposing service charges — Issuance of warrants. |
| 11-28.2-02. Meetings of recreation service districts — Election of board.  | 11-28.2-04.2. Powers of recreation service districts — General tax levy.   |
| 11-28.2-03. Qualifications of voters and commissioners.  | 11-28.2-05. Dissolution of recreation service districts.   |
| 11-28.2-04. Powers of recreation service districts — Levying of special assessments.   | 11-28.2-06. Annexation by petition of owners.  |
| 11-28.2-04.1. Power of recreation service districts to make improvements — Creating district — Determining necessity — Contract- | 11-28.2-07. Petition of owners — Annexation.   |
|  | 11-28.2-08. Annexation by resolution of district.  |

**11-28.2-01. Establishment of recreation service districts — Petition — Purpose.** The board of county commissioners of any county, at any meeting of the board, by majority vote of all of the members may, upon the petition of ten percent of the individuals who qualify under section 11-28.2-03 as voters of an area to be included within a proposed recreation service district, call for an election of all of the qualified voters of the district to determine the question of the establishment of a recreation service district for the purpose of providing services, which may include police protection, sewer and water, garbage removal services, and public road construction and maintenance, in addition to those provided by the local governing body

or agency to summer homes, cottages, and other residences and establishments that exist within the area, and provide for the improvement and control of the environmental quality of the recreation service district. The recreation service district must be limited in size and location to an area contiguous to or within one-quarter mile [402.34 meters] of the recreational waters of the area or to the areas of land which are dedicated to public use for recreational purposes. In addition, the district must consist of not less than forty privately owned seasonal homes or cottages and other residences and establishments. If a petition is presented to the board of county commissioners calling for an election, the petition must be accompanied by any information required by the board of county commissioners, including the boundaries of the proposed recreation district, the approximate number of qualified voters, and a sufficient deposit of money to cover all costs of the election. Within sixty days after the calling of an election, the board of county commissioners shall provide an election on the question of whether a recreation service district should be established and shall establish procedures for voting and other necessary matters not inconsistent with this chapter. The county commissioners shall give at least thirty days' notice of the election by certified mail to all qualified voters. If a majority of qualified electors voting on the question approve of the establishment of a recreation service district, the district must be organized.

The board of commissioners of a recreation service district may change the boundaries of the district to property within or contiguous to the one-quarter mile [402.34 meters] limit through the annexation procedure provided in sections 11-28.2-06 through 11-28.2-08.

Source: S.L. 1975, ch. 105, § 1; 1977, ch. 106, § 1; 1993, ch. 110, § 1; 1999, ch. 110, § 1; 2003, ch. 48, § 6; 2005, ch. 106, § 1. section 1 of chapter 106, S.L. 2005, effective August 1, 2005.

**Effective Date.**

The 2005 amendment of this section by

**11-28.2-02. Meetings of recreation service districts — Election board.** The first meeting of the recreation service district must be held within thirty days after the district is organized at a time and place designated by the board of county commissioners. At the meeting, qualified voters, as defined in section 11-28.2-03, shall elect not less than five qualified voters of the district to serve as members of the recreation service district commissioners. Each member elected shall serve until the first annual meeting of the district. The board of the district shall assemble and hold an annual meeting during the first week of June of each year, at a time and place within the county designated by the board of recreation service district commissioners. In addition to the annual meeting, the board of recreation service district commissioners shall call a special meeting of the voters of the district at the time and place designated by the board. For any annual or special meeting, the board shall publish notice of the meeting not less than fifteen days before the meeting in the

city newspaper of the county in which the district is located and the notice must be mailed to property owners of the district as recorded in the county treasurer's office in which the district is located not less than fifteen days before the meeting. **No fewer than five qualified voters of the district must be elected to serve on the board of recreation service district commissioners at the annual meeting.** Each member elected shall serve a term of three years, until a successor is elected and qualified. The term of each member must be established so that the terms of approximately one-third of the members terminate each year. The members of the board are entitled to receive compensation in an amount of no more than twenty-five dollars per meeting of the board, as determined by the board.

Source: S.L. 1975, ch. 105, § 2; 1977, ch. 107, § 1; 1997, ch. 112, § 1.

**11-28.2-03. Qualifications of voters and commissioners.** In order that there may be a fair representation of property owners and residents of the recreation service district, a person eighteen years of age and older may qualify as a voter for purposes of this chapter by presenting adequate proof or by signing a proper affidavit that the person qualifies by either one of the following methods:

1. That the person is a resident of the county for all other purposes of voting and maintains a permanent residence within the recreation service district.
2. That the person owns real property within the recreation service district. If there is more than one owner of such real property, each shall be entitled to one vote.

As the intent of this section that all persons who shall be affected by the provisions of this chapter shall be allowed to have a voice or vote.

Source: S.L. 1975, ch. 105, § 3.

**11-28.2-04. Powers of recreation service districts — Levying of special assessments.** Each recreation service district established under this chapter may provide services, which may include police protection, sewer and water, garbage removal services, and public road construction and maintenance, in addition to those provided by the local governing body or other agency to summer homes, cottages, and other residences and establishments that exist within its boundaries, provide for the improvement and control of the environmental quality of the recreation service district, and levy special assessments necessary to provide the services. Any project or service provided by a recreation service district other than under section 11-28.2-04.1 must first be approved by a majority of the qualified voters of the district affected by the special assessment and present and voting at an annual or special meeting called as provided in this chapter. The levying of special assessments for services and improvement of environmental quality must be levied against those parcels of property benefited in the manner provided by law for the levying of special assessments for

January 2, 2009

# B 1198

Testimony 2

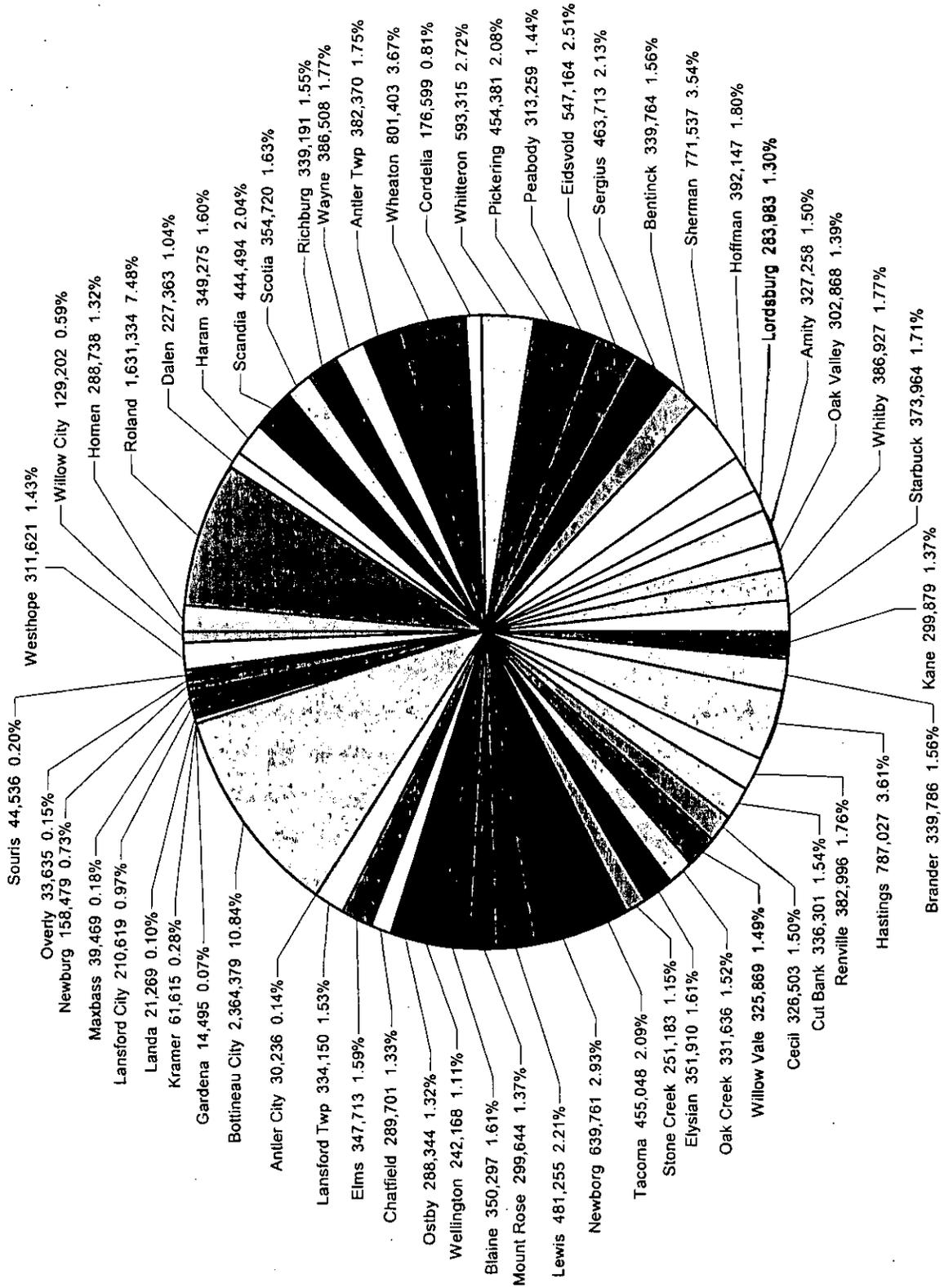
**BOTTINEAU COUNTY**

**ROLAND TOWNSHIP**

**Recreation Service District**

**Statistical Information Regarding a Unique Tax Situation**

# 2002 Bottineau County Taxable Valuations



## Roland Township Recreation Service District Sales Ratio and True and Full Value Increase History

| Year | Good Sales | Sales Ratio Reported to State Tax Dept. | True & Full Value Increases       | Changes/Action  |
|------|------------|---|-----------------------------------|---|
| 2002 | 23         | 28.8                                    |                                   | No Action   |
| 2003 | 28         | 26.5                                    | 25%                               | Bottineau County Board Applied 25% Increase   |
| 2004 | 27         | 39.0                                    | 40% - 125%                        | Twsp: Conducted Vanguard Re-Assessment. Applied 30% discount to Land and Structures minimize taxpayer's initial impact.<br><b>Sales Ratio after Inc = 70%</b> |
| 2005 | 30         | 60.0                                    | 16.5% - 21.5%                     | Twsp: Land: Removed 20% discount.<br><b>Sales Ratio after Inc = 70%</b>   |
| 2006 | 28         | 55.8                                    | 8.5% - 11.0%                      | Twsp: Land: Removed 10% discount.<br><b>Sales Ratio after Inc = 70%.</b>  |
| 2007 | 38         | 57.4                                    | 8.5% - 11.0%                      | Twsp: 10% Land Value Increase<br><b>Sales Ratio after Inc. = 69%</b>  |
| 2008 | 41         | 56.5                                    | 29.6%-Land CP*<br>50.24%-Strts.CP | Twsp: Land 8%, 20% State<br>Twsp: Structures 0%, 42.85% County, 5% State<br><b>Sales Ratio after Inc. = 82%</b>   |
| 2009 | 18         | 62.4%                                   |                                   | <b>Not finalized for 2009.</b>  |

\* CP =Compounded

# 2008 North Dakota Lakeshore Sales Ratio Summary

Found in ND Assessment Sales Ratio Study

| County          | Sales     | Sales Value         | Median*      |
|-----------------|-----------|---------------------|--------------|
| Barnes          | 15        | \$1,510,760         | 68.8%        |
| Bottineau       | 41        | \$6,279,550         | 56.5%        |
| Burleigh        | 2         | \$752,500           | 64.7%        |
| Dickey          | 1         | \$22,500            | 62.1%        |
| Emmons          | 1         | \$30,000            | 55.8%        |
| Kidder          | 2         | \$120,000           | 121.9%       |
| Logan           | 1         | \$35,000            | 80.9%        |
| McIntosh        | 4         | \$77,380            | 70.0%        |
| McLean          | 2         | \$145,000           | 112.4%       |
| Mercer          | 4         | \$272,091           | 59.8%        |
| Mountrail       | 1         | \$35,000            | 46.6%        |
| Richland        | 1         | \$210,000           | 70.4%        |
| Steele          | 4         | \$345,000           | 19.7%        |
| Ward            | 7         | \$566,300           | 58.0%        |
| Williams County | 7         | \$379,000           | 80.0%        |
| <b>Total</b>    | <b>93</b> | <b>\$10,780,081</b> | <b>62.1%</b> |

\* Median represents the True and Full Value divided by the Sales Price in the form of a percentage.

Sales Ratio Study Details can be located at the ND Tax Department website:

<http://www.nd.gov/tax/property/pubs/salesratio/sales-ratio-2008.pdf>

2008 Statewide Ag Sales Ratio : 45.8%      2008 Statewide Lakeshore Ratio: 62.1%

**Bottineau County Ag Sales Ratios for Ag Land:**

2008; 49.3%, 2007; 50.5%, 2006; 51/3%, 2005; 55.5%, 2004; 64.5%

**Average Ag Land Sales Ratio: 54.22%**

# ROLAND TOWNSHIP RECREATIONAL SERVICE DISTRICT RESIDENTIAL VALUES

**2007**

| Residential<br>True & Full Market Ranges | # of Properties<br>(reflecting<br>total valuation) | # of Properties<br>(reflecting Structure<br>Value Only) | # of Good Sales<br>- 2006-2007 -<br>(Total Valuation) |
|--|--|---|---|
|  |  |   |   |
| \$399,999 to \$300,000                   | 5  | 0   | 0   |
| \$299,999 to \$200,000                   | 30   | 11  | 1   |
| \$199,999 to \$150,000                   | 62   | 15  | 4   |
| \$149,999 to \$100,000                   | 178  | 56  | 16  |
| \$99,999 to \$50,000                     | 527  | 173   | 34*   |
| \$49,999 to \$100                        | 184  | 731***  | 13*   |
| <b>TOTAL</b>                             | <b>986</b>   | <b>986</b>  | <b>68**</b>   |

\* 70% of Sales are within or below the \$100,000 range

\*\* Avg. Sales Value of a Structure: \$42,551

\*\*\* 452 Properties are valued under \$25,000.

**2008**

| Residential<br>True & Full Market Ranges | # of Properties<br>(reflecting<br>total valuation) | # of Properties<br>(reflecting Structure<br>Value Only) | # of Good Sales<br>-2006-2008 (1)<br>(Total Valuation) |
|--|--|---|--|
|  |  |   |  |
| \$700,000 to \$600,000                   | 2  | 0   |  |
| \$599,999 to \$500,000                   | 2  | 0   |  |
| \$499,999 to \$400,000                   | 4  | 2   | 0  |
| \$399,999 to \$300,000                   | 26   | 8   | 0  |
| \$299,999 to \$200,000                   | 82   | 26  | 2  |
| \$199,999 to \$150,000                   | 119  | 38  | 4  |
| \$149,999 to \$100,000                   | 285  | 96  | 24   |
| \$99,999 to \$50,000                     | 350  | 233   | 41*  |
| \$49,999 to \$100                        | 123  | 590 ***   | 15*  |
| <b>TOTAL</b>                             | <b>993</b>   | <b>993</b>  | <b>86**</b>  |

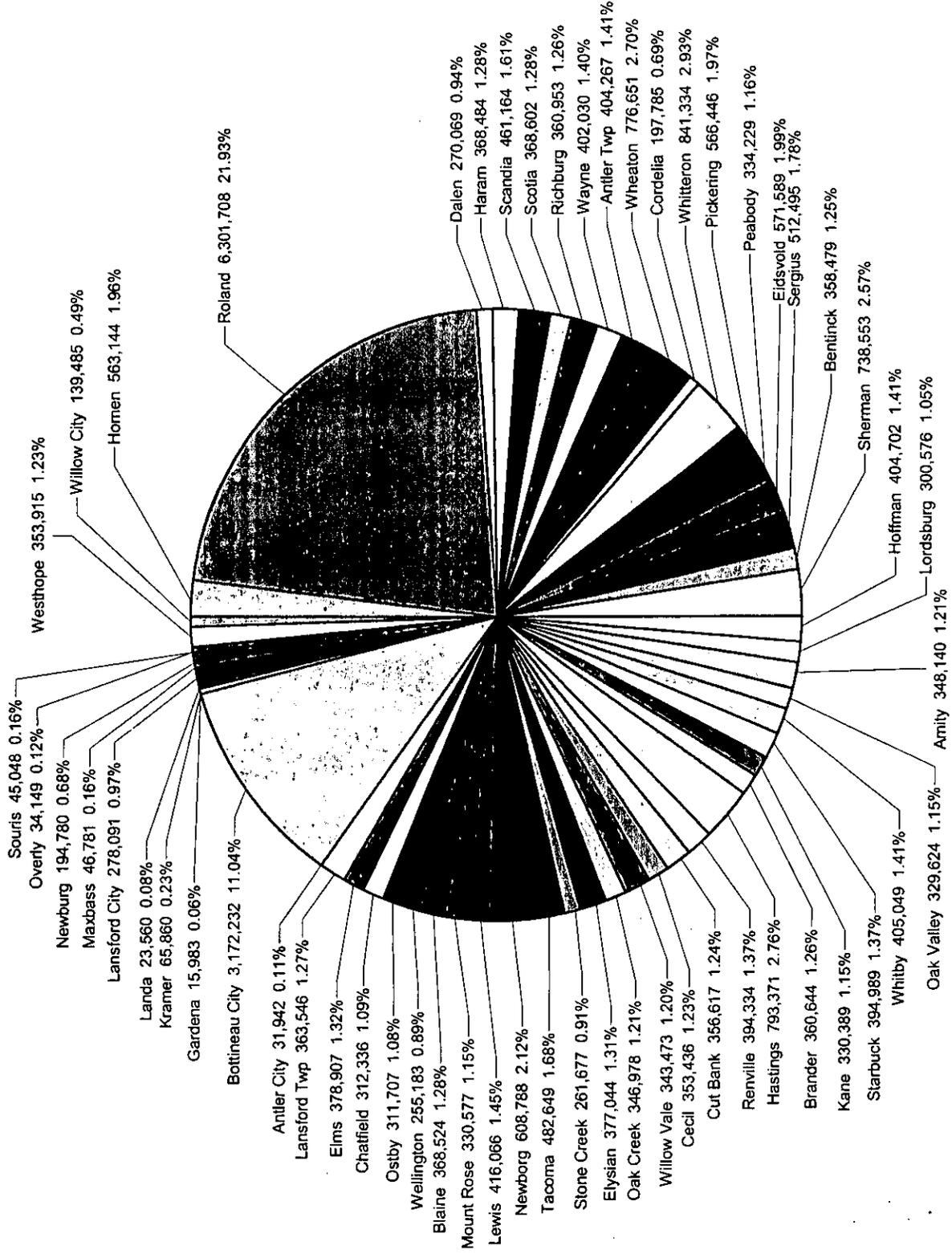
\* 65% of Sales are within or below the \$100,000 range

\*\* Avg Sales Value of a Structure: \$57,545

\*\*\* 261 Properties are valued under \$25,000.

(1) 2008 includes 18 Verified Sales through August 24, 2008

# 2008 Bottineau County Taxable Valuations



## Recreation Service District - Taxable Value Distributions

| Year                                     | T & F                           | Taxable Value | Mill Levies                                    | Tax Dollars                             |
|--|---------------------------------|---------------|--|---|
| 2002                                     | \$29,797,177                    | \$1,340,873   | SCHOOL=193.89<br>COUNTY=92.66<br>TOTAL=324.89  | \$259,981<br>\$124,245<br>\$435,636     |
| 2003                                     | \$40,947,644                    | \$1,842,644   | SCHOOL=171.44<br>COUNTY=99.99<br>TOTAL=302.27  | \$315,902<br>\$184,245<br>\$556,976     |
| 2004                                     | \$67,509,866                    | \$3,037,944   | SCHOOL=167.25<br>COUNTY=96.87<br>TOTAL=291.10  | \$508,096<br>\$294,285<br>\$884,345     |
| 2005                                     | \$79,006,755                    | \$3,555,304   | SCHOOL=166.93<br>COUNTY=95.87<br>TOTAL=286.99  | \$591,709<br>\$340,846<br>\$1,020,336   |
| 006                                      | \$86,215,755                    | \$3,879,709   | SCHOOL=169.49<br>COUNTY=100.78<br>TOTAL=296.63 | \$657,571<br>\$390,997<br>\$1,150,838   |
| 2007                                     | \$92,310,666                    | \$4,153,980   | SCHOOL=171.41<br>COUNTY=104.80<br>TOTAL=301.96 | \$712,033<br>\$435,337<br>\$1,254,335   |
| 2008                                     | \$128,674,860                   | \$5,790,369   | SCHOOL=166.98<br>COUNTY=104.43<br>TOTAL=292.42 | \$966,875<br>\$604,668<br>\$1,693,219   |
| 2009 (1.6)                               | \$205,880,000                   | ~ \$9,264,600 | SCHOOL=170.00<br>COUNTY=100.00<br>TOTAL=300.00 | \$1,575,000<br>\$926,400<br>\$2,779,380 |
| 2009 A - (.045)<br>Assessed Value x .045 | \$205,880,000                   | ~ \$4,632,300 | SCHOOL=170.00<br>COUNTY=100.00<br>TOTAL=300.00 | \$787,491<br>\$463,230<br>\$1,389,690   |
| 2009 B - Ag Land                         | \$205,880,000<br>~\$111,628,130 | ~\$5,023,265  | SCHOOL=170.00<br>COUNTY=100.00<br>TOTAL=300.00 | \$853,955<br>\$502,326<br>\$1,506,979   |

Chart 7

**RECREATIONAL SERVICE DISTRICT  
SALES RATIO IMPACT ON RESIDENTIAL TAX VALUATIONS  
SAMPLING**

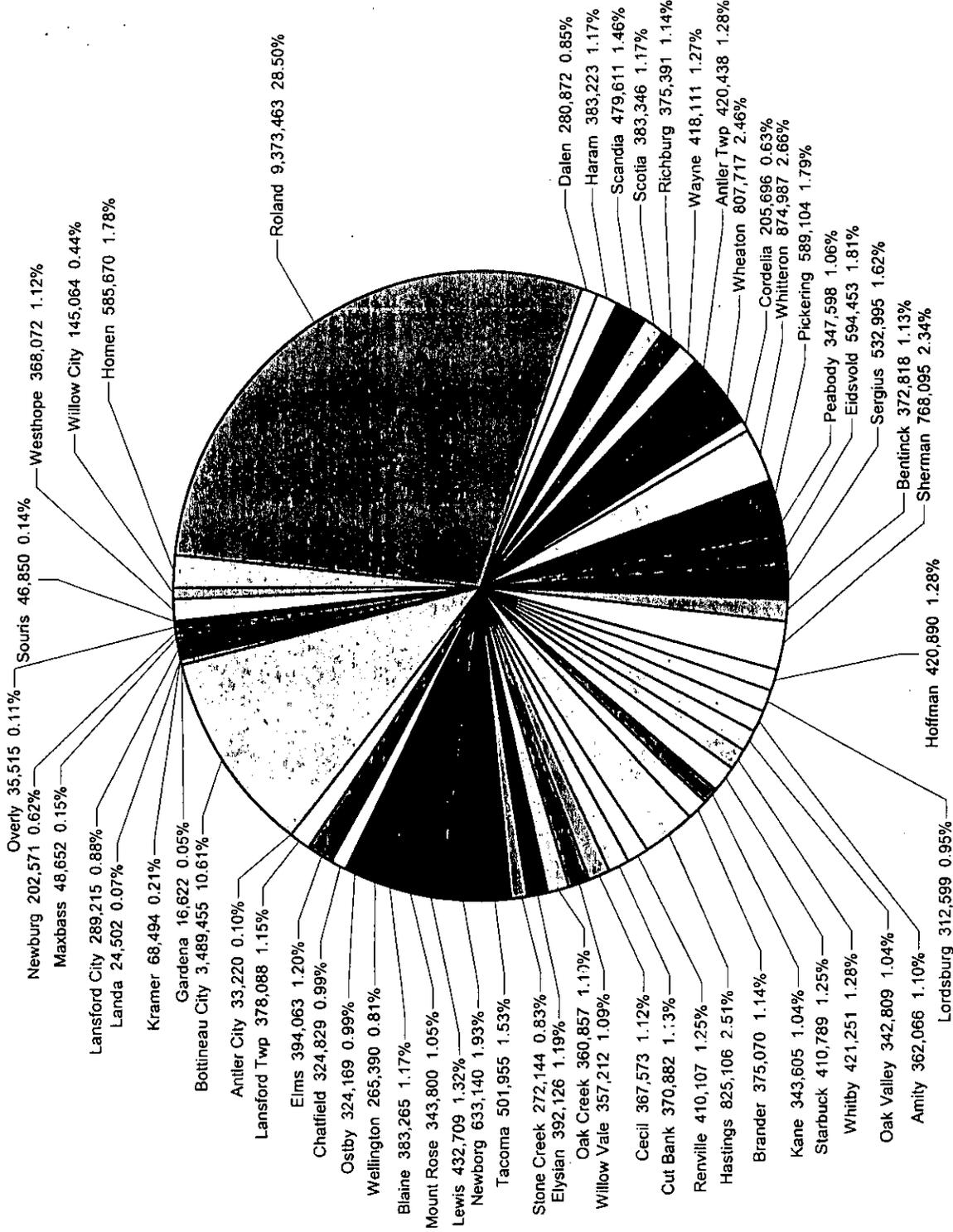
|        | #10       | #100      | #200      | #300      | #500      | #700      | #900     |
|--------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| 2003   | \$188,756 | \$96,976  | \$49,986  | \$27,528  | \$26,284  | \$19,484  | \$600    |
| 2004*  | \$241,900 | \$119,000 | \$92,200  | \$68,100  | \$58,900  | \$43,700  | \$24,800 |
| 2005   | \$253,600 | \$129,800 | \$103,700 | \$83,300  | \$67,800  | \$51,000  | \$26,600 |
| 2006   | \$259,400 | \$144,900 | \$109,500 | \$91,000  | \$72,200  | \$54,700  | \$27,500 |
| 2007   | \$265,300 | \$150,300 | \$115,300 | \$98,600  | \$76,700  | \$58,500  | \$27,500 |
| 2008   | \$387,100 | \$215,500 | \$162,400 | \$133,900 | \$103,800 | \$80,900  | \$39,000 |
| 2009** | \$619,360 | \$344,800 | \$259,840 | \$214,240 | \$166,080 | \$129,440 | \$62,400 |

\* Increase with re-assessment by professional appraisal firm (Vanguard Appraisals, Inc.)

\*\* Values based on State mandate to achieve 100% Market Value (T&F) - equals 160 % of 2008 values.

2008 Tax dollar impact: \$100,000 increase in T&F Value = Tax Dollars \$1,316.00  
 (\$100,000 x 50% = Assessed Value x 9% = Taxable Value (\$4,500) x Mill Levies 292.42 = \$1316 Tax Dollars)

# ESTIMATED 2009 Bottineau County Taxable Valuations



## Bottineau County Taxable Valuations

### Tax Entities - Year over Year Taxable Value Increase Comparisons

| Entity/Years   | 2002                     | 2004                     | 2006                     | 2007                     | 2008                     | 2009<br>ESTIMATE<br>Except where noted,<br>4% Inc est. for 2009.<br><br>Rec Srv Dist @60%<br>Increase |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---|
| <b>Roland Twsp:<br/>Rec. Service District</b>  | \$1,631,334<br>(7.48%)   | \$3,467,940<br>(14.50%)  | \$4,339,387<br>(16.71%)  | \$4,617,656<br>(17.53%)  | \$6,301,708<br>(21.93%)  | \$9,373,463<br>(28.50%)   |
| Roland Twsp: Ag Acres:<br>20,967. Includes: (2008-8.11%<br>Rural Twsp \$511,339)   |                          |                          |                          |                          |                          |   |
| <b>12 Cities in County</b>   | \$3,419,555<br>(15.75%)  | \$3,523,418<br>(14.73%)  | \$3,779,395<br>(14.55%)  | \$3,907,741<br>(14.83%)  | \$4,401,826<br>(15.32%)  | \$4,768,233<br>(14.50%)   |
|  |                          |                          |                          |                          |                          | B.City Cml & Lansford<br>Re-valuation at 10%  |
| <b>43 Additional Rural<br/>Townships<br/>County Ag Acres: 1,018,914<br/>(Primarily Ag Land, with few<br/>taxable residential properties.<br/>Excludes any cities.)</b> | \$16,762,112<br>(76.84%) | \$16,745,241<br>(70.77%) | \$17,855,718<br>(68.74%) | \$17,821,777<br>(67.64%) | \$18,025,594<br>(62.75%) | \$18,746,618<br>(57.00%)  |
|  | \$21,813,001             | \$23,916,599             | \$25,974,500             | \$26,347,174             | \$28,729,128             | \$32,888,314  |
| <b>% Inc for Comparison<br/>Years.</b>   |                          | 9.64%                    | 8.60%                    | 1.44%                    | 9.05%                    | 14.48%  |



**Chart 10**

**Map of Bottineau County & Recreation Service District**

# Impact of Sales Ratio Scenario

## Sale Ratio Calculation

| Year 1 | Property # | T & F Value | Sales Price | Sales Ratio | Median | Sales Ratio Multiplier for 100% T & F Market Value |
|--------|------------|-------------|-------------|-------------|--------|--|
|        | 1          | \$45,000    | \$100,000   | 45%         |        |  |
|        | 2          | \$25,000    | \$50,000    | 50%         |        |  |
|        | 3          | \$50,000    | \$100,000   | 50%         | 50%    | 200.00%  |
|        | 4          | \$45,000    | \$80,000    | 56%         |        |  |
|        | 5          | \$70,000    | \$100,000   | 70%         |        |  |

2.00 Multiplier

## Distribution of Sales Ratio Multiplier

| Scenario  | Property # | Sales Price | T&F Value | Year 1 Multiplier | Market Value Increase | Year 2 Sales Ratio | Year 3 Sales Ratio | Year 4 Sales Ratio |
|-----------|------------|-------------|-----------|-------------------|-----------------------|--------------------|--------------------|--------------------|
| Sales     | 2          | \$50,000    | \$25,000  | 2.00              | \$50,000              | 1.00/.85 - 1.1765  | 1.00/.85 - 1.1765  | 1.00/.90 - 1.1111  |
| Sales     | 3          | \$100,000   | \$50,000  | 2.00              | \$100,000             | \$58,825           | \$69,208           | \$76,897           |
| Sales     | 5          | \$100,000   | \$70,000  | 2.00              | \$140,000             | \$117,650          | \$138,415          | \$153,793          |
| Non Sales | 6          |             | 65,000    | 2.00              | \$130,000             | \$164,710          | \$193,781          | \$215,310          |
| Non Sales | 7          |             | 200,000   | 2.00              | \$400,000             | \$152,945          | \$179,940          | \$199,931          |
| Non Sales | 8          |             | 350,000   | 2.00              | \$700,000             | \$470,600          | \$553,661          | \$615,173          |
|           |            |             |           |                   |                       | \$823,550          | \$968,907          | \$1,076,552        |

No Sale or Change  
No Sale or Change  
No Sale or Change

### Recreation Service District Property - Impact of Sales Ratio Multipliers 2006 to 2008

|   | 2006     |          |           | 2007     |          |           | 2008     |          |           | 2009               |                    |
|---|----------|----------|-----------|----------|----------|-----------|----------|----------|-----------|--------------------|--------------------|
|   | LAND     | DWLG     | TOTAL     | LAND     | DWLG     | TOTAL     | LAND     | DWLG     | TOTAL     | % Inc.<br>in 2 Yrs | 2009<br>Projection |
| 4018-2299<br>10/2006,<br>\$223,000 SALE;<br>\$104,100 TF,<br><b>RATIO 46.7</b>                                      | \$54,600 | \$49,500 | \$104,100 | \$60,000 | \$49,500 | \$109,500 | \$80,000 | \$74,400 | \$154,400 |                    | \$247,040          |
|   |          |          |           |          |          |           |          |          | \$104,100 |                    |                    |
|   |          |          |           |          |          |           |          |          | \$50,300  | 48.319%            | 137.31%            |
| 4002-905<br>3/2006 AND 8/2007,<br>\$84,600 AND<br>\$118,400 SALES<br>\$82,300 TF, <b>RATIO</b><br><b>99.3% 2006</b> | \$25,400 | \$56,900 | \$82,300  | \$25,400 | \$56,900 | \$82,300  | \$31,800 | \$85,200 | \$117,000 |                    | \$187,200          |
|   |          |          |           |          |          |           |          |          | \$82,300  |                    |                    |
|   |          |          |           |          |          |           |          |          | \$34,700  | 42.163%            | 127.46%            |
| 4015-2236<br>1997 AND 9/2006,<br>\$31,000 AND<br>\$88,850 SALES<br>\$41,400 TF, <b>RATIO</b><br><b>46.6% 2006</b>   | \$23,100 | \$18,300 | \$41,400  | \$25,400 | \$18,300 | \$43,700  | \$33,900 | \$27,500 | \$61,400  |                    | \$98,240           |
|   |          |          |           |          |          |           |          |          | \$41,400  |                    |                    |
|   |          |          |           |          |          |           |          |          | \$20,000  | 48.309%            | 137.29%            |
| 4003-1047<br>1997 AND 9/2007,<br>\$39,500 AND<br>\$148,500 SALES<br>\$76,800 TF, <b>RATIO</b><br><b>51.7% 2007</b>  | \$44,200 | \$28,200 | \$72,400  | \$48,600 | \$28,200 | \$76,800  | \$61,900 | \$42,300 | \$104,200 |                    | \$166,720          |
|   |          |          |           |          |          |           |          |          | \$72,400  |                    |                    |
|   |          |          |           |          |          |           |          |          | \$31,800  | 43.923%            | 130.28%            |

### Recreation Service District Property - Impact of Sales Ratio Multipliers 2006 to 2008

|   | 2006     |           |           | 2007     |           |           | 2008      |           |           | 2009<br>Projection |                   |
|---|----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|--------------------|-------------------|
|   | LAND     | DWLG      | TOTAL     | LAND     | DWLG      | TOTAL     | LAND      | DWLG      | TOTAL     |                    | % Inc<br>in 2 Yrs |
| 4020-2403<br>8/2007,<br>\$137,500 SALES<br>\$114,000 TF,<br><b>RATIO 82.9 2007</b>      | \$81,800 | \$24,000  | \$105,800 | \$90,000 | \$24,000  | \$114,000 | \$120,000 | \$36,000  | \$156,000 |                    | \$249,600         |
|   |          |           |           |          |           |           |           |           | \$105,800 |                    |                   |
|   |          |           |           |          |           |           |           |           | \$50,200  | 47.448%            | 135.92%           |
| 4003-1037<br>2/2007,<br>\$55,000 SALES<br>\$53,200 TF, <b>RATIO</b><br><b>96.7 2007</b> | \$39,000 | \$10,300  | \$49,300  | \$42,900 | \$10,300  | \$53,200  | \$57,200  | \$15,500  | \$72,700  |                    | \$116,320         |
|   |          |           |           |          |           |           |           |           | \$49,300  |                    |                   |
|   |          |           |           |          |           |           |           |           | \$23,400  | 47.465%            | 135.94%           |
| 4035-2688<br><br>NO SALES   | \$39,000 | \$131,900 | \$170,900 | \$42,900 | \$131,900 | \$174,800 | \$57,200  | \$197,800 | \$255,000 |                    | \$408,000         |
|   |          |           |           |          |           |           |           |           | \$170,900 |                    |                   |
|   |          |           |           |          |           |           |           |           | \$84,100  | 49.210%            | 138.74%           |
| 4017-2284<br><br>NO SALES   | \$36,000 | \$55,600  | \$91,600  | \$39,600 | \$55,600  | \$95,200  | \$52,800  | \$83,300  | \$136,100 |                    | \$217,760         |
|   |          |           |           |          |           |           |           |           | \$91,600  |                    |                   |
|   |          |           |           |          |           |           |           |           | \$44,500  | 48.581%            | 137.73%           |
| 4057-2866-05<br><br>NO SALES  | \$29,400 | \$70,400  | \$99,800  | \$32,400 | \$70,400  | \$102,800 | \$41,200  | \$105,600 | \$146,800 |                    | \$234,880         |
|   |          |           |           |          |           |           |           |           | \$99,800  |                    |                   |
|   |          |           |           |          |           |           |           |           | \$47,000  | 47.094%            | 135.35%           |
| 4023-2484<br><br>NO SALES   | \$58,500 | \$200,900 | \$259,400 | \$64,400 | \$200,900 | \$265,300 | \$85,800  | \$301,300 | \$387,100 |                    | \$619,360         |
|   |          |           |           |          |           |           |           |           | \$259,400 |                    |                   |
|   |          |           |           |          |           |           |           |           | \$127,700 | 49.229%            | 138.77%           |



STATE OF NORTH DAKOTA  
**OFFICE OF STATE TAX COMMISSIONER**  
 Cory Fong, Commissioner

**ABSTRACT OF PROCEEDINGS OF THE NORTH DAKOTA  
 STATE BOARD OF EQUALIZATION  
 REAL PROPERTY  
 FOR THE YEAR 2008**

*Same given to Senate.*

To the County Auditor of Bottineau County:

I, Cory Fong, Tax Commissioner, as Secretary of the State Board of Equalization, certify that the following is a true and correct abstract of the proceedings of the State Board of Equalization with respect to equalizing the true and full valuation of real property in your county for the current year specifying the percentage added to or deducted from the total true and full valuation in your county of each of the several classes of real property. You shall, in accordance with N.D.C.C. § 57-13-08, add to or deduct from the true and full valuation of each lot or tract in the several classes of real property, as equalized by the county board, the indicated percentages in the schedule below and extend taxes upon the taxable valuation as calculated pursuant to N.D.C.C. §§ 57-02-01(13) and 57-02-27.

**SCHEDULE OF CHANGES**

| CLASS OF REAL PROPERTY IN COUNTY                     | PERCENTAGE CHANGE BY STATE BOARD |
|--|----------------------------------|
| Agricultural Property (Tillable and Nontillable)     | No Change                        |
| Commercial Property (Lots, Tracts and Improvements)  | No Change                        |
| Residential Property (Lots, Tracts and Improvements) | *                                |

\*Increase land values of lakeshore property by 20 percent and increase improvement values of lakeshore property by 5 percent. Ensure that 2009 lakeshore assessments represent current market value. Please send revised abstract to Tax Commissioners Office after changes have been made.

Dated at Bismarck, North Dakota, this 22nd day of September, 2008.

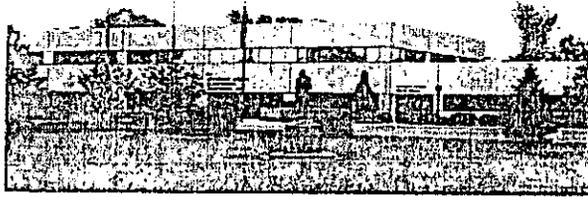
Cory Fong  
 Secretary of North Dakota  
 State Board of Equalization  
 and State Tax Commissioner

**COUNTY OFFICERS**

|                           |                   |
|---------------------------|-------------------|
| County Auditor            | Mae Streich       |
| County Treasurer          | Evelyn Kalk       |
| County Recorder           | Helen Christenson |
| County Sheriff            | Steve Watson      |
| County Attorney           | A. Swain Benson   |
| County Clerk of Courts    | Rhonda Langehaug  |
| Superintendent of Schools | Dwane Getzlaff    |
| Tax Director/Zoning Adm.  | Lisa Peterson     |
| Social Services           | Kelly Jensen      |
| 9-1-1 Coordinator         | Terry Volk        |
| Disaster Emergency        | Richard Hummel    |
| Veteran's Service Officer | Dwight Nahinurk   |
| Road Foreman              | Terry Olson       |
| Official Newspaper        | Courant           |

**BOTTINEAU COUNTY  
NORTH DAKOTA**

*Same to given to Senate.*



314 West Fifth Street  
Bottineau, North Dakota 58318  
Fax (701) 228-3658/5181

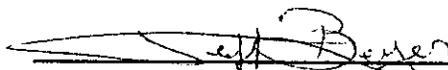
**COUNTY COMMISSIONERS**

|                          |                                      |
|--------------------------|--------------------------------------|
| 1 <sup>st</sup> District | LeRoy Rude<br>Bottineau, ND 58318    |
| 2 <sup>nd</sup> District | Jeff Beyer<br>Bottineau, ND 58318    |
| 3 <sup>rd</sup> District | Mary Rothmann<br>Bottineau, ND 58318 |
| 4 <sup>th</sup> District | Verdean Kveum<br>Souris, ND 58783    |
| 5 <sup>th</sup> District | Fred Tyler<br>Lansford, ND 58750     |

TO: Members of the North Dakota State House of Representatives

The Bottineau County Commissioners support the efforts of the Lake Metigoshe Recreation Service District residents in their efforts to adjust the taxable value of their property through a change in the ND Century Code.

Dated this 19<sup>th</sup> day of December, 2008

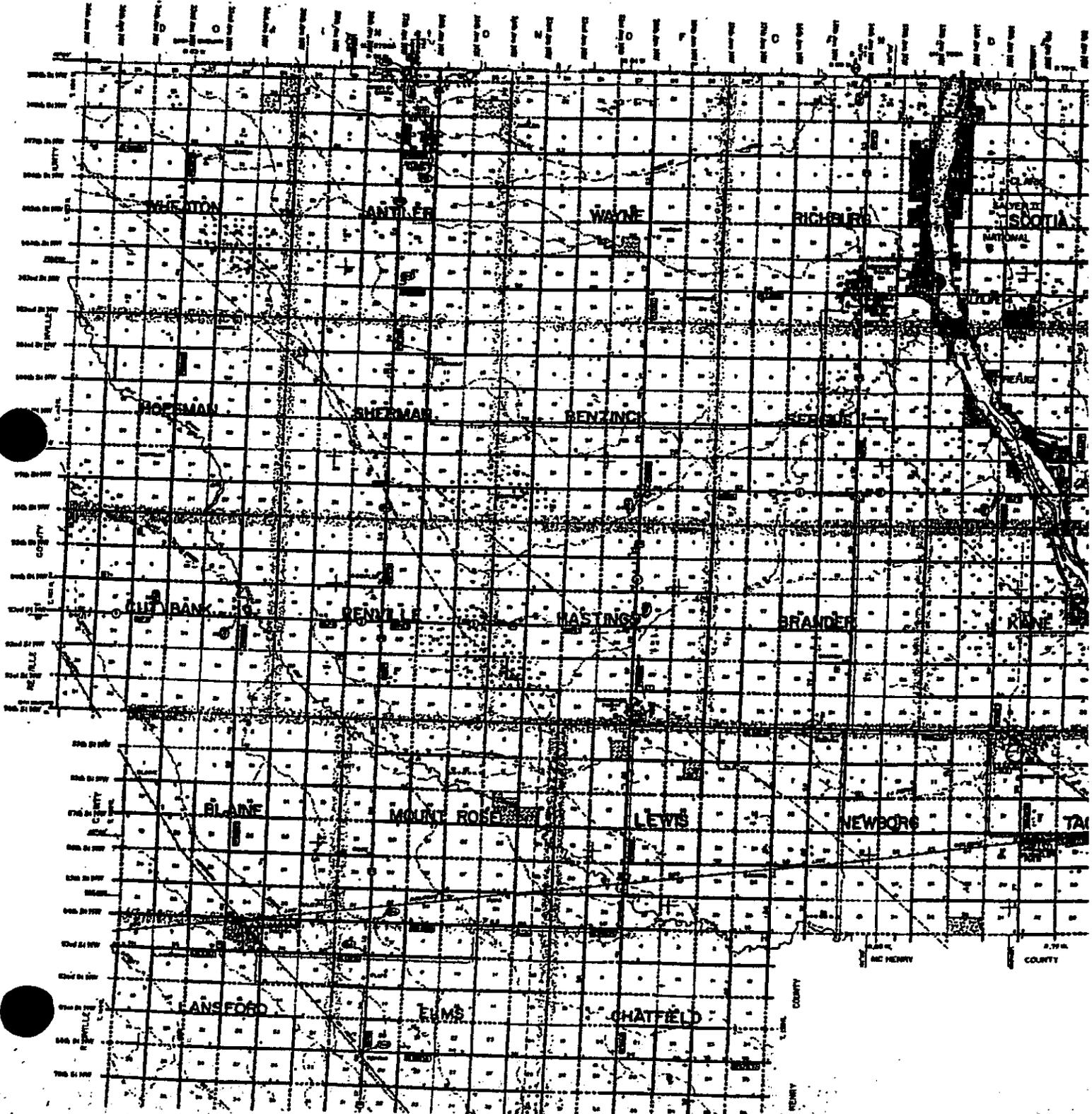
  
\_\_\_\_\_  
Jeff Beyer, Chairman-Bottineau County Commissioners

# BOTTINEAU COUNTY NORTH DAKOTA

## GENERAL LEGEND



| ROADS AND TRAILS |                 | RAILROADS |                | WATER |                |
|------------------|-----------------|-----------|----------------|-------|----------------|
| 1                | State Highway   | 1         | Main Line      | 1     | Large Water    |
| 2                | County Highway  | 2         | Branch Line    | 2     | Small Water    |
| 3                | Local Road      | 3         | Spur Line      | 3     | Stream         |
| 4                | Trail           | 4         | Switching Line | 4     | Swamp          |
| 5                | Unimproved Road | 5         | Interlocking   | 5     | Marsh          |
| 6                | Gravel Road     | 6         | Station        | 6     | Wetland        |
| 7                | Dirt Road       | 7         | Signal         | 7     | Shrubland      |
| 8                | Grass Road      | 8         | Water Tower    | 8     | Open Field     |
| 9                | Unimproved Road | 9         | Passing Car    | 9     | Timberland     |
| 10               | Gravel Road     | 10        | Locomotive     | 10    | Barren Land    |
| 11               | Dirt Road       | 11        | Engine         | 11    | Rocky Land     |
| 12               | Grass Road      | 12        | Train          | 12    | Desert         |
| 13               | Unimproved Road | 13        | Passenger Car  | 13    | Mountain       |
| 14               | Gravel Road     | 14        | Freight Car    | 14    | Valley         |
| 15               | Dirt Road       | 15        | Locomotive     | 15    | Plateau        |
| 16               | Grass Road      | 16        | Passenger Car  | 16    | Basin          |
| 17               | Unimproved Road | 17        | Freight Car    | 17    | Upland         |
| 18               | Gravel Road     | 18        | Locomotive     | 18    | Lowland        |
| 19               | Dirt Road       | 19        | Passenger Car  | 19    | Coastal Plain  |
| 20               | Grass Road      | 20        | Freight Car    | 20    | Mountain Range |





#1  
**Froseth, Glen A.**

---

**To:** HB 1198  
**Subject:** Testimony HB1198

Testimony HB 1198

Senator Cook and members of the Senate Finance and tax committee, for the record, I'm Rep. Glen Froseth, Representing District 6.

HB1198 is being submitted in an effort to address high property taxes in several specific areas of the state where taxes have skyrocketed due to rapidly increasing property valuations.

Property taxes are an issue all across the state, however, there are small areas where it has become such a burden property owners are on the verge of giving up their long held property due to exorbitant tax increase. "No person should have to lose their property due to taxes!"

HB1198 pertains to property within a Recreation Service district. There are only a few such Districts in the state, the largest being at Lake Metigoshe in Bottineau County. Another is at Rice Lake in Ward County, Lake Ipsilon in Rolette county and Strawberry Lake in McLean County. There could be other parcels affected by this proposed bill, but at the present time they are not organized as a Recreation Service district.

A Recreational Service district is defined in NDCC 11-28-2 as property within one-fourth mile of a lakefront and organized by the majority of the property owners within that area. Only a County Commissioner can approve and form Rec. Service District.

HB1198 will place a limit on true and full value assessment of a parcel of property in a Recreation Service District at the 2008 assessed value. Exceptions are when a property has been sold, improved or new construction placed on the property, the valuation may be increased by an amount not exceeding the sales price or the cost of improvements. Also provisions of HB1198 are only effective if a Recreation Service District is 90 percent or more developed.

Presently these properties are assessed the same as residential property at nine percent of assessed value, and this will remain the same.

Although this may seem like giving certain properties special preference, an example is the property at Lake Metigoshe which is in Roland Township of Bottineau county. That property is valued at more than \$134 million, which is more than 20 percent of the total value of the entire Bottineau county, including more than a million acres of agricultural land, and the residential and commercial properties in the 11 towns and cities in the county.

If the present trend of increased valuations continue as they have in the past 6 years, and nothing is changed by 2014, Roland Township will be paying 48 percent of the total property taxes in Bottineau county.

Once again, "No person should lose their property due to taxes!", but that is beginning to happen in North Dakota and especially in the Lake Metigoshe area.

I ask for your favorable recommendation of HB1198, and stand for any questions.

Also, there are several people here from the Bottineau area that would like to testify and present additional information to the committee.

#2  
**SENATE FINANCE AND TAXATION COMMITTEE**

**HB1198**

**LEWIS AND CLARK ROOM**

**REPRESENTATIVE BOB HUNSKOR**

GOOD MORNING CHAIRMAN COOK AND MEMBERS OF THE SENATE FINANCE AND TAXATION COMMITTEE.

FOR THE RECORD, MY NAME IS BOB HUNSKOR, REPRESENTATIVE FROM DISTRICT 6 WHICH INCLUDES BOTTINEAU, RENVILLE, AND PART OF WARD COUNTIES.

HB1198 IS BEFORE YOUR COMMITTEE TO ADDRESS THE RAPID INCREASE IN PROPERTY TAXES AT LAKE METIGOSHE AND OTHER RECREATION SERVICE DISTRICTS THAT MAY HAVE SIMILAR CIRCUMSTANCES.

OVER THE YEARS LAKE PROPERTY HAS BEEN PURCHASED FOR FAMILY ENJOYMENT AND RETIREMENT PLEASURE. MANY OF THESE HOMES ARE SEASONAL AND HAVE BEEN ENJOYED BY FAMILIES FOR SEVERAL GENERATIONS. MANY ARE OCCUPIED BY ELDERLY FOLKS AND OTHERS WHO HAVE A LIMITED INCOME.

IN RECENT YEARS HOMES HAVE BEEN BUILT AND SOLD AT EVER INCREASING PRICES WHICH HAS CAUSED TAXES TO ESCALATE AT A RATE THAT MAY FORCE THOSE WHO CANNOT PAY THEIR TAX BILL TO MOVE TO ANOTHER LOCATION OTHER THAN LAKE METIGOSHE.

THESE FOLKS ARE IN A POSITION THEY HAVE NO CONTROL OVER...IT IS ONLY RIGHT THAT LEGISLATION BE PASSED THAT WILL BE FAIR TO ALL CONCERNED AND THAT WILL ALLOW THEM TO LIVE IN THE HOME OF THEIR CHOICE.

THANK YOU, CHAIRMAN COOK AND COMMITTEE MEMBERS FOR CONSIDERATION OF HB1198.

**Hunskor, Bob L.**

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**From:** Marcy [jmrye@srt.com]  
**Sent:** Monday, March 16, 2009 1:38 PM  
**To:** O'Connell, David P.; Hunskor, Bob L.; Froseth, Glen A.  
**Subject:** HB1198

I am hoping something can be done for tax relief on the Lake Metigoshe properties.

I have been a cabin owner at Lake Metigoshe since 1967. Our family was very young at the time and have spent all their summers growing up there. Now, my grandchildren are becoming young adults and like their mother look to spending quality, family time at our summer home.

I am now retired, living on a fixed income and trying very hard to keep the cabin so my grandchildren and great grandchildren at some future date, can have the same opportunity to enjoy the good family times that are enjoyed at our Lake Metigoshe cabin.

But, if some sort of tax relief doesn't come soon, we will be forced to sell.

Thank you and I hope you will do everything possible to help in this situation.

Marcella Knutt Frye  
315 17 Ave SE  
Minot, ND 58701

Chairman Cook,

To all members of the Senate Taxation and Finance Committee

My name is Leonard McGuire. I am from Lake Metigoshe and a former supervisor for the Roland Township board. I am here to testify in support of HB1198.

I am glad to be back in front of this committee because it means that we still have hope of getting a bill passed to help us with our property tax issues. I have listened to the taped transcript SB-2284 of the hearing regarding this property tax issue, and I hope to effectively answer all of the concerns that you had at that time.

We in Roland Township wanted to ensure that we were assessing for equalization, not taxation. Therefore, in 2003 the Township hired the Vanguard Appraisals, Inc. from Cedar Rapids, Iowa to re-appraise all of Roland Township properties, except for ag land. This cost the Township \$100,000, with part of this cost being paid by the County.

Vanguard provided us with an equitable value for all the properties, establishing a per-foot value for lakeshore and a square-foot value for homes and cabins. At that time we felt our properties were equalized. As sales continued, however, the sales ratio formula has driven these properties markedly higher than is fair.

One comment at the committee hearing claimed that the lower-valued properties are assessed too high and the higher-valued properties are assessed to low. This is not fact. If you look at Chart 4, you will see that 70% of our lake sales are assessed at under \$100,000. If these lower-valued properties were over assessed, our sales ratio would be increasing, instead of decreasing.

They are selling for more than they are assessed and are driving the values of all properties upward because of the sale ratio.

Directing you to Chart 1A, you can see over the last 5 years, because the assessed value was under the sales price by \$9,762,462, the Recreation Service District's True and Full Value has increased over \$87 million dollars, and in 2009 because the assessed value was under the sales price by \$1,909,400 our True and Full Value is projected to increase another \$61 million dollars. Astoundingly, the \$61M increase for 2009 alone, required to meet the 100% True and Full mandate, is almost the same as spreading the entire valuation of the city of Bottineau across 850 cabin owners. If nothing changes, in six (6) years the Recreation Service District's true and Full Value is projected to increase \$148, 727, 216 because the assessed value was under the sales price by \$11,671,862

Another comment at the committee hearing stated that our services may be the reason for the higher taxes. In actuality, we receive the same services as every other township in the county. We get police protection from the county sheriff, fire protection from Bottineau Rural Fire Department and ambulance service from Bottineau Ambulance Service with some first responders at the lake. We also have a municipal sewer system and garbage pickup for which we are assessed annually at the cost of \$450. Additionally, we have paved roads for which we were special assessed. The Township pays the county for road maintenance and snow removal. Clearly, we get nothing more than anyone else for our taxes. If you look at our pie charts and Chart 9, you can see what has been happening with our share of the county budget and the tax shift from other townships to the Recreation Service District.

There was also concern about having this bill add another classification to the Century Code to cover recreation service districts. Please let me explain a Recreation Service District and why we used this designation.

First of all, the Recreation Service District was created and added to the North Dakota Century Code, Section 11-28.2-01 around 1980. A district was given the power to special assess the patrons within the district for such things as sewer project, garbage pickup and roads, all of which our Recreation Service District does.

How to establish a district was also defined. It requires at least 40 properties. Ten (10) % of the property owners must petition their County Commission to create the district, and it takes a majority vote of the district property owners to approve the district. The district is defined as being a recreation lake and includes land up to 1250 feet (1/4mile) from the shoreline.

We have talked about lakeshore property and unincorporated lakeshore property. We did not intend to get any city riverfront property or any incorporated city property included. We knew that the Recreation Service District was defined in the Century Code and any rural lakes with the same property tax problems could be included provided they become a recreation service district. There may be 4 or 5 in the state that I know of today, looking at Chart 3 from the ND Assessment Sales Ratio Study report, you can see that we have almost 1/2 of the sales and over 60% of the sales dollars.

In summary, we have written support of our County Commissioners and we believe that this would not adversely affect other parts of the county or state that do not have this type of problem. Referring to Charts 2A and 3A, when this bill is passed, we will still have 20% or more of the County's Taxable Value, and with assessment increases from parcels sold, and increases from improvements/new construction, we will continue to make large contributions to the County budget (2009 – Est. @ \$256,000 Taxable Value.)

Your committee made a comment about problems in Minnesota and Montana. There is nothing we can do about those problems, but learn from them. However, we do have a chance to fix our problems before they get more out of control.

We have done everything possible locally to address this problem, we were told to bring a bill forward to ask for a change in the law, and we can not do this without legislation. If changes are not made with the existing sales ratio formula, our taxable value within the county may reach 50% by 2014 (Chart 4A)

Because this Recreation Service District area is over 90% developed, demand exceeds supply, and this has created a unique situation that demands a unique solution. Therefore I respectfully ask that you support HB 1198. This bill provides the unique solution to this unique problem, and will allow families to retain their property.

Thank you.

# Taxable Values generating County Tax Revenue

Increase in  
True & Full  
Value

| Classification: Agriculture |         |              |                |             |
|-----------------------------|---------|--------------|----------------|-------------|
| Year                        | # Sales | Sales Price  | Assessed Value | Difference  |
| 2008 (07)                   | 19      | \$2,562,387  | \$1,148,600    | \$1,413,787 |
| 2007 (06)                   | 13      | \$1,493,600  | \$720,600      | \$773,000   |
| 2006 (05)                   | 16      | \$1,993,200  | \$984,900      | \$1,008,300 |
| 2005 (04)                   | 14      | \$1,889,625  | \$1,009,500    | \$880,125   |
| 2004 (03)                   | 21      | \$2,156,445  | \$1,353,100    | \$803,345   |
|                             | 83      | \$10,095,257 | \$5,216,700    | \$4,878,557 |

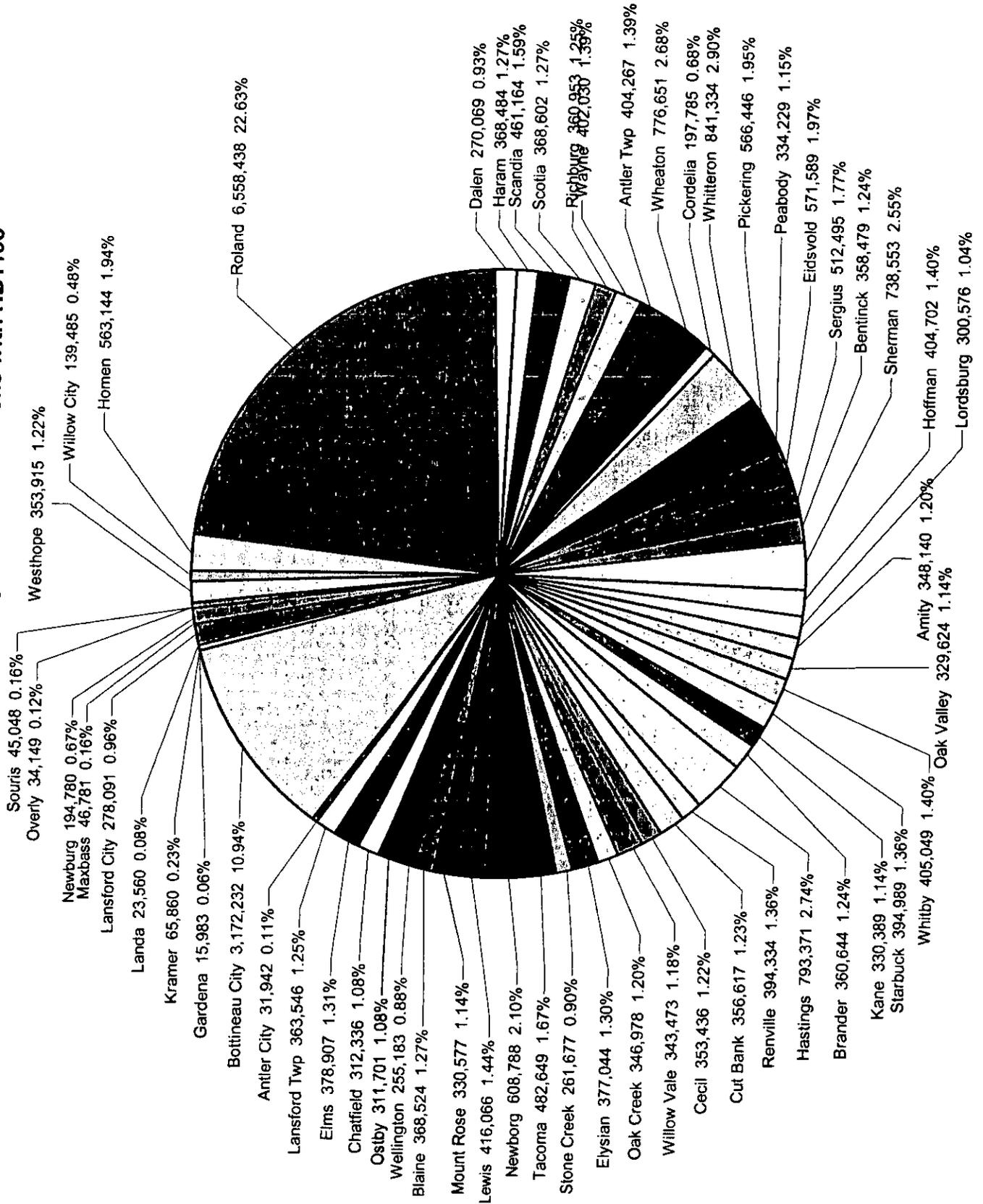
| Classification: Bottineau County Residential w/o Lakeshore |         |              |                |             |
|--|---------|--------------|----------------|-------------|
| Year   | # Sales | Sales Price  | Assessed Value | Difference  |
| 2008 (07)  | 69      | \$3,473,300  | \$2,935,600    | \$537,700   |
| 2007 (06)  | 71      | \$3,745,068  | \$3,185,800    | \$559,268   |
| 2006 (05)  | 68      | \$2,584,999  | \$2,172,112    | \$412,887   |
| 2005 (04)  | 58      | \$2,221,887  | \$1,741,300    | \$480,587   |
| 2004 (03)  | 69      | \$2,213,464  | \$1,861,548    | \$351,916   |
|  | 326     | \$14,238,718 | \$11,896,360   | \$2,342,358 |

| Classification: Lakeshore (also includes Long Lake, Loon Lake & Boundary) |         |              |                |              |
|---|---------|--------------|----------------|--------------|
| Year  | # Sales | Sales Price  | Assessed Value | Difference   |
| 2008 (07)   | 41      | \$6,279,550  | \$3,324,500    | \$2,955,050  |
| 2007 (06)   | 30      | \$4,248,350  | \$2,236,800    | \$2,011,550  |
| 2006 (05)   | 34      | \$4,635,300  | \$2,669,040    | \$1,966,260  |
| 2005 (04)   | 28      | \$2,873,000  | \$1,648,600    | \$1,224,400  |
| 2004 (03)   | 32      | \$2,574,100  | \$968,898      | \$1,605,202  |
|   | 165     | \$20,610,300 | \$10,847,838   | \$9,762,462  |
| 2009 (08)   | 35      | \$6,574,500  | \$4,665,100    | \$1,909,400  |
|   |         | \$27,184,800 | \$15,512,938   | \$11,671,862 |

Minimal

\$36,364,194  
\$6,094,911  
\$7,209,000  
\$11,496,889  
\$26,562,222  
\$87,727,216  
\$61,000,000  
\$148,727,216

# 2009 Bottineau County Taxable Valuations with HB1198

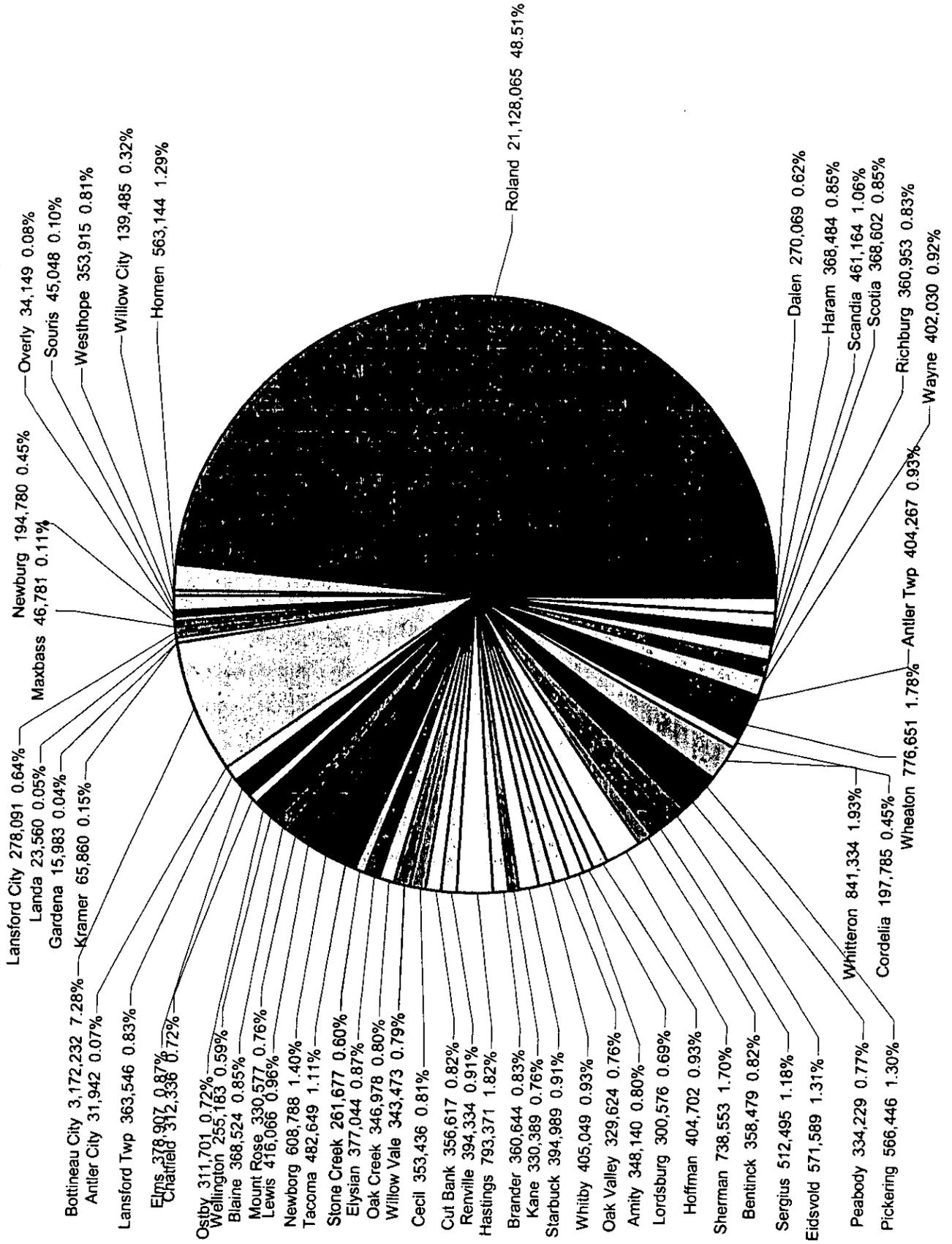


**Recreation Service District Increase Projection**  
 2009 with HB1198

|                          | <b>Projected<br/>T&amp;F Value<br/>Increase</b> | <b>Assessed<br/>Value</b> | <b>Taxable<br/>Value</b> |
|--------------------------|---|---------------------------|--------------------------|
| <b>2008 Sales</b>        | \$4,005,100                                     | \$2,002,550               | \$180,230                |
| <b>2008 Improvements</b> | \$1,700,000                                     | \$850,000                 | \$76,500                 |
|                          | <b>\$5,705,100</b>                              | <b>\$2,852,550</b>        | <b>\$256,730</b>         |

\* Data used on Chart 2A

# Projection for 2014 Bottineau County Taxable Valuations



#4

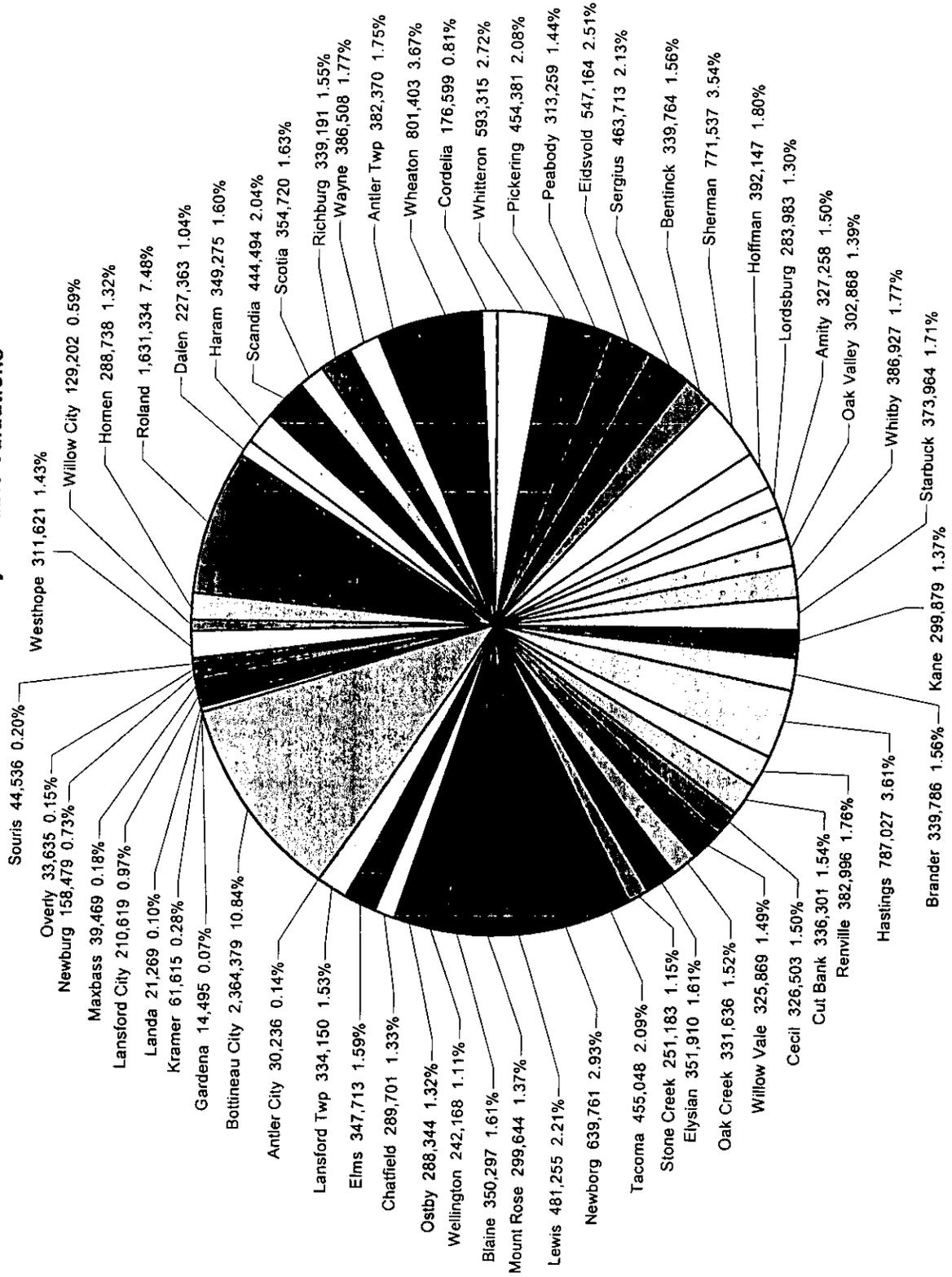
**BOTTINEAU COUNTY**

**ROLAND TOWNSHIP**

**Recreation Service District**

**Statistical Information Regarding a Unique Tax Situation**

## 2002 Bottineau County Taxable Valuations



## Roland Township Recreation Service District Sales Ratio and True and Full Value Increase History

| Year | Good Sales | Sales Ratio Reported to State Tax Dept. | True & Full Value Increases       | Changes/Action  |
|------|------------|---|-----------------------------------|---|
| 2002 | 23         | 28.8                                    |                                   | No Action   |
| 2003 | 28         | 26.5                                    | 25%                               | Bottineau County Board Applied 25% Increase   |
| 2004 | 27         | 39.0                                    | 40% - 125%                        | Twsp: Conducted Vanguard Re-Assessment. Applied 30% discount to Land and Structures minimize taxpayer's initial impact.<br><b>Sales Ratio after Inc = 70%</b> |
| 2005 | 30         | 60.0                                    | 16.5% - 21.5%                     | Twsp: Land: Removed 20% discount.<br><b>Sales Ratio after Inc = 70%</b>   |
| 2006 | 28         | 55.8                                    | 8.5% - 11.0%                      | Twsp: Land: Removed 10% discount.<br><b>Sales Ratio after Inc = 70%.</b>  |
| 2007 | 38         | 57.4                                    | 8.5% - 11.0%                      | Twsp: 10% Land Value Increase<br><b>Sales Ratio after Inc. = 69%</b>  |
| 2008 | 41         | 56.5                                    | 29.6%-Land CP*<br>50.24%-Strts.CP | Twsp: Land 8%, 20% State<br>Twsp: Structures 0%, 42.85% County, 5% State<br><b>Sales Ratio after Inc. = 82%</b>   |
| 2009 | 35         | 66.7%                                   |                                   | <b>Finalized</b>  |

\* CP =Compounded

## 2008 North Dakota Lakeshore Sales Ratio Summary

Found in ND Assessment Sales Ratio Study

| County          | Sales     | Sales Value         | Median*      |
|-----------------|-----------|---------------------|--------------|
| Barnes          | 15        | \$1,510,760         | 68.8%        |
| Bottineau       | 41        | \$6,279,550         | 56.5%        |
| Burleigh        | 2         | \$752,500           | 64.7%        |
| Dickey          | 1         | \$22,500            | 62.1%        |
| Emmons          | 1         | \$30,000            | 55.8%        |
| Kidder (Isabel) | 2         | \$120,000           | 121.9%       |
| Logan           | 1         | \$35,000            | 80.9%        |
| McIntosh        | 4         | \$77,380            | 70.0%        |
| McLean          | 2         | \$145,000           | 112.4%       |
| Mercer          | 4         | \$272,091           | 59.8%        |
| Mountrail       | 1         | \$35,000            | 46.6%        |
| Richland        | 1         | \$210,000           | 70.4%        |
| Steele (Golden) | 4         | \$345,000           | 19.7%        |
| Ward            | 7         | \$566,300           | 58.0%        |
| Williams        | 7         | \$379,000           | 80.0%        |
|                 | <b>93</b> | <b>\$10,780,081</b> | <b>62.1%</b> |

\* Median represents the True and Full Value divided by the Sales Price in the form of a percentage.

Sales Ratio Study Details can be located at the ND Tax Department website:

<http://www.nd.gov/tax/property/pubs/salesratio/salesratio-2008.pdf>

2008 Statewide Ag Sales Ratio : 45.8%      2008 Statewide Lakeshore Ratio: 62.1%

**Bottineau County Ag Sales Ratios for Ag Land:**

2008; 49.3%, 2007; 50.5%, 2006; 51/3%, 2005; 55.5%, 2004; 64.5%

**Average Ag Land Sales Ratio: 54.22%**

# ROLAND TOWNSHIP RECREATIONAL SERVICE DISTRICT RESIDENTIAL VALUES

## 2006 - 2007

| Residential<br>True & Full Market Ranges | # of Properties<br>(reflecting<br>total valuation) | # of Properties<br>(reflecting Structure<br>Value Only) | # of Good Sales<br>- 2006-2007 -<br>(Total Valuation) |
|--|--|---|---|
|  |  |   |   |
| \$399,999 to \$300,000                   | 5  | 0   | 0   |
| \$299,999 to \$200,000                   | 30   | 11  | 1   |
| \$199,999 to \$150,000                   | 62   | 15  | 4   |
| \$149,999 to \$100,000                   | 178  | 56  | 16  |
| \$99,999 to \$50,000                     | 527  | 173   | 34*   |
| \$49,999 to \$100                        | 184  | 731***  | 13*   |
| <b>TOTAL</b>                             | <b>986</b>   | <b>986</b>  | <b>68**</b>   |

\* 70% of Sales are within or below the \$100,000 range

\*\* Avg. Sales Value of a Structure: \$42,551

\*\*\* 452 Properties are valued under \$25,000.

## 2008

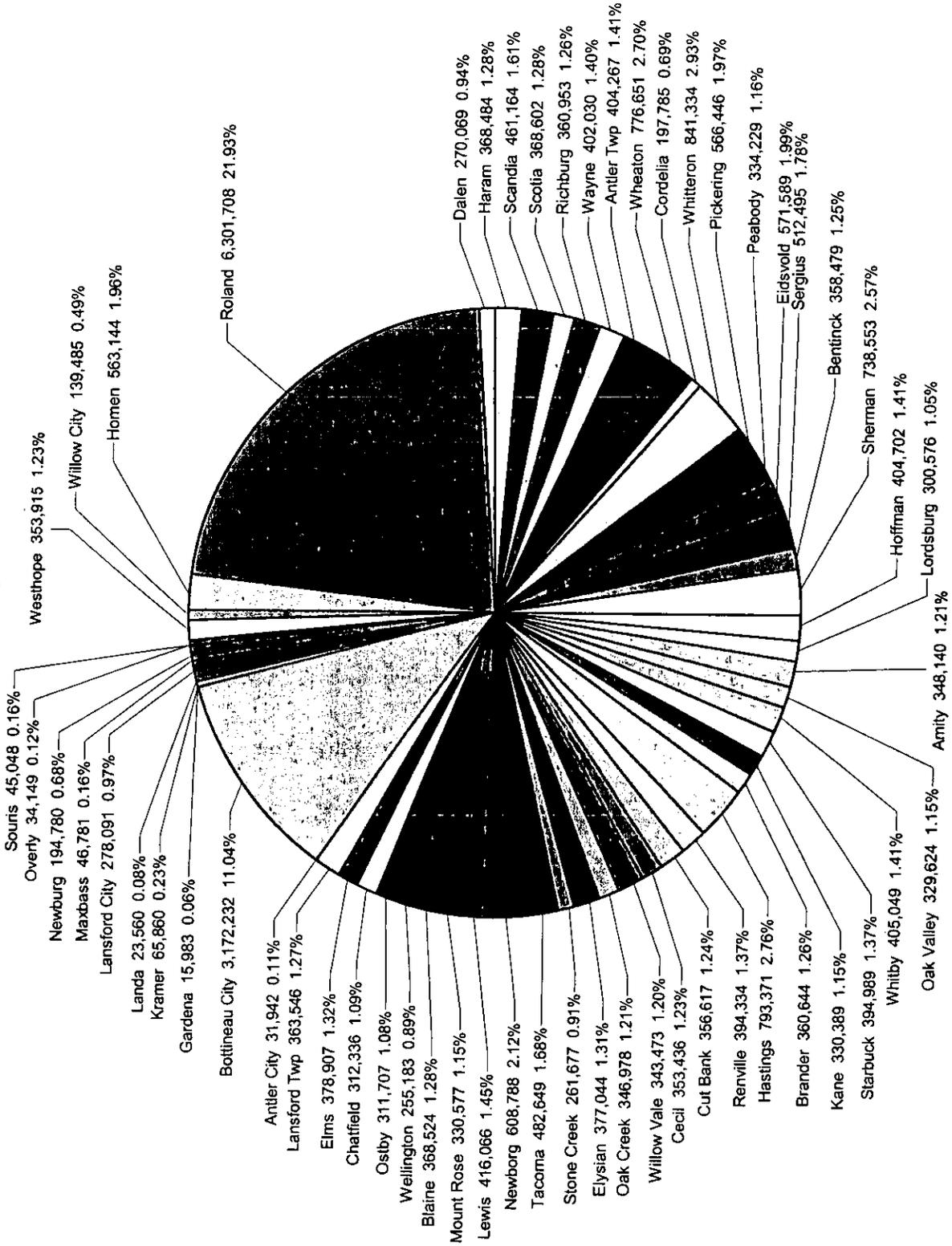
| Residential<br>True & Full Market Ranges | # of Properties<br>(reflecting<br>total valuation) | # of Properties<br>(reflecting Structure<br>Value Only) | # of Good Sales<br>2008<br>(Total Valuation) |
|--|--|---|--|
|  |  |   |  |
| \$700,000 to \$600,000                   | 2  | 0   |  |
| \$599,999 to \$500,000                   | 2  | 0   |  |
| \$499,999 to \$400,000                   | 4  | 2   | 1  |
| \$399,999 to \$300,000                   | 26   | 8   | 0  |
| \$299,999 to \$200,000                   | 82   | 26  | 4  |
| \$199,999 to \$150,000                   | 119  | 38  | 2  |
| \$149,999 to \$100,000                   | 285  | 96  | 13*  |
| \$99,999 to \$50,000                     | 350  | 233   | 12*  |
| \$49,999 to \$100                        | 123  | 590 ***   | 3*   |
| <b>TOTAL</b>                             | <b>993</b>   | <b>993</b>  | <b>35**</b>                                  |

\* 80% of Sales are within or below the \$150,000 range

\*\* Avg Sales Value of a Structure: \$63425

\*\*\* 261 Properties are valued under \$25,000.

# 2008 Bottineau County Taxable Valuations



## Recreation Service District -Taxable Value Distributions

| Year       | T&F           | Taxable Value | Mill Levies                                    | Tax Dollars                              |
|------------|---------------|---------------|--|--|
| 2002       | \$29,797,177  | \$1,340,873   | SCHOOL=193.89<br>COUNTY=92.66<br>TOTAL=324.89  | \$259,981<br>\$124,245<br>\$435,636      |
| 2003       | \$40,947,644  | \$1,842,644   | SCHOOL=171.44<br>COUNTY=99.99<br>TOTAL=302.27  | \$315,902<br>\$184,245<br>\$556,976      |
| 2004       | \$67,509,866  | \$3,037,944   | SCHOOL=167.25<br>COUNTY=96.87<br>TOTAL=291.10  | \$508,096<br>\$294,285<br>\$884,345      |
| 2005       | \$79,006,755  | \$3,555,304   | SCHOOL=166.93<br>COUNTY=95.87<br>TOTAL=286.99  | \$591,709<br>\$340,846<br>\$1,020,336    |
| 2006       | \$86,215,755  | \$3,879,709   | SCHOOL=169.49<br>COUNTY=100.78<br>TOTAL=296.63 | \$657,571<br>\$390,997<br>\$1,150,838    |
| 2007       | \$92,310,666  | \$4,153,980   | SCHOOL=171.41<br>COUNTY=104.80<br>TOTAL=301.96 | \$712,033<br>\$435,337<br>\$1,254,335    |
| 2008       | \$128,674,860 | \$5,790,369   | SCHOOL=166.98<br>COUNTY=104.43<br>TOTAL=292.42 | \$966,875<br>\$604,668<br>\$1,693,219    |
| 2009 (1.5) | \$189,857,500 | ~ \$8,543,600 | SCHOOL=170.00<br>COUNTY=100.00<br>TOTAL=300.00 | \$1,452,000<br>\$ 854,400<br>\$2,306,400 |

Chart 7

**RECREATIONAL SERVICE DISTRICT  
SALES RATIO IMPACT ON RESIDENTIAL TAX VALUATIONS  
SAMPLING**

|        | #10       | #100      | #200      | #300      | #500      | #700      | #900     |
|--------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| 2003   | \$188,756 | \$96,976  | \$49,986  | \$27,528  | \$26,284  | \$19,484  | \$600    |
| 2004*  | \$241,900 | \$119,000 | \$92,200  | \$68,100  | \$58,900  | \$43,700  | \$24,800 |
| 2005   | \$253,600 | \$129,800 | \$103,700 | \$83,300  | \$67,800  | \$51,000  | \$26,600 |
| 2006   | \$259,400 | \$144,900 | \$109,500 | \$91,000  | \$72,200  | \$54,700  | \$27,500 |
| 2007   | \$265,300 | \$150,300 | \$115,300 | \$98,600  | \$76,700  | \$58,500  | \$27,500 |
| 2008   | \$387,100 | \$215,500 | \$162,400 | \$133,900 | \$103,800 | \$80,900  | \$39,000 |
| 2009** | \$580,650 | \$323,250 | \$243,600 | \$200,850 | \$155,700 | \$121,350 | \$58,500 |

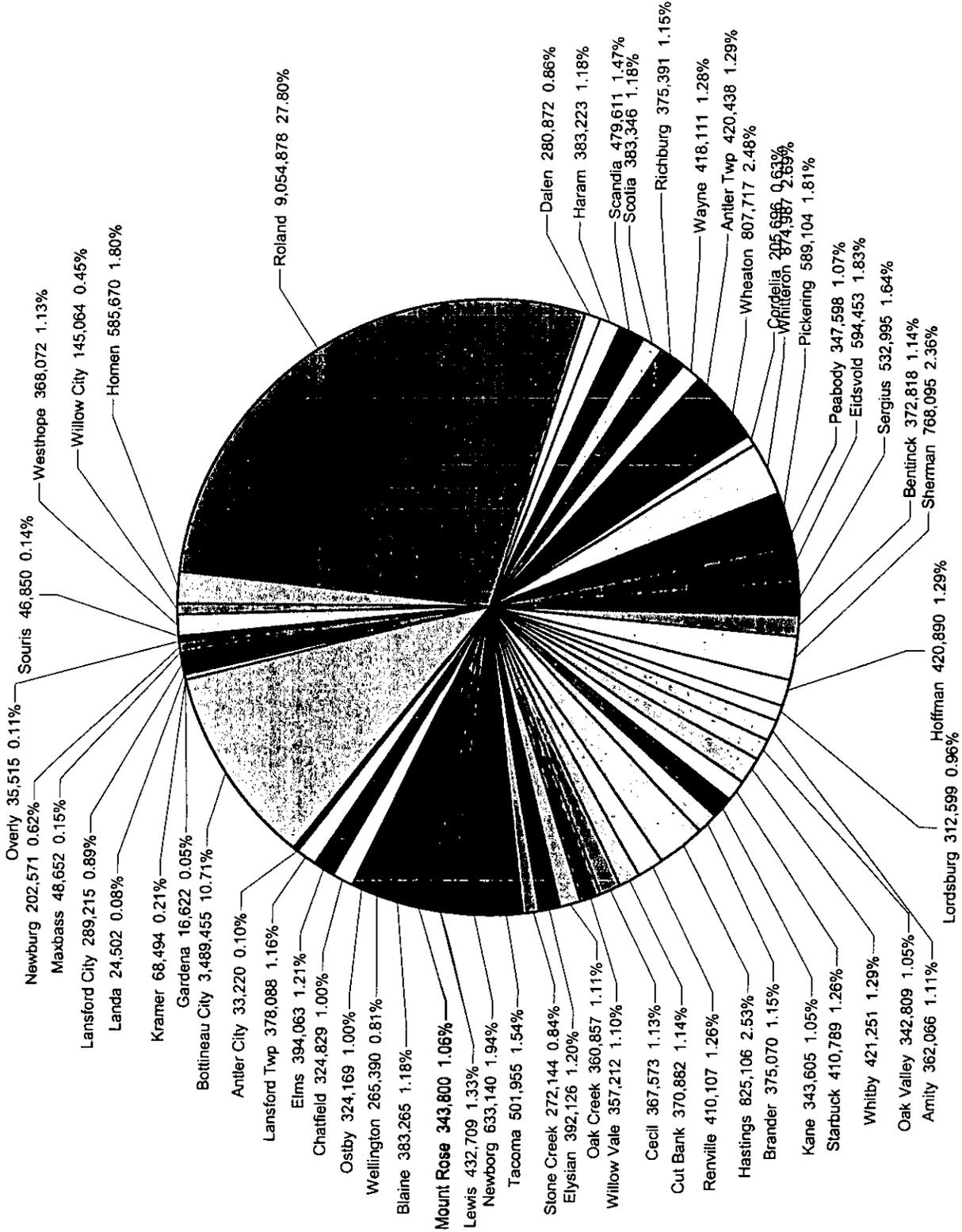
\* Increase with re-assessment by professional appraisal firm (Vanguard Appraisals, Inc.)

\*\* Values based on State mandate to achieve 100% Market Value (T&F) - equals 150 % of 2008 values.

2008 Tax dollar impact: \$100,000 increase in T&F Value = Tax Dollars \$1,316.00

(\$100,000 x 50% = Assessed Value x 9% = Taxable Value (\$4,500) x Mill Levies 292.42 = \$1316 Tax Dollars)

# ESTIMATED 2009 Bottineau County Taxable Valuations



## Bottineau County Taxable Valuations

### Tax Entities - Year over Year Taxable Value Increase Comparisons

| Entity/Years   | 2002                     | 2004                     | 2006                     | 2007                     | 2008                     | 2009<br>ESTIMATE<br>Except where noted,<br>4% Inc est. for 2009.        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---|
| <b>Roland Twsp:<br/>Rec. Service District</b>  | \$1,631,334<br>(7.48%)   | \$3,467,940<br>(14.50%)  | \$4,339,387<br>(16.71%)  | \$4,617,656<br>(17.53%)  | \$6,301,708<br>(21.93%)  | \$9,054,878<br>(28.50%)<br>Rec Srv Dist @50%<br>Increase                |
| Roland Twsp: Ag Acres:<br>20,967. Includes: (2008-8.11%<br>Rural Twsp \$511,339)   |                          |                          |                          |                          |                          |   |
| <b>12 Cities in County</b>   | \$3,419,555<br>(15.75%)  | \$3,523,418<br>(14.73%)  | \$3,779,395<br>(14.55%)  | \$3,907,741<br>(14.83%)  | \$4,401,826<br>(15.32%)  | \$4,768,233<br>(14.50%)<br>B.City Cml & Lansford<br>Re-valuation at 10% |
| <b>43 Additional Rural<br/>Townships<br/>County Ag Acres: 1,018,914<br/>(Primarily Ag Land, with few<br/>taxable residential properties.<br/>Excludes any cities.)</b> | \$16,762,112<br>(76.84%) | \$16,745,241<br>(70.77%) | \$17,855,718<br>(68.74%) | \$17,821,777<br>(67.64%) | \$18,025,594<br>(62.75%) | \$18,746,618<br>(57.00%)  |
|  | \$21,813,001             | \$23,916,599             | \$25,974,500             | \$26,347,174             | \$28,729,128             | \$32,888,314  |
| <b>% Inc for Comparison<br/>Years.</b>   |                          | 9.64%                    | 8.60%                    | 1.44%                    | 9.05%                    | 13.37%  |



**Chart 10**

**Map of Bottineau County & Recreation Service District**

#5  
**Testimony To  
THE SENATE FINANCE & TAXATION COMMITTEE  
Prepared March 17, 2009 by  
Terry Traynor, Assistant Director  
North Dakota Association of Counties**

**REGARDING ENGROSSED HOUSE BILL No. 1198**

Chairman Cook and members of the Senate Finance & Taxation Committee; the North Dakota Association of Counties requests consideration of an amendment to House Bill 1198.

The policy change proposed in this bill is somewhat troubling to our Association. As the Bottineau County Commission has gone on record in support of this bill and efforts have been made to limit its effect to that county, commissioners from the other counties have chosen not to oppose the bill.

There are concerns however that even with the House amendments the proposed statute change could, in the future, reduce (rather than freeze) valuations in one or more of the other five existing districts or any newly created service districts.

Our Association therefore requests the Committee's consideration of the amendment below to very clearly limit the effect of this section to the service district it was designed to address.

**PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1198**

Page 2, line 17, after "developed" insert "prior to December 31, 2008"

Re-number accordingly

#6

Property Owner:  
Gerald & Connie Long  
# 7 Eastshore Park Rd  
Bottineau ND 58318

| Tax Year | Lot Value | Structure Value | Total Value | Taxable Value | Mill Levy | Tax        |
|----------|-----------|-----------------|-------------|---------------|-----------|------------|
| 2008     | 94300     | 214100          | 308400      | 13878         | 292.42    | \$4,058.20 |
| 2007     | 70700     | 142700          | 213400      | 9603          | 301.96    | \$2,899.72 |
| 2006     | 64300     | 142700          | 207000      | 9315          | 296.63    | \$2,763.11 |
| 2005     | 57900     | 142700          | 200600      | 9027          | 286.99    | \$2,590.66 |
| 2004     | 45000     | 142700          | 187700      | 8447          | 291.10    | \$2,458.92 |
| 2003     | 19600     | 150780          | 170380      | 7667          | 302.27    | \$2,317.50 |

Property Owner:  
Dwane & Candace Getzlaff  
# 31 Lake Metigoshe Park  
Bottineau ND 58318

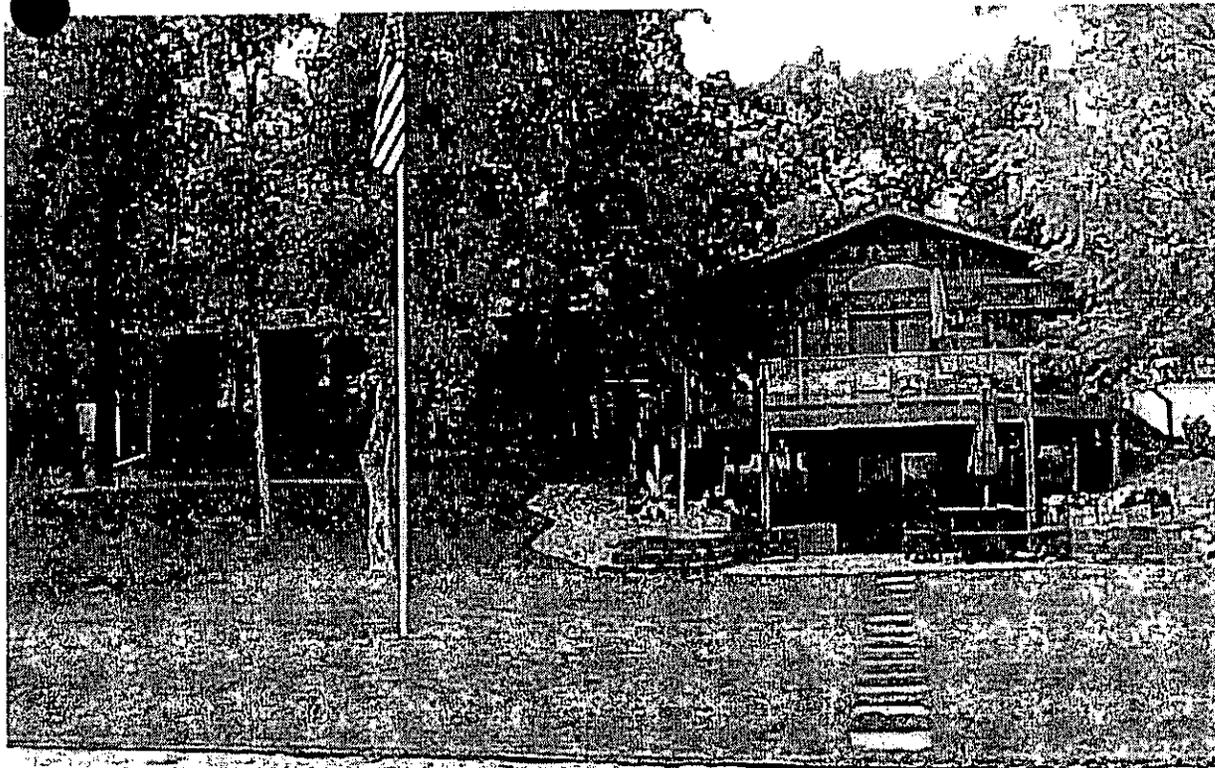
| Tax Year | Lot Value | Structure Value | Total Value | Taxable Value | Mill Levy | Tax        |
|----------|-----------|-----------------|-------------|---------------|-----------|------------|
| 2008     | 103700    | 147100          | 250800      | 11286         | 292.42    | \$3,300.25 |
| 2007     | 77800     | 98200           | 176000      | 7920          | 301.96    | \$2,391.52 |
| 2006     | 70700     | 98200           | 168900      | 7601          | 296.63    | \$2,254.68 |
| 2005     | 63600     | 98200           | 161800      | 7281          | 286.99    | \$2,089.57 |
| 2004     | 49500     | 97800           | 147300      | 6629          | 291.10    | \$1,929.70 |
| 2003     | 26200     | 73676           | 99876       | 4494          | 302.27    | \$1,358.40 |

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Parcel: 02-4003-00946-000, Photo 1 of 1

Taken: 08/30/2003, Last edit: 09/18/2003

Notes:



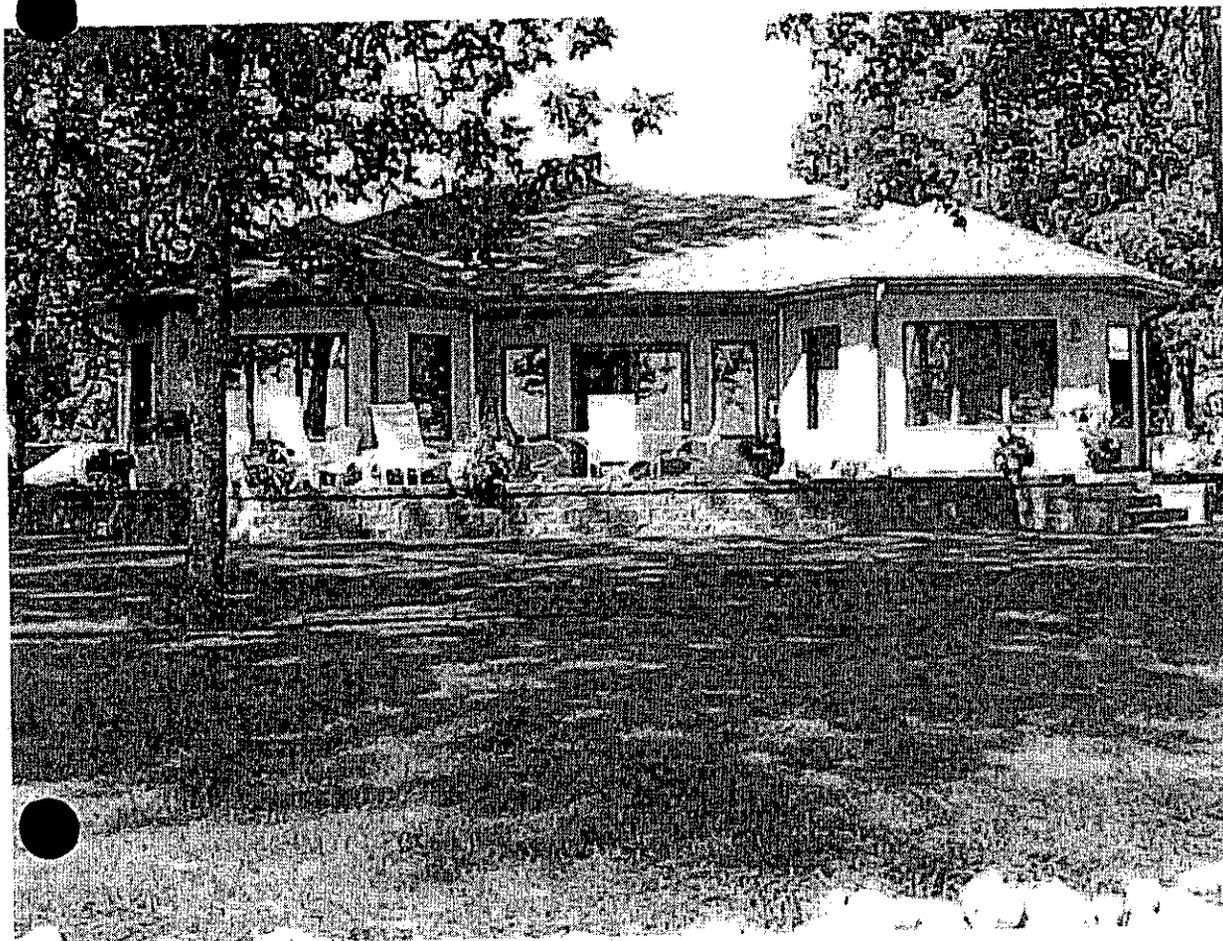
Dwane Getzlaff

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Parcel: 02-4012-02134-000, Photo 1 of 1

Taken: 07/24/2003, Last edit: 07/31/2003

Notes:



Gerald Long