

2008

Assessing Department Report

MISSION STATEMENT

To develop an annual assessment and tax roll pursuant to the mandates of the State Property Tax Law and the City Charter. The Department coordinates activities of the Board of Review, develops special assessment rolls and prepares the biannual tax rolls and tax bills.

GOALS FOR THE YEAR 2008

GOALS:

1. Continue to improve our procedures to ensure a fair and equitable assessment administration system, according to the City Charter and the Michigan General Property Tax Laws.
2. Prepare the staff for professional advancement opportunities.
3. In the on-going effort to keep our property records up-to-date, I will continue with the third cycle of a complete physical review of 20% of the Residential Class properties.
4. Continue with the sketching of the land survey modules for each residential & commercial parcel in the Equalizer Assessing program.
5. Begin other computer data input projects that will further enhance our assessing database.
6. Perform an annual physical audit of selected personal property accounts.
7. Work to correct erroneous property descriptions causing gaps and/or overlaps in certain areas of the city.

ASSESSMENT ROLL DEVELOPMENT

The assessment year is cyclical in nature, involving the development of an annual assessment roll. The Michigan General Property Tax Laws, Michigan State Tax Commission guidelines and procedures and the City of Ludington Charter govern the process. The assessor's annual assessment cycle begins in April and ends when the assessment roll is turned over to the County to begin the equalization process the following April.

The department completed the annual assessment cycle for the 2008 Assessment Roll in a timely manner by April 1st. We also coordinated the activities of the March Board of Review, completed and delivered the 2008 County Equalization Reports, continued maintenance of the 2008 Assessment roll and began the development of the 2009 Assessment Roll.

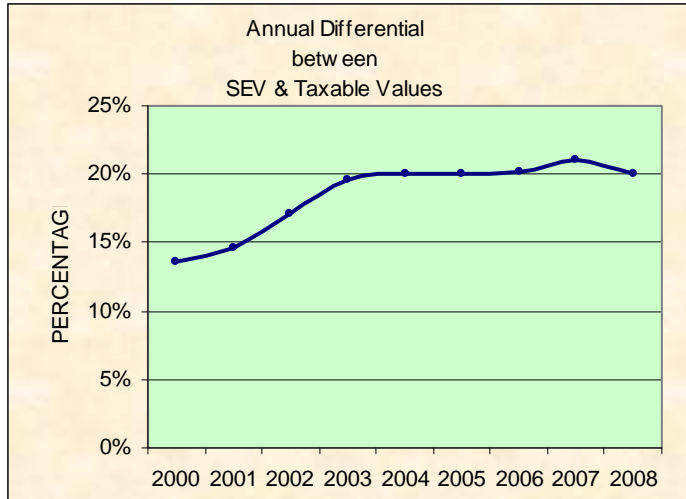
With a slacking in demand for real estate in the local market, the growth of the City's assessment roll is flat or in a slight decline. For 2008 the ad valorem assessed valuation increased by 3%, from \$319,837,700 in 2007 to \$330,939,800 in 2008, which is the smallest increase in the past 10 years. Given the current soft-to-declining market conditions, the future trending is uncertain at this time.

Proposal A Impact

One result of the school finance reform package, commonly referred to as "Proposal A of 1994", has been a steadily increasing portion of the assessment roll that is non-taxable. Proposal A limits the annual growth in taxable value of individual properties to an inflation factor (the CPI) or 5%, adjusted for property additions and losses, whichever is less, until there is a transfer of ownership.

The cumulative total of the City's non-taxable property valuations since the 1994 Roll is 20.08 % including the 2008 assessment roll.

This is a real property tax savings of 20 % for homestead residents experiencing home price inflation that is greater than the general inflation rate and who have not changed residences. A chart below graphically demonstrates the difference over the past 14 years:



SEV to TAXABLE VALUE COMPARISON CHART

The total ad valorem taxable value for 2008 is \$ 264,464,818. This is an increase of 5% from the prior year's taxable value of \$251,337,639. The individual property inflation factor between 2007 and 2008 was 2.30%, a reduction from the previous year's 3.7 %. The growth between the inflation rate (2.30%) and the actual taxable value growth (5 %) is due to new construction of condos (principally) and the uncapping of properties that had qualified property transfers during the 2007 calendar year.

The City's entire taxable value of \$ 270,439,617 (Ad Valorem and Specific Tax combined) is levied in the Ludington Area School district. Indicative of our community's residential character, 62% of the taxable value is generated from residentially classed property.

Personal Residence Exemptions & Property Transfer Affidavit Programs

The Personal Residence Exemptions, which were previously known as “homestead exemptions”, and the property transfer affidavit programs are two activities that require a significant amount of staff resources. Each program requires the review, analysis, related correspondence and processing of over 1,000 documents this past year. The aggregate of these two programs requires our continued effort to streamline our work processes through the use of various computer software systems.

2008 Assessment Roll Development

There are numerous activities that support the goal of developing an annual assessment roll under a fair and uniform assessment administration system. The major programs that take a significant amount of staff resources and which are vital activities are: the Personal Residence Exemptions (P.R.E.) Affidavit Program, the Property Transfer Affidavit Program, the Land Division Program, the Re-appraisal Program, the Permit Data Collection Program, the Personal Property Audit Program and the general maintenance of land file records.

The lighter burden of appeals to the March Board of Review each year has made it possible to direct our staff resources to those afore-mentioned programs, all of which carry beyond the March Board of Review deadline.

Re-appraisal Project

The preparation of the 2008 Assessment Roll begins with the re-appraisal of 20% of the residentially classed properties (approx. 900 parcels). In 2008 I continued with a third segment of the city to review. This is being done each year with the intent of keeping our field records up-to-date and accurate.

This physical inspection by the assessor is for the purpose of verifying measurements, taking pictures and interviewing property owners or tenants and takes up to three months, including updating the Equalizer Assessing data system.

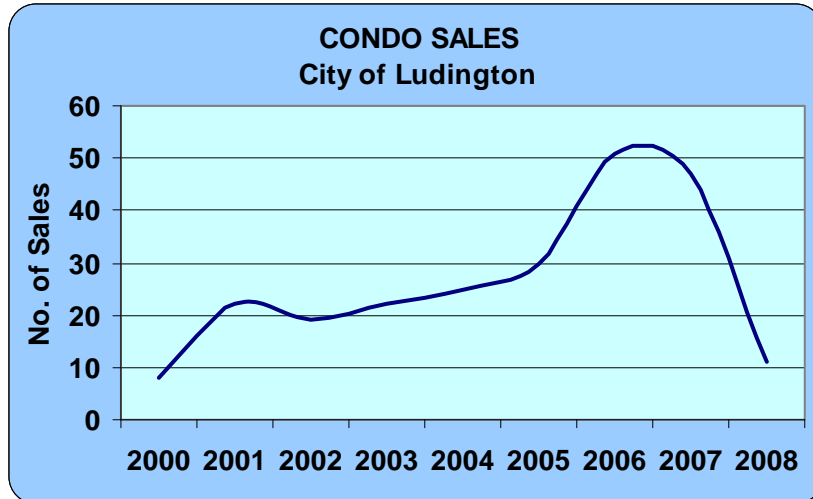
Industrial Class

The Industrial Class appraisal study, performed by the Mason County Equalization Department, indicated that no change is necessary for this class of property for 2009. This study is performed each year, in conjunction with sales occurring in the industrial sector of the surrounding community.

Residential Class

The Residential Class sales study performed by the Mason County Equalization Department indicates a slight decrease for the 2009 Assessed Value as compared to the 2008 Assessed Value.

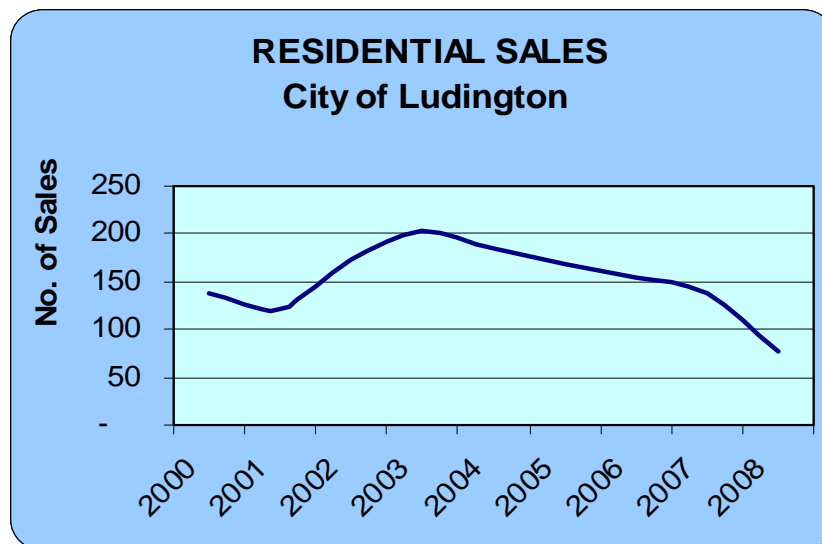
The real estate growth bubble of recent years has burst, just like in the rest of the nation. Condo construction has slowed during 2008: One Ludington Place constructed their final building; North Shore Villas did not begin construction and the other condo projects (Bryant Woods, Harbor Terrace & Pere Pointe) finished a few units each, as they were sold. The good news is that none of the projects are boarded up. They're just going to take longer to sell.



As can be seen from the graph above, the number of condo sales has taken a nose dive from previous years. This graph includes the re-sales of existing condos, as well as newly built units. In a normal year, I would've expected more than 60 sales during the year. Instead, there were 12 in 2008, down from a high of 47 in 2007.

Go buy a house!

Furthermore, the number of home sales (not including condos) has declined. That's not a surprise given the general downturn in the residential market. The slowdown is affecting the City of Ludington as well.

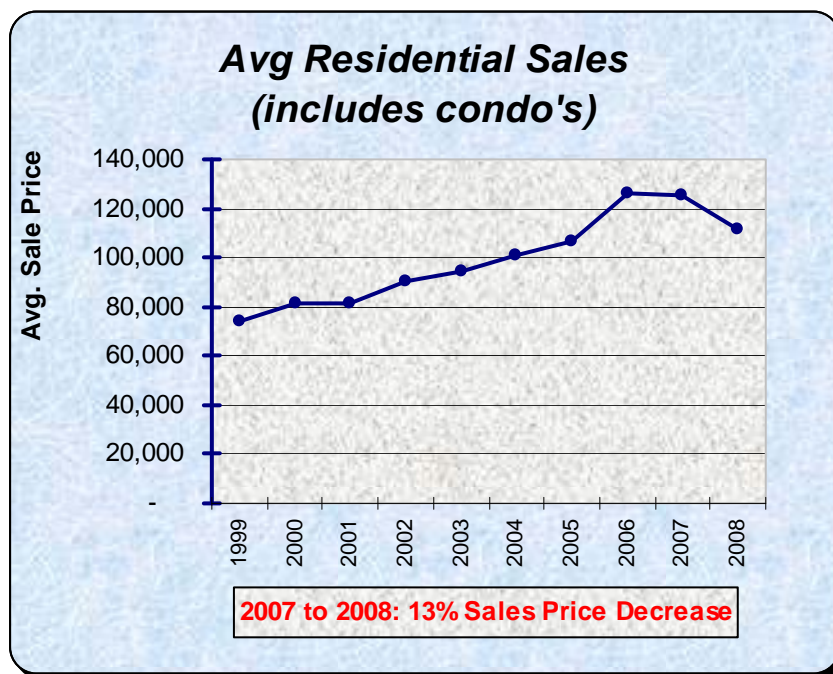


Since the time that I started tracking sales 10 years ago, this City has averaged approx. 150 residential sales per year. However, in 2008 there were only 73 sales, less than half the number normally seen in any given year. The result is a 2.2% turn over ratio. In good times, the average turnover was approx. 5%, which by itself is just OK. Ideally, to establish a high degree of reliability with my statistical analysis I'd like to have a 10% turnover ratio. Getting down to 2.2% is really low.

So.....you need to go out and buy a house!

It's a great time to buy!

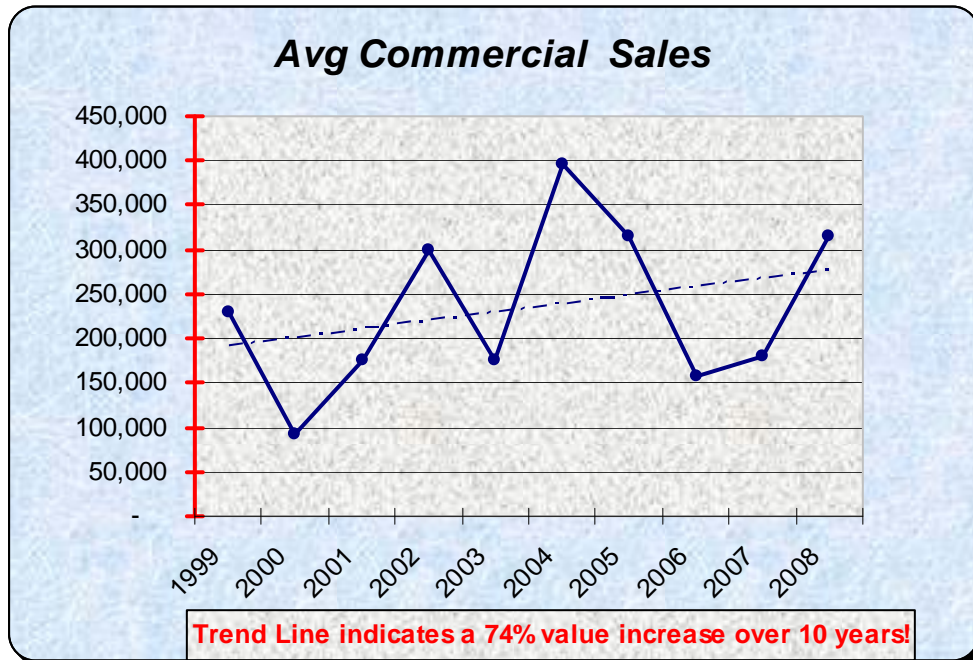
Residential selling prices have decreased about 13% in 2008, as compared to 2007.



Commercial Class

The Commercial Class sales study for 2009 shows that values will increase by 2.3%, a considerably smaller increase than has occurred in previous years.

Commercial buildings have increased in value by about 74% over 10 years.



Personal Property Class

The Personal Property Program is managed almost entirely by the Personal Property Examiner. She ably performs most of the tasks pertaining to this \$35.5 million assessment roll, with some supervision from me. We have over 550 personal property accounts and the City's revenue exceeds \$500,000 from this roll.

An actual physical review of area businesses is performed each fall in preparation of the coming year's roll. We are providing for uniformity in the assessment process of personal property accounts and all business owners' benefit from equitable taxation. Hence, the uniformity requirement is being met.

During 2007 the State legislature made some significant changes to the laws that effect how personal property taxes are levied. Beginning with this year, as a part of eliminating the Small Business Tax and enacting the Michigan Business Tax Act (Public Act 36), the legislature requires assessors to exempt Industrial Personal Property from the 6 mil State Education Tax (SET) and up to 18 mills of the local school district operating millage. Additionally, we exempt Commercial Personal Property from up to 12 mills of local school district millage. These changes do not affect the revenues the City receives.

New Construction

Being nearly a fully built-up City, we have few building permits for new homes. However, we have had a build up of several condominium projects in the City. We currently have nearly 500 residential (plus 5 commercial) condominiums either under construction or under development in the City. Those will triple our existing condo inventory.

The following is a summary of those six (6) developments:

LAKEWINDS CENTRE EAST

Residential – 16 units

Current Status: 9 are unfinished, 12 are not sold.

Current Status: Commercial – 3 units, all completed.

HARBOR TERRACE

Residential – 35 units

Current Status: 18 are unfinished, 19 are sold.

Commercial – 2 units

Current Status: One commercial unit is finished and occupied.

ONE LUDINGTON PLACE

Residential – 64 units in 4 buildings

Current Status: 29 are unfinished, 32 are unsold.

PERE POINTE LTD

Residential – 120 units in 3 buildings (40 units per building)

Current Status: 28 are unfinished in the first building, 8 are sold.

BRYANT WOODS

Residential – 116 units in 58 buildings

Current Status: 3 are unfinished, 14 of the first 16 units are sold.

NORTH SHORE VILLAS

Residential – 132 units in 3 phases

Current Status: not yet started

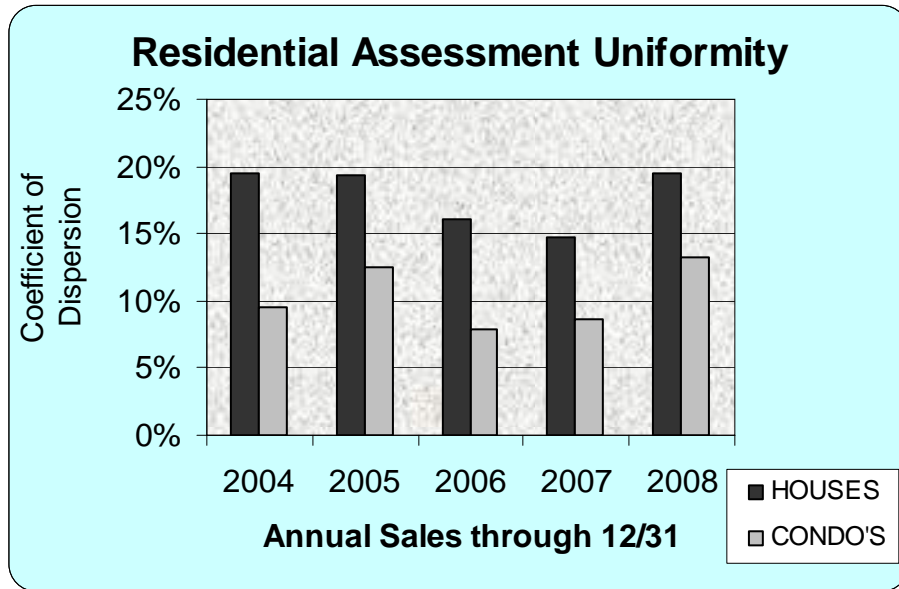
While all projects have added market value to our residential base, because of the Tax Increment Financing in place, whereby the developer is reimbursed for the remediation costs, these projects have not yet added to the City's tax revenue base.

Assessment Uniformity

The second half of the year is typically spent devoting a considerable amount of our resources to ensuring that our primary goal of assessment equity and uniformity is attained. By August, we have reviewed and analyzed property sales for the past year throughout the city to determine the indicated assessment uniformity measures in the real property neighborhoods.

The chart below indicates the condition of our aggregate assessment uniformity measure, for residential and condominium properties, over the past 5 years.

The primary goal of the Assessing Department is to ensure a fair and equitable assessment administration system. Assessment uniformity is best measured statistically by means of the Coefficient of Dispersion (COD). COD's in the range of 5 % – 15 % for single family residential property indicates a commendable degree of assessment uniformity. In fact, the International Association of Assessing Officers (IAAO) commends any governmental unit with a COD of less than 10 % for homogenous properties, and a COD of 15 % or less for heterogeneous residential properties. In general, one can expect that newer and more similar homes or condos will achieve a lower COD than can be expected with older housing stock, of which this city has a high number.



Residential Homes and Condominiums

As the graph indicates, my goal of achieving a lower Coefficient of Dispersion (COD) for single-family homes and condos has, once again, eluded me. For 2008 the level is 19% for houses; for condos it is 13%.

This is important because spreading the burden of the property tax is, according to Michigan law, value based. For City of Ludington taxpayers, this means that the tax burden on all properties is not equalized on all tax levels. This issue is of great concern to this office.

Even with the modifications to the taxable value calculation brought on by Proposal A, the underlying constitutional requirement for assessment uniformity is still in force.

Our annual ongoing objective of this department is to maintain a reappraisal schedule that produces top quality records while achieving an optimum level of assessment uniformity, given our limited resources.

JUNE 14-15, 2008 RAIN STORM DAMAGE

One result of the deluge this area received during the night of June 14 -15 was a lot of wet basements! In some cases the rainwater did permanent, long-term damage to some houses.

The following is a summary of the reported damage and their effect on property values:

INSPECTIONS

The Building Inspector, Code Enforcement Officer & I visited 122 homes and businesses during the days & weeks following the storm. Our inspection of the properties was supplemented by the owner who reported the extent of the damage & the condition of their building(s) immediately after the storm, as well as its long term effects.

DAMAGE TOTALS

We ascertained a total estimated damage to private property in the amount of \$ 454,000. This includes:

Fire Damage.....1 house.....\$ 40,000 cost to cure
Collapsed Basement walls....4 houses.....\$ 95,000 cost to cure

Of the above 5 houses, only 2 have been restored to their pre-storm condition and are occupied. The others remain “condemned” or are not livable; their values have been reduced on the 2009 Assessment Roll to account for their condition.

Of course, there were a variety of problems that occurred to these houses. Rain water coming in through broken windows, ground water seepage (coming up through the floor or walls) or sewage coming in through plumbing were the most common occurrences.

In all but 2 cases, homeowners insurance did not cover the clean up or the repairs needed. The homeowner will have to pay for their repairs out of their own pocket.

One unintended consequence of these inspections is my discovery of several dozen finished basements....that were now soaked/damaged or destroyed! In some cases, the owners had repaired, or were in the process of repairing, the basement recreation rooms to their original condition. Of course, they will be subject to an increase in their taxable value, as a result. The others who are not re-finishing their basements after the storm will not see a reduction in their value for the damaged basement because they had not been charged for the finished basement in the first place.

Due to the costs involved, many homeowners will take years to replace their homes to their original condition. Because they rarely take out building permits for this work, it is doubtful that I'll be able to add much value to the roll in the future.

Another observation is that even new houses are not immune to damage from storm water seepage. The owners of several houses on Manitou Lane had excessive seepage due, I'm told, to an underground stream that traverses part of the subdivision. It seems their houses were built on top of the old stream....which only runs during excessive rain!

During the months of September - November, I made follow-up visits to 28 of those properties that were in the worst condition. The purpose of this follow-up was to determine the effect, if any, on the property value in preparation for the 2009 Assessment Roll. The total decrease in Taxable Value for all properties in this category is approximately \$150,000.

TAX ROLL DEVELOPMENT

Property Tax Roll Preparation

The Assessing Department is charged with the task of preparing the annual tax roll and tax bills for the City. The Equalizer Tax Management system takes much of the assessment data (name, address, PIN, SEV, TV, etc) and, with the addition of the appropriate millage, creates the tax roll and tax bills. Compiling the millage rates from the various jurisdictions throughout the county requires the cooperation of several agencies and persons to bring it all together. While not a difficult task, bringing all the information together is time consuming. It requires, of course, 100% precision and accuracy. There are no excuses for errors; taxpayers will not tolerate an error on their tax bill. Likewise, the various reports and summaries required by the various agencies that benefit from the City of Ludington collecting the tax for them must be 100% accurate. Uninterrupted concentration is essential to an accurate tax roll; the support of my staff is essential in this endeavor.

We have retained the services of a printing and mailing company to actually print the tax bills. Both the summer and winter tax bills are calculated and totaled by myself, with the concurrence of the City Treasurer, and electronically transferred to the printing/mailing company. They then print the bills and mail them.

Brownfield Tax Capture

In the past few years I have had the added task of preparing the Brownfield Tax Capture calculations and reports to the City Treasurer. Of all the cities our size in the State of Michigan, the City of Ludington has the most Brownfield's, with a total of nine TIF projects.

The following is a summary of our Brownfield captured values & captured revenue for 2008:

	INITIAL TAXABLE VALUE	2008 CAPTURED VALUE	2008 CAPTURED REVENUE
051-001 WHITEHALL	0	\$30,400	\$1,656.97
051-002 FIVCO	198,389	\$3,355,171	\$55,478.97
051-003 PERE POINTE VILLAGE	313,018	\$4,817,117	\$254,928.28
051-004 ONE LUDINGTON PLACE HARBOR	0	\$6,346,301	\$104,661.72
051-005 TERRACE	109,991	\$4,209,367	\$69,283.82
051-006 WASHINGTON WOODS	0	\$2,127,284	\$96,803.85
051-007 TALISMAN	141,600	\$0	\$0.00
051-008 NORTH SHORE VILLAS	136,802	\$1,148,807	\$62,618.85
051-009 CREEKBED	43,883	\$471,553	7,797.56
TOTALS:	\$943,683	\$22,506,000	\$653,230.02

Obsolete Property Rehabilitation Act

The Obsolete Property Rehabilitation Act (OPRA) provides for a tax incentive to encourage the redevelopment of obsolete buildings. The tax incentive is designed to assist in the redevelopment of older buildings, in which a facility is contaminated (as defined by the DEQ), blighted or functionally obsolete. The goal is to rehabilitate older buildings into vibrant commercial and commercial housing projects.

The City of Ludington freezes the taxable value of the existing improvements on a designated facility for up to 12 years. The rehabilitated building's taxable value is taxed by the school millage only. Thus, the Act provides an incentive for the developer to make significant improvements to a building without substantially increasing the property taxes on the building.

Established Two Districts

During 2006 we had two applications for the establishment of an OPRA District, both of which were approved by the City Council. One property, at 410 Dowland St, has been approved by the State Tax Commission and the Dept. of Treasury for a 12 year

exemption from local taxes for the renovated value of the building. That exemption began Jan. 1, 2007.

The second project, located at 210 S James St., apparently will not be following through with it's OPRA application, as it has renovated the entire second floor of the building without applying for the tax abatement program.

During 2008 another taxpayer has applied for, and received approval, of an OPRA district for 717 E. Ludington Ave. He has not yet started the renovation.

Tax Rates

Since 1994, the year prior to the inception of Proposal A, the City Operating and Trash millage rates have stayed the same. In 2008 the rate was 15.3587 mills, the same as it has been for the past two years.

The tax rate is made up of three components: City Operating millage, Trash Removal millage and Police Pension millage.

Proposal A has had a major impact on the amount of revenue the city can generate from property taxes. Due to the limitations on taxable value increases (no more than the CPI, or 5%, whichever is less); all local jurisdictions (city's and townships) have been severely limited in the amount of revenue that may be collected each year.

The voted city Operating millage is 12.5 mills. In years past it has been rolled back to conform to the Headlee requirements. It is now 11.5675. Due to my close monitoring of the values that affect the rollback, we have avoided any Headlee rollback during my tenure. That means the millage has not been reduced. Once reduced it is nearly impossible to raise it again.

Thus, during 10 years of mild inflationary pressure, the City revenues have risen by only the amount of the taxable value increase – not more, nor less.

Assessing Officers Report of Property Taxes Levied

Each year I'm required to submit an Assessing Officers Report of Property Taxes Levied (Form L-4409) to the State Dept. of Treasury. The purpose of the report is to ensure that the Treasury Department, at the State level, knows the amount of our property tax revenue so that they can then determine the amount of Revenue Sharing the City is entitled to receive. The report is due by December 15 of each year.

My reports have always been timely submitted. It takes two full days to compile the data and complete the report. Without an accurate report the City would not receive the correct amount of Revenue Sharing.

WORKLOAD/PERFORMANCE INDICATORS

ASSESSMENT ROLL DEVELOPMENT

Ad Valorem Assessment Roll

<u>Year</u>	<u>Total A.V.</u>	<u>Total T.V.</u>	<u>Non-Taxable A.V.</u>	<u>% Value Non-Taxable</u>
2008	330,939,800	264,464,813	66,474,982	20.1%
2007	319,837,700	252,484,123	67,353,577	21.06%
2006	288,574,600	230,476,612	58,097,988	20.1%
2005	273,944,900	219,978,769	53,966,131	20.7%
2004	263,412,200	210,432,168	52,980,032	20.1%

The City of Ludington is predominately residentially based, supporting the largest state equalized valuation in Mason County, with approximately 17% of the residential taxable value in the County.

<u>Year</u>	<u>%TV Residential</u>	<u>%TV Commercial</u>	<u>% TV Industrial</u>	<u>%TV Personal Property</u>	<u>%TV Ludington Schools</u>
2008	65.8%	19.2%	4.3%	10.7%	100%
2007	63.9%	17.9%	5.0%	13.1%	100%
2006	64.7%	19.7%	4.4%	11.2%	100%
2005	59.8%	19.1%	5.2%	15.0%	100%
2004	59.6%	18.5%	5.5%	15.5%	100%

Number of Parcels

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Pers. Prop</u>	<u>TOTAL</u>
2008	3,416	357	43	570	4,386
2007	3,419	363	43	573	4,398
2006	3,334	363	44	585	4,326
2005	3,226	362	43	593	4,225
2004	3,226	349	43	570	4,189

Industrial Facility Tax (IFT) Assessment Roll

<u>Year</u>	<u>Taxable Value</u>	<u># of Certificates</u>	<u>% of Ludington Schools</u>
2008	6,667,600	31	100%
2007	6,131,280*	31	100%
2006	4,791,000	28	100%
2005	4,041,745	33	100%
2004	5,863,490	37	100%

* Note: the large increase is due, in part, to the DNR property, which is now counted on the IFT Roll.

ASSESSMENT REVIEW/APPEAL ACTIVITY

March Board of Review

The local March Board of Review experienced a large increase in the number of appeals in 2008. Several reasons for this uncharacteristic occurrence is the perception of greater declining values than had actually occurred here in the City. The time period I am required to use for my statistical analysis does not reflect current (2008) market activity. Thus, taxpayers had opinions different than mine as the current value of their property and made appeals to the Board of Review. Most appeals were amiably resolved, but a few have taken their appeal to the Tax Tribunal.

The following data indicates the number of appeals that came before the March Board of Review:

<u>Year</u>	<u>Total Parcel Count</u>	<u>Number of Appeals</u>	<u>% of Total Parcels</u>
2008	4,386	104	2.37%
2007	4,398	112	2.55%
2006	4,336	96	2.2%
2005	4,258	80	1.9%
2004	4,189	93	2.2%

July & December Board of Review

The function of the July and December Boards of Review is to correct clerical errors, mutual mistakes of fact and homestead status relative to the current and prior year's assessment rolls. There has been a declining number of correctional appeals over the past several years.

Michigan Tax Tribunal

The following is a summary of the appeals pending before the Michigan Tax Tribunal, not already scheduled for a hearing or having settlement agreements pending:

<u>Year</u>	<u>Small Claims</u>	<u>Full Tribunal</u>
2008	11	1
2007	8	2
2006	8	2
2005	3	3
2004	3	2

CURRENT SMALL CLAIMS APPEALS:

1. Carpenter, 105 W Melendy St., Value contention \$ 65,000 for 2008.
2. Hackert, 1109 N Sherman, Value contention \$15,000 for 2007.
3. Ludington Pediatrics, 907 E. Tinkham, Value contention \$94,000 for 2007.
4. Rybar, 220 Harbor Dr, Value contention \$ 90,000 for 2007.
5. Kelly, 403 E. Melendy St., Value contention \$22,400 for 2007.
6. Pitsch/Young, 227 Harbor Dr. Value contention \$ 306,221 for 2007.
7. Hartung, 712 E. Filer St, Value contention \$ 23,105 for 2007.
8. Schuette, 300 S Rath, Unit 6. Value contention \$ 33,850 for 2008.
9. Sherk, 204 N Staffon St. Value contention \$ 15,400 for 2008.

CURRENT FULL TRIBUNAL APPEALS:

Four Seasons Resort: 717 E. Ludington Ave. This taxpayer is appealing the 2008 values. Value contention \$410,035.

ICPS: This is a personal property appeal from a wireless company with equipment located in the City. The appeal is for the 2004 tax year; it is currently being held up from further processing while the company is in bankruptcy court.

2008 - RESOLVED, SETTLED or STIPULATED M.T.T. CASES:

FULL TRIBUNAL

Four Seasons Resort: The City prevailed in this appeal for the years 2003 – 2006.

SMALL CLAIMS

1. Northwestern Bank, 101 E. Court St. Value contention \$92,800. Withdrawn by appellant.
2. Branning, 409 W. Ludington Ave. Tribunal ruled that the 2006 & 2007 SEV & TXV were to be set at \$328,767 for each year. The Tribunal Judge relied on Respondent's cost approach method.
3. Flury, 211 Harbor Dr. P.R.E. appeals for 2005 & 2006. Granted 100% by stipulation.
4. Jackson, 190 Harbor Dr. Valuation contention \$ 9,000. Respondent stipulated to Petitioner's value.

5. ASI Environmental, 410 E. Dowland. Tribunal ruled in favor of the Petitioner.

ASSESSMENT ROLL MAINTENANCE

PERSONAL RESIDENTIAL EXEMPTION PROGRAM

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Affidavits Processed	138	177	171	108
Affidavit Rescinds	165	247	197	103
Affidavit Denials	13	20	17	5
Clarification Letters	110	200	234	253

PROPERTY TRANSFER AFFIDAVIT (PTA) PROGRAM

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Parcels Uncapped, 100%	205	178	143	87
Parcels Uncapped, Partial	2	1	1	-0-
PTA Exemptions	140	69	213	181
Deeds & PTA's Reviewed	377	335	382	268

RESIDENTIAL PROPERTY SALES

Time Frame	#of Sales	Aggregate Sales Value	Avg. Sales Price	Turnover Percent
01/01/08 – 12/31/08	73	\$ 8,465,611	\$111,389	2.2%
01/01/07 – 12/31/07	93	\$ 11,690,703	\$125,706	4.0%
01/01/06 – 12/31/06	150	\$ 18,741,937	\$125,784	4.5%
01/01/05 – 12/31/05	169	\$ 18,022,926	\$106,645	5.2%
01/01/04 - 12/31/04	184	\$ 22,336,406	\$121,393	5.7%

Property Foreclosures & Sales of Foreclosed Properties

The City currently has 24 residential properties in foreclosure; there are 5 commercial properties in foreclosure. This number fluctuates month to month, but it has never exceeded 35 at any one time.

One result of this higher number of foreclosures is the increasing number of purchases of foreclosed properties. Now is a good time to buy homes....banks that have taken over these houses don't want to own them, they want to sell them. We have had 33 sales of foreclosed residential properties and 1 sale of foreclosed commercial property during 2008.

For purposes of the sales studies that I use to prepare the assessment roll each year these foreclosed sales cannot be used unless I perform a "desk review" establishing that they meet our criteria and can be included in the sales study. Very few of these sales meet that

criteria; when they do they are included in the sales study. For the preparation of the 2009 assessment roll there were none that met the criteria; none were included.

The Land Division Program

During 2008, the department coordinated the review process for 2 land division and 2 parcel combinations.

Implementation of the Mathieu-Gast Program

2008 was the eighth year of the implementation of PA 283 of 1989 (the Mathieu-Gast Act) in the City of Ludington, whereby taxpayers can get some relief from Assessed Value increases on their property when performing maintenance or remodeling projects.

The City of Ludington does not require building permits for driveways, painting, interior decorating, roofing or siding replacement/repair. When homeowners perform any of these projects on their residence, they may be eligible for a reduction in their assessed value. A form is sent to the taxpayer to complete and return to our office by Dec. 31st.

Once each year a follow-up is performed to verify the work completed and compute the true cash value of the improvements. The revised value is then deducted from their new assessment and remains “off the books” until the house is sold.

It should be noted that this program is available only to residential property owners; it is not applicable to commercial or industrial properties.

During the year, we received less than 5 completed applications. The negative revenue impact to the city as a result of this program is minimal, while taxpayers understand that we are trying to provide fair and uniform administration of all assessments ...and can possibly save them some tax dollars, too.

Professional Development

I attended the annual 6-hour certification renewal course offered by the State Assessors Board (SAB) in August.

Staff members are encouraged to become involved in related professional associations, local community organizations and City or County committees.

This fall I was elected as the President of the Mason County Assessor’s Association (MCAA).

Beginning Oct. 1, 2008, and effective for the 2009 assessors renewal cycle, the State Assessor’s Board is requiring all certified assessors to obtain 12 hours of renewal education. Of the 12 hours, 6 hours are mandatory courses that must be taken each year.

The second six hours are elective courses that can be used with any other SAB sponsored courses, but may be conducted by professionals who are not representatives of the SAB.

Furthermore, we are still required to take the SAB sponsored USPAP course one time during the five year period, ending Sept. 30, 2011.

These courses are paid for through the annual certification renewal submitted to the State Assessors Board by each Dec. 31st.

MINI 14 – POINT REVIEW: a S.T.C. audit program

The State Tax Commission began performing audits of individual assessing units a few years ago. During 2008 all of Mason County's townships and city's were audited using their new "mini-14 point review" system. With this method the STC is contracting an experienced, yet impartial, Level III or IV certified assessor to review selected records, documents and the 2008 assessment roll of each unit.

The City of Ludington assessing department's information and documentation was reviewed in late November. The reviewer examines the assessor's land value maps, land value tables, ECF analysis documents, inspection records, public policy's as well as the 2008 Assessment Roll. The oral exam/interview was one and one-half hours in length. And that was after I provided the reviewer with various materials several weeks prior to the interview.

As of this writing the results are not yet known. However, based on the interview it would appear that I passed the review; although with what score I am not certain. If one does not pass this mini-14 Review, then one is subjected to a "Full 14-Point Review" which requires STC personnel to be on site for several days examining records, including inspecting properties out in the field, etc. I believe I have avoided that.

CUSTOMER SERVICE

The department has continued to pursue the following customer service related issues: public relations, information accessibility and improved operating efficiencies.

Public Relations & Information Accessibility

In the area of public relations, we continued to provide appropriate assessment related informational material as requested by taxpayers and staff.

During 2008, we maintained our usual excellent information accessibility to the citizen/customer.

For the upcoming assessment cycle, each taxpayer who has had any change to his/her assessment or taxable value will be sent an assessment change notice. Additionally, the taxpayer is given an opportunity to meet with the Board of Review to address any

concerns or questions they may have. Following this Board of Review session, lasting approximately one week, the taxpayer has an additional appeal process, through the Michigan Tax Tribunal.

OPERATIONAL ACTIVITIES

The addition of computer hardware and software greatly enhanced the delivery of information, both telephonically and for the “walk-in” public.

The assessing department plays a key roll in the development and maintenance of the City's land file information. The outcome of this system review will have a significant impact on our ability to implement new technologies such as digital photography, electronic line drawings, data analysis and report writing within our assessment systems.

With regard to improving our storage and retrieval of assessment related data, we continue to work on adding our property drawings to our property related database. Work on the commercial property footprints and on the land survey system is now underway.

INFORMATION TECHNOLOGY:

INTERNET ACCESS

A significant part of any public relations program in today’s technological age is the public’s access to the Internet. The Internet represents an important avenue this city can use to bring our government services to the citizens, taxpayers and the general public, including those considering moving to, visiting, or doing business with the city.

The Assessing, Building and Treasury Departments have available a vast amount of information that is a part of the “public domain” (i.e., freely distributable to the general public without restrictions of confidentiality) and which is desired by a variety of our citizenry. Information such as tax levies, special assessment levies, SEV and taxable values, address and ownership information, property improvements and characteristics are examples of some of the information we make available.

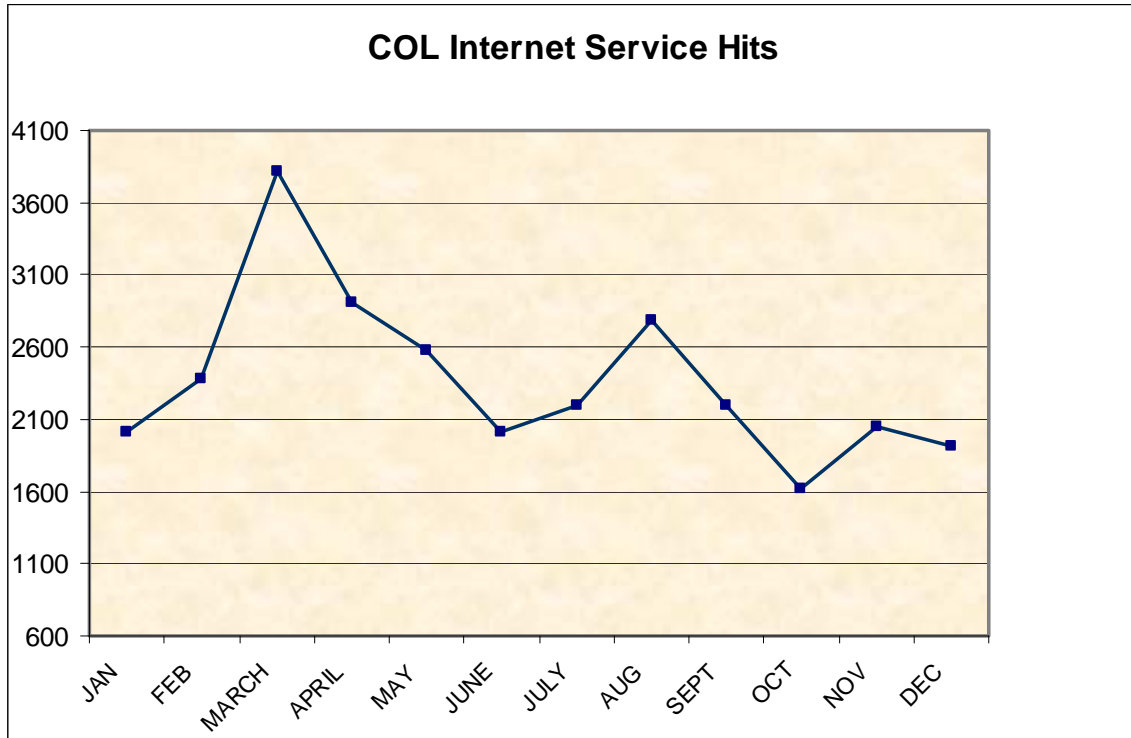
Beginning in early 2004 the software technology was put in place to provide instant access to both the assessing and treasury department’s information via the Internet. This data is updated daily and available at no cost for anyone who has access to the Internet.

MULTIPLE “HITS”!

During the past 12 months there have been more than 28,000 search hits on this website. This is about twice the number of hits that occurred in 2007, with an average 2,300 hits each month. These numbers are indicative of the high amount of activity we experienced at the March Board of Review and the huge interest in residential and commercial real estate: everyone is watching, but there are few buyers.

The savings to the assessing and the treasury departments has been significant: personnel time spent on the telephone answering questions has been substantially reduced.

This graph shows the monthly activity for web access during the past 12 months:



Also in 2008 we continued offering documents (deeds, death certificates, etc) on recent transactions on our web access site, as well.

TECHNOLOGY TEAM

Our relationship with Terrapin Networks continues successfully into its second year. During 2008 their service contract was extended to three years. The task of “liaison” between Terrapin and city personnel falls to me. In that capacity I coordinate technical maintenance, service, repair and installation issues as they occur during the year. City staff communicate their needs/issues to me; I then forward the problems to the Terrapin Help Desk.

This method of service is working out quite satisfactorily. Our affiliation with Terrapin is like having an IT person on staff, without the added payroll & benefit expense that would be associated with such a person. The Terrapin IT staff are usually able to fix most any problem remotely from their offices in Traverse City. They come to Ludington about once per month to perform work that cannot be otherwise done except on site.

Terrapin Network technicians are also planning on installing the Wi-Fi equipment on the Water Treatment Plant this coming spring, 2009. This is a budgeted item. And one all the beach goers will really enjoy having available to them.

Terrapin Networks are involved in our long-term planning, as well. The entire Technology Team is working to provide better IT services for the whole city. We hope our future will be a great IT system that employees and citizens alike can benefit from.

OFFICE MANAGEMENT

Management of the combined assessing and building departments involves coordination of six components, namely, (1) the assessment administration cycle, (2) city planning activities, (3) building permitting, (4) code enforcement, (5) information technology and (6) zoning administration.

As the Building Department report will show, 2008 was a busy year in terms of building permit and inspection activity.

We track our monthly activity in order to measure where we are putting our energy and resources and in order to compare our activity from one year to the next. Some highlights are as follows:

- a) Received an estimated 2,500 incoming phone calls. The number of “walk-in’s” to our counter is down considerably due to the access to the Internet.
- b) Processed 507 property complaints, 513 of which were closed. This enforcement activity is up 34% compared to 2007. The processing of these complaints requires on-site field inspection, completing paper reporting forms, computer data entry, writing and mailing letters and/or citations, generating follow-up inspections and, finally, follow-up computer data entry. All of which requires teamwork between the code enforcement officer and our department assistant and the part-time clerk. For every property complaint that the code enforcement officer either generates, or has received, our office personnel expend as much as 1-1/4 hours in processing time.
- c) Received over 500 property inquiries (via phone, email and/or walk-in) generating nearly \$ 50 in fees.
- d) Processed 87 real estate sales.
- e) Received over 200 assessment notice inquiries.

This is just a brief overview of the kind of activities our office personnel participate in.

Improved efficiencies with our computer database have alleviated much of the manual labor we used to perform.

While I am very pleased with the functioning of the office overall, the reader(s) should be aware that this is principally due to the very capable clerical and professional staff in the department.

The Planning & Zoning Administrator, Assessment/Inspection Department Assistant/Personal Property Examiner, especially, is a valuable asset of the highest caliber. Her management of our everyday workload and her innumerable abilities with both the assessing and the building departments are the reason this department looks as good as it does.

Our new Part-Time Clerk, who began in March 2008, has proven herself to be a very able and capable individual. Trudy has fit right into our assessing, building and enforcement system right from the start. She is a quick study and an asset to the department, ably handling all the tasks given her. In fact, she readily finds ways to streamline and smooth her work tasks.

Effective Assessment Administration System

The TEN KEY COMPONENTS of an Effective Assessment Administration System, as suggested by the International Association of Assessing Officers (IAAO), are:

1. Adequate budget, competent staff, and effective internal controls
2. Complete maps and files
3. Accurate property data
4. Accurate sales data
5. Effective Cost Approach
6. Effective Sales Comparison Approach
7. Effective Income Approach
8. Modern Data Processing & Storage
9. Open Public Relations
10. Periodic Assessment-Ratio Studies

FISCAL YEAR 2009

GOALS:

- Continue to improve our procedures to ensure a fair and equitable assessment administration system, according to the City Charter and the Michigan General Property Tax Laws.
- Prepare the staff for professional advancement opportunities.

OBJECTIVES

For 2009, the following objectives are planned:

1. In the on-going effort to keep our property records up-to-date, the office will continue with the fourth cycle of a complete physical review of 20% of the Residential, Commercial & Industrial Class of properties.
2. Continue with the sketching of the land survey modules for each residential & commercial parcel in the Equalizer Assessing program.
3. Begin other computer data input projects that will further enhance our assessing database.
4. Perform an annual physical audit of selected personal property accounts.
5. Work to correct erroneous property descriptions causing gaps and/or overlaps in certain areas of the city.