



MEMORANDUM

November 27, 2010

To: Clay Pearson, City Manager

From: D. Glenn Lemmon, City Assessor

dgl

RE: 2011 Assessments for the 2011-2012 City Budget

12/2/10
To: Mayor & City Council Members
For presentation at 12-6-10 City Council meeting.

The purpose of this memorandum is to share the estimated 2011 State Equalized Value (SEV) and Taxable Value (TV) for the City of Novi. We are also projecting values for 2012 and 2013. These estimates are aimed at providing staff and City Council with information to build the 2011-2012 budget, and begin planning for the 2012-2013 budget.

As you are aware, the City of Novi has not been immune from the recessionary problems that have plagued our state. Both the residential and the commercial/industrial sectors took big hits on the 2010 assessment roll. Residential taxable values were down 12.1% over those of 2009. Commercial and industrial taxable values were down an additional 6.8% over those of 2009. Reductions to assessed values will continue for 2011.

It's been my opinion that, economically speaking, commercial and industrial properties lag behind residential properties. That is to say that I have felt that residential properties would bottom out and begin recovering before the commercial and industrial properties. For 2011, it appears that the residential sector may be showing signs of a rebound. In 2009, builders shied away from new construction due to the competition from existing homes and foreclosures. During 2010, residential builders started constructing homes that were smaller and more affordable than in years past. The target moved and they've moved with it. While foreclosures have continued to be a problem, they have not been snapped up with the same fervor that they were a year ago. That may be due to the lending institutions taking a more relaxed approach or due to the public looking at other options. As a result, the residential sector should see a taxable value reduction of approximately -5.3% compared to -12.1% for 2010.

Commercial and industrial values continue to decline during 2010 and will, hopefully, bottom out in during late 2011 to mid 2012. However for 2011, this sector will see the largest taxable value decreases ever (approx. -12.5%) in the 2011 assessment roll. New

commercial and industrial construction is non-existent. New value added for 2011 will be due largely to added finish to previously constructed buildings. At the moment, there do not appear to be signs for optimism in this sector. It is expected that C&I declines will continue for 2012 with taxable reductions of around -7%.

In 2003, the gap between assessed and taxable was 16.2%. By comparison for 2011, the gap between assessed and taxable will be reduced to 2.6% meaning that, for most properties, assessed and taxable values are equal. I don't expect large fluctuations from this figure in the future.

Since the inception of Proposal "A" in 1994, Inflation Rate Multipliers have ranged between -0.3% and 4.4%. Last year's -0.3 % was the first, and only, negative IRM. The 2011 Inflation Rate Multiplier will be 1.7%. With minor exceptions, most properties will see some reduction in taxable value for 2011 because of the continued market decline. Most properties will not be affected by the IRM.

Although final adjustments have not been made, existing residential assessed value are expected to decrease approximately -5.5%. Commercial and industrial assessments will decrease approximately -14.2%. Overall, 2011 assessments on existing properties in the city will be reduced about -8.6%. It's estimated that the overall impact to taxable value will result in a reduction of -7.8% after new construction is factored into the totals.

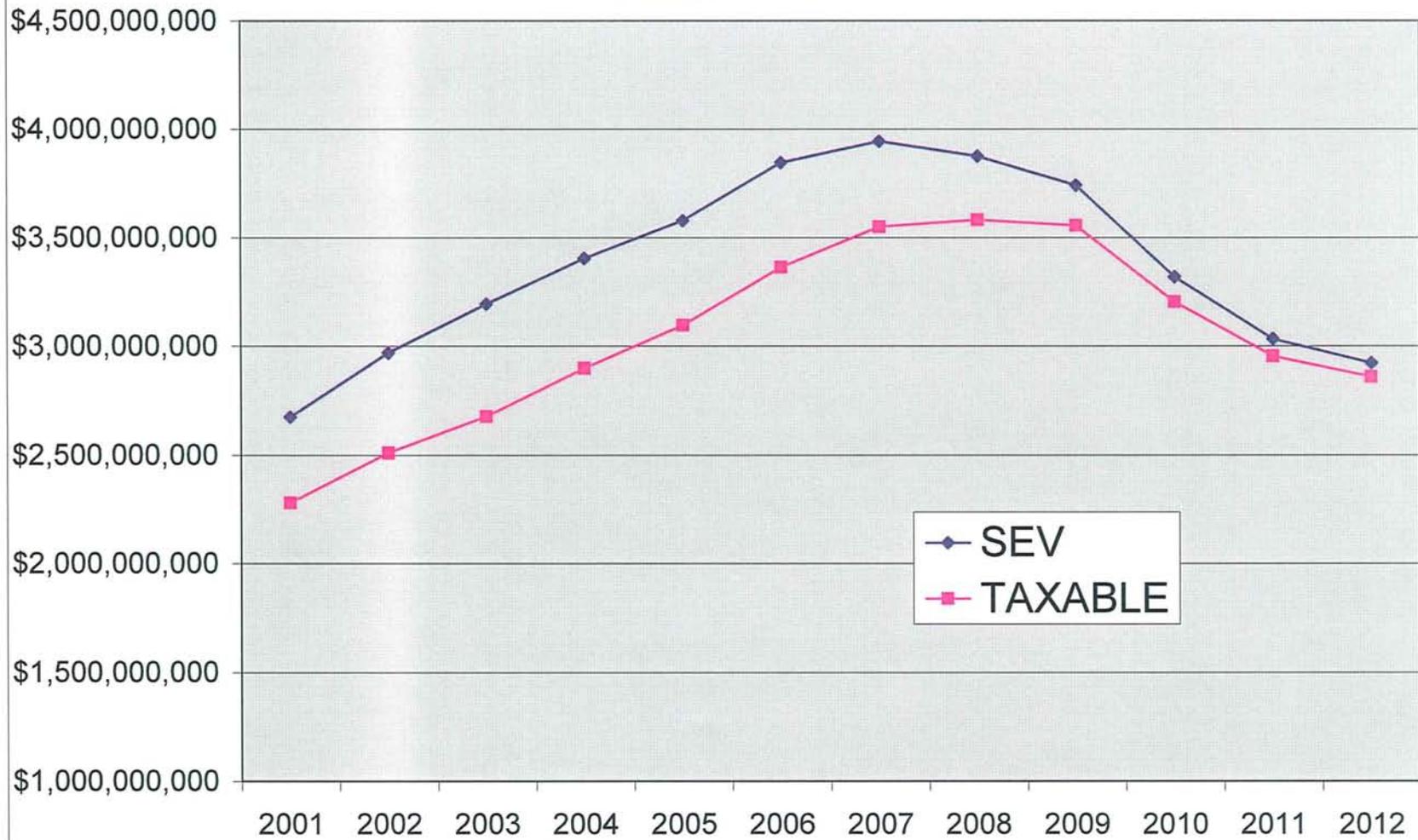
It is anticipated that market value declines will continue during 2011. However, the residential sector may have seen the worst of the recession. Even though the decline has slowed, residential value increases of the past are not on the horizon. Oakland County has projected an overall decrease of -12.5% for 2011 and an additional -5% for 2012. Oakland County is anticipating that the real estate market will bottom out during 2011. At this point, I expect the overall Novi SEV to be down approximately -3.6% for 2012 with taxable value down another -3.2% over 2011. As I said last year, even if the real estate market bottoms out in 2011 and begins to ascend, it is anticipated that taxable values will not return to 2007 levels until 2020.

The bottom line, at this early stage, is that the expected overall 7.76% reduction to taxable value will equate to a \$1.25 million reduction in general fund revenue (using the 2009 general fund rate of 5.0182 mills) and a \$2.6 million revenue reduction to all city revenues (using the overall rate of 10.5416 mills) for the 2011-2012 budget year. The City of Novi should expect continued reductions in the 2012-2013 budget.

The attached pages include an overview of the proposed changes from 2010 to 2011 by property class, historical and projected values, 2001-2012 value change graph, and several additional charts and graphs that may be of interest.

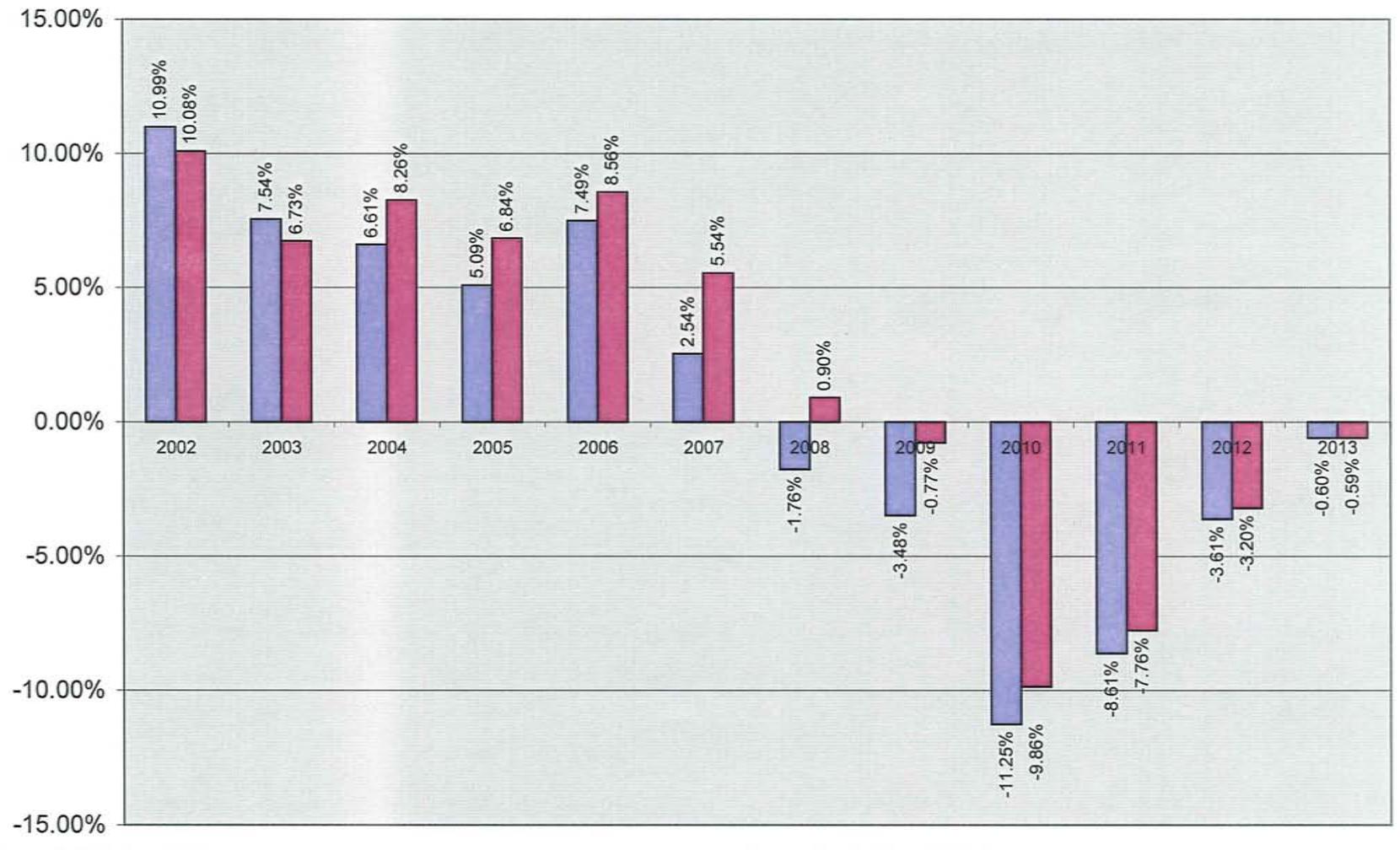
2011
Property Tax Base
Primer

SEV & TAXABLE VALUES 2001 - 2012



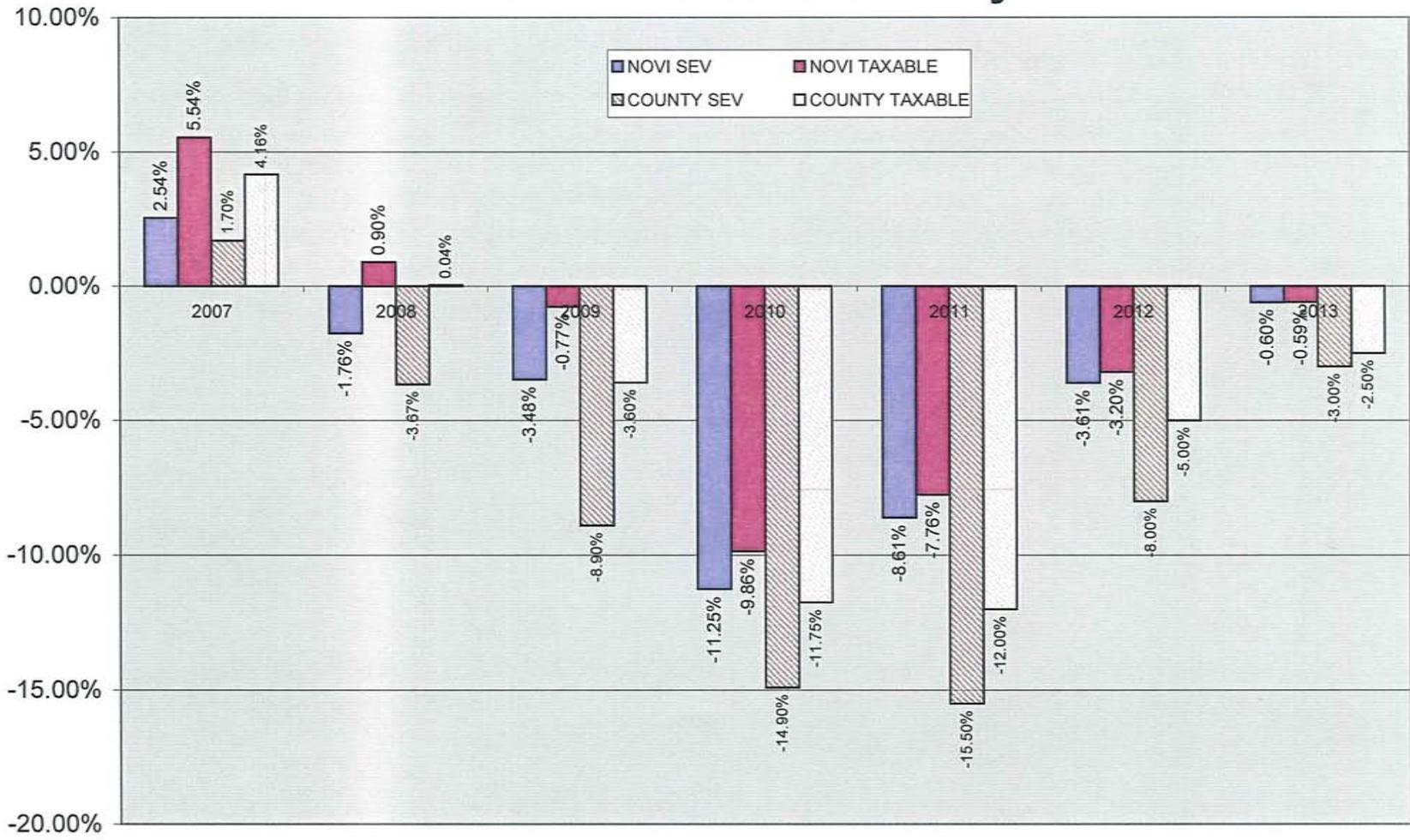
VALUE CHANGE 2002 - 2013

SEV TAXABLE

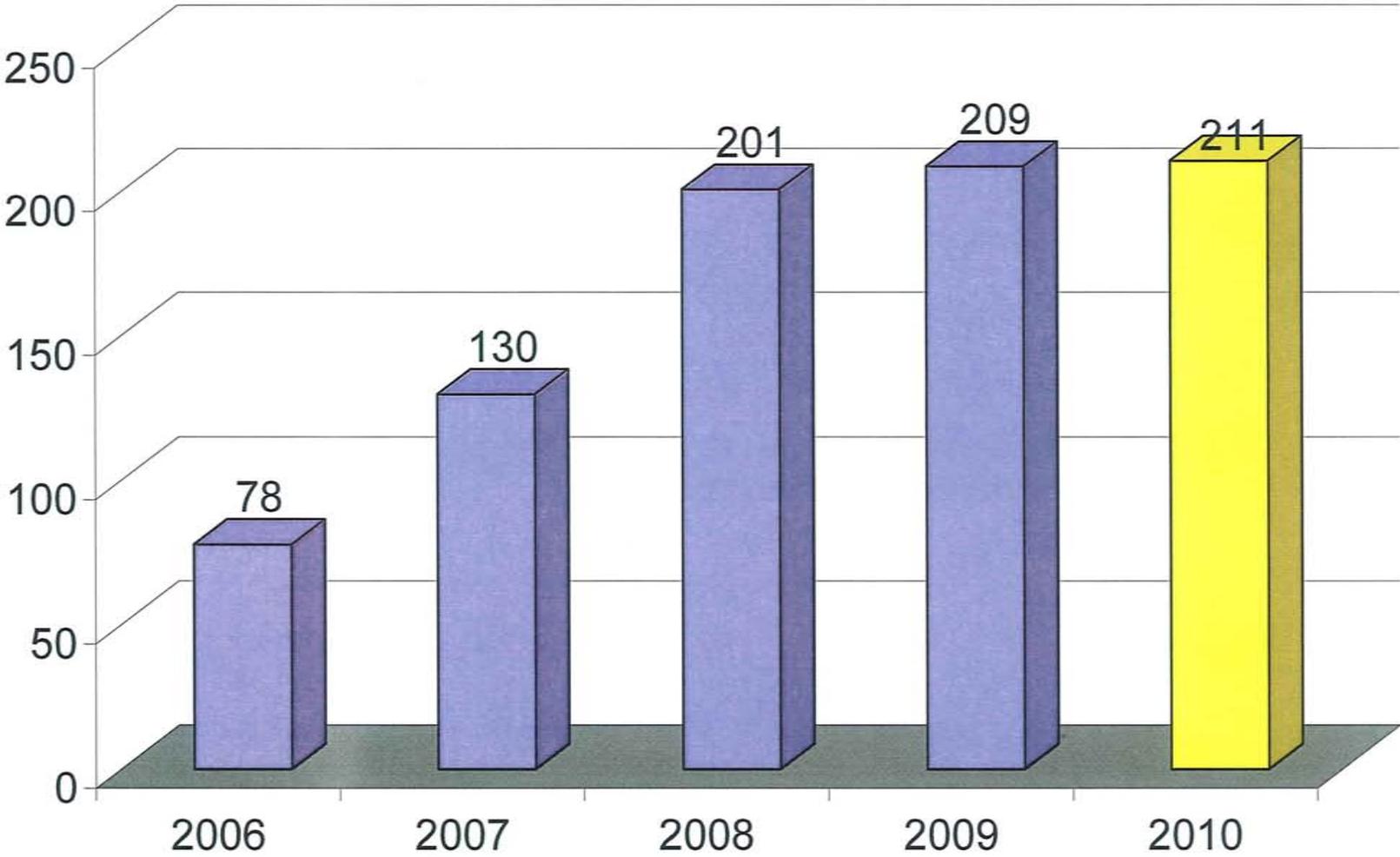


VALUE CHANGE 2007 - 2013

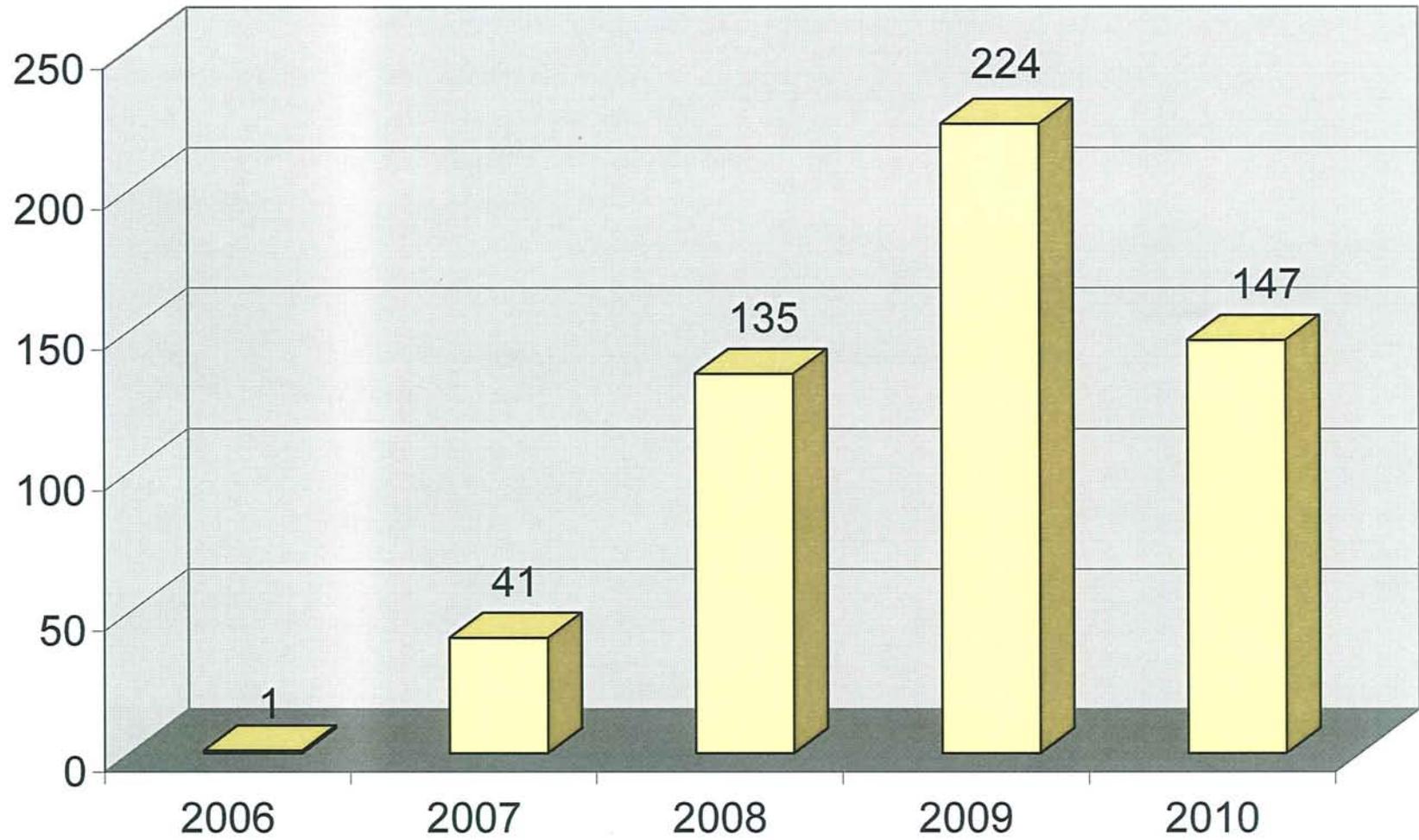
Novi v Oakland County



SHERIFF'S DEEDS



SALES FROM FORECLOSURE



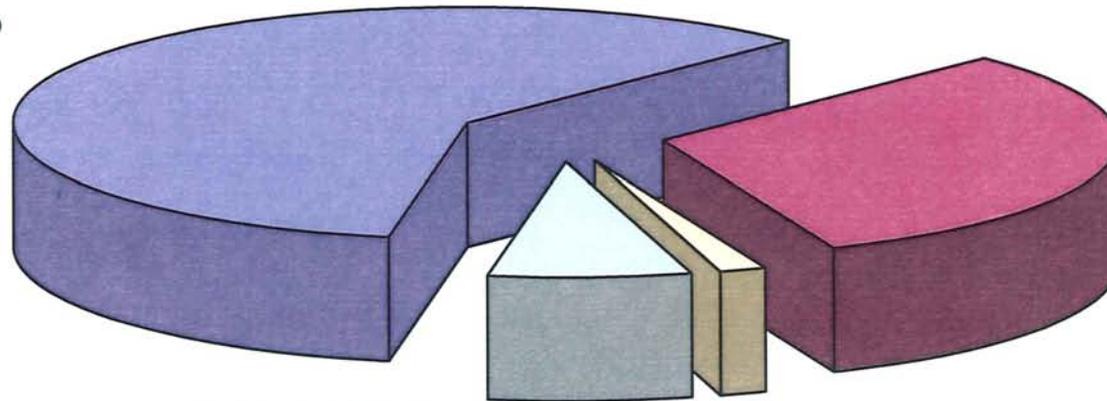
ADDITIONS FROM NEW CONSTRUCTION



12/01/2010

2011 TAXABLE VALUE (EST)

RESIDENTIAL,
\$1,764,450,500,
60%



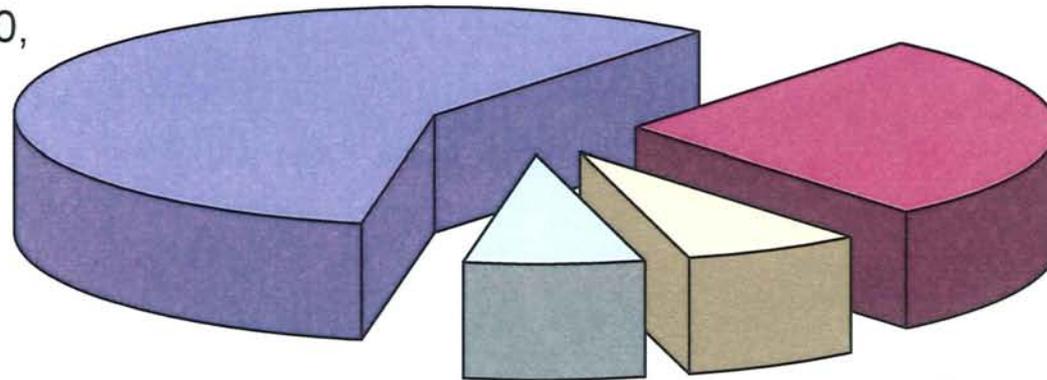
COMMERCIAL,
\$928,871,020,
31%

PERSONAL ,
\$210,000,000,
7%

INDUSTRIAL,
\$52,504,610,
2%

2010 TAXABLE VALUE

RESIDENTIAL,
\$1,862,673,780,
58%



COMMERCIAL,
\$900,544,230,
28%

PERSONAL ,
\$220,466,950,
7%

INDUSTRIAL,
\$220,883,460,
7%

ASSESSED AND TAXABLE VALUE PROJECTIONS FOR 2010

RESIDENTIAL PROPERTIES 17,313 PARCELS	2009 POST MBOR	NEW/ADDNS	LOSS/LOSSES	2010 ESTIMATED	2010 w/o NEW/ADDNS
SEV	\$2,194,995,650	\$13,648,280	\$2,094,750	\$1,902,861,350	\$1,889,213,070
TAXABLE	\$2,118,748,880	\$11,284,350	\$1,177,312	\$1,862,673,780	\$1,851,389,430
% CHANGE TO ASSESSED				-13.31%	-13.93%
% CHANGE TO TAXABLE				-12.09%	-12.62%
% OF PARCELS WHERE SEV = TAXABLE				88.45%	
% OF VALUE WHERE SEV = TAXABLE				97.63%	

COMMERCIAL & INDUSTRIAL PROPERTIES 1,085 PARCELS	2009 POST MBOR	NEW/ADDNS	LOSS/LOSSES	2010 ESTIMATED	2010 w/o NEW/ADDNS
*****EQUALIZATION NEW AND LOSS*****		\$93,946,000	\$89,768,100		
SEV	\$1,313,896,100	\$11,750,800	\$145,360	\$1,197,856,300	\$1,186,105,500
TAXABLE	\$1,203,024,590	\$11,750,800	\$145,360	\$1,121,427,690	\$1,109,676,890
% CHANGE TO ASSESSED				-8.83%	-9.73%
% CHANGE TO TAXABLE				-6.78%	-7.76%
% OF PARCELS WHERE SEV = TAXABLE				64.52%	
% OF VALUE WHERE SEV = TAXABLE				93.52%	

PERSONAL PROPERTY - ESTIMATED 2,557 PARCELS	2009 POST MBOR	NEW/ADDNS	LOSS/LOSSES	2010 ESTIMATED	2010 w/o NEW/ADDNS
SEV & TAXABLE	\$233,170,160	\$0	\$0	\$220,466,950	\$220,466,950

ALL PROPERTIES 20,955 PARCELS	2009 POST MBOR	NEW/ADDNS	LOSS/LOSSES	2010 ESTIMATED	2010 w/o NEW/ADDNS
SEV	\$3,742,061,910	\$25,399,080	\$2,240,110	\$3,321,184,600	\$3,295,785,520
TAXABLE	\$3,554,943,630	\$23,035,150	\$1,322,672	\$3,204,568,420	\$3,181,533,270
% CHANGE TO ASSESSED				-11.25%	-11.93%
% CHANGE TO TAXABLE				-9.86%	-10.50%
% OF PARCELS WHERE SEV = TAXABLE				87.04%	
% OF VALUE WHERE SEV = TAXABLE				96.49%	

ASSESSED AND TAXABLE VALUE PROJECTIONS FOR 2011

RESIDENTIAL PROPERTIES 17,183 PARCELS	2010 POST MBOR	NEW/ADDNS	LOSS/LOSSES	2011 ESTIMATED	2011 w/o NEW/ADDNS
SEV	\$1,902,861,350	\$9,963,450	\$398,400	\$1,797,806,000	\$1,787,842,550
TAXABLE	\$1,862,673,780	\$8,948,100	\$45,100	\$1,764,450,500	\$1,755,502,400
% CHANGE TO ASSESSED				-5.52%	-6.04%
% CHANGE TO TAXABLE				-5.27%	-5.75%
% OF PARCELS WHERE SEV = TAXABLE				91.82%	
% OF VALUE WHERE SEV = TAXABLE				98.14%	

COMMERCIAL & INDUSTRIAL PROPERTIES 1,085 PARCELS	2010 POST MBOR	NEW/ADDNS	LOSS/LOSSES	2011 ESTIMATED	2011 w/o NEW/ADDNS
*****EQUALIZATION NEW AND LOSS*****		\$148,288,950	\$179,706,700		
SEV	\$1,197,856,300	\$936,150	\$193,240	\$1,027,289,850	\$1,026,353,700
TAXABLE	\$1,121,427,690	\$936,150	\$193,240	\$981,375,630	\$980,439,480
% CHANGE TO ASSESSED				-14.24%	-14.32%
% CHANGE TO TAXABLE				-12.49%	-12.57%
% OF PARCELS WHERE SEV = TAXABLE				81.69%	
% OF VALUE WHERE SEV = TAXABLE				95.53%	

PERSONAL PROPERTY - ESTIMATED 2,557 PARCELS	2010 POST MBOR	NEW/ADDNS	LOSS/LOSSES	2011 ESTIMATED	2011 w/o NEW/ADDNS
SEV & TAXABLE	\$220,466,950	\$0	\$0	\$210,000,000	\$210,000,000

ALL PROPERTIES 20,825 PARCELS	2010 POST MBOR	NEW/ADDNS	LOSS/LOSSES	2011 ESTIMATED	2011 w/o NEW/ADDNS
SEV	\$3,321,184,600	\$10,899,600	\$591,640	\$3,035,095,850	\$3,024,196,250
TAXABLE	\$3,204,568,420	\$9,884,250	\$238,340	\$2,955,826,130	\$2,945,941,880
% CHANGE TO ASSESSED				-8.61%	-8.94%
% CHANGE TO TAXABLE				-7.76%	-8.07%
% OF PARCELS WHERE SEV = TAXABLE				89.95%	
% OF VALUE WHERE SEV = TAXABLE				97.39%	

Five-Year State Equalized Valuation (SEV) HISTORY

12/01/2010

SEV is 50% of True Cash Value (Market Value)

	ACTUAL				ESTIMATED	PROJECTED		
	2007 for FY 2007/2008	2008 for FY 2008/2009	2009 for FY 2009/2010	2010 for FY 2010/2011		2011 for FY 2011/20012	2012 for FY 2012/2013	2013 for FY 2013/2014
Commercial & Industrial	1,237,272,500	1,270,942,600	1,313,896,100	1,197,856,300	1,027,289,850	945,106,600	919,727,300	919,727,300
Personal Property	200,617,830	210,456,740	233,170,160	220,466,950	210,000,000	200,000,000	190,000,000	190,000,000
Total Non-Residential Property	\$1,437,890,330	\$1,481,399,340	\$1,547,066,260	\$1,418,323,250	\$1,237,289,850	\$1,145,106,600	\$1,109,727,300	\$1,109,727,300
Total Non-Residential as % of Total	36.4%	38.2%	41.3%	42.7%	40.8%	39.1%	38.2%	38.2%
Non-Residential Real Change from Previous Year	3.7%	3.0%	4.4%	-8.3%	-12.8%	-7.5%	-3.1%	0.0%
Residential	2,508,351,450	2,395,555,450	2,194,995,650	1,902,861,350	1,797,806,000	1,780,496,300	1,798,301,300	1,798,301,300
TOTAL SEV	\$3,946,241,780	\$3,876,954,790	\$3,742,061,910	\$3,321,184,600	\$3,035,095,850	\$2,925,602,900	\$2,908,028,600	\$2,908,028,600
Change from Previous Year	2.5%	-1.8%	-3.5%	-11.2%	-8.6%	-3.6%	-0.6%	0.0%

% Change by Category

	ACTUAL				ESTIMATED	PROJECTED		
	2007 for FY 2007/2008	2008 for FY 2008/2009	2009 for FY 2009/2010	2010 for FY 2010/2011		2011 for FY 2011/20012	2012 for FY 2012/2013	2013 for FY 2013/2014
Commercial & Industrial	3.9%	2.7%	3.4%	-8.8%	-14.2%	-8.0%	-2.7%	0.0%
Residential	1.9%	-4.5%	-8.4%	-13.3%	-5.5%	-1.0%	1.0%	0.0%
Total Real Property	2.5%	-2.1%	-4.3%	-11.6%	-8.9%	-3.5%	-0.3%	0.0%
Personal Property	2.8%	4.9%	10.8%	-5.4%	-4.7%	-4.8%	-5.0%	0.0%
TOTAL SEV	2.5%	-1.8%	-3.5%	-11.2%	-8.6%	-3.6%	-0.6%	0.0%

Five-Year Taxable Value HISTORY

	ACTUAL				ESTIMATED	PROJECTED			
	2007 for FY 2007/2008	2008 for FY 2008/2009	2009 for FY 2009/2010	2010 for FY 2010/2011	2011 for FY 2011/20012	2012 for FY 2012/2013	2013 for FY 2013/2014	2014 for FY 2014/2015	
Commercial & Industrial	1,089,805,110	1,133,315,240	1,203,024,590	1,121,427,690	981,375,630	912,700,000	888,200,000	888,200,000	
Personal Property	200,617,830	210,456,740	233,170,160	220,466,950	210,000,000	200,000,000	190,000,000	190,000,000	
Total Non-Residential Property	\$1,290,422,940	\$1,343,771,980	\$1,436,194,750	\$1,341,894,640	\$1,191,375,630	\$1,112,700,000	\$1,078,200,000	\$1,078,200,000	
Total Non-Residential as % of Total	36.3%	37.5%	40.4%	41.9%	40.3%	38.9%	37.9%	37.9%	
Non-Residential Real Change from Previous Year	5.8%	4.1%	6.9%	-6.6%	-11.2%	-6.6%	-3.1%	0.0%	
Residential	2,259,983,800	2,238,676,260	2,118,748,880	1,862,673,780	1,764,450,500	1,748,500,000	1,766,000,000	1,766,000,000	
TOTAL Taxable Value	\$3,550,406,740	\$3,582,448,240	\$3,554,943,630	\$3,204,568,420	\$2,955,826,130	\$2,861,200,000	\$2,844,200,000	\$2,844,200,000	
LOSS PROVISION FOR Board of Review, Michigan Tax Tribunal cases, etc.					\$95,000,000	\$90,000,000	\$80,000,000	\$75,000,000	
					NET TAX BASE	\$2,860,826,130	\$2,771,200,000	\$2,764,200,000	\$2,769,200,000
Change from Previous Year	5.5%	0.9%	-0.8%	-9.9%	-10.73%	-6.2%	-3.4%	-2.6%	
MI Consumer Price Index	3.7%	2.3%	4.4%	-0.3%	1.7%				
% Change by Category									
	2007 for FY 2007/2008	2008 for FY 2008/2009	2009 for FY 2009/2010	2010 for FY 2010/2011	2011 for FY 2011/20012	2012 for FY 2012/2013	2013 for FY 2013/2014	2014 for FY 2014/2015	
Commercial & Industrial	6.4%	4.0%	6.2%	-6.8%	-12.5%	-7.0%	-2.7%	0.0%	
Residential	5.4%	-0.9%	-5.4%	-12.1%	-5.3%	-0.9%	1.0%	0.0%	
Total Real Property	5.7%	0.7%	-1.5%	-10.2%	-8.0%	-3.1%	-0.3%	0.0%	
Personal Property	2.8%	4.9%	10.8%	-5.4%	-4.7%	-4.8%	-5.0%	0.0%	
TOTAL Taxable Value	5.5%	0.9%	-0.8%	-9.9%	-7.8%	-3.2%	-0.6%	0.0%	

COMPARISON OF PROJECTIONS AND FINAL VALUES

	2005	2006	2007	2008	2009	2010	2011
SEV							
Assessor Projection					\$3,725,226,090	\$3,313,956,740	\$3,035,095,850
Difference (Projection to Warrant)					100.54%	100.36%	
Assessor Warrant	\$3,582,130,470	\$3,842,176,380	\$3,949,919,700	\$3,877,573,270	\$3,745,319,210	\$3,325,750,330	
Change from Previous Year		7.26%	2.80%	-1.83%	-3.41%	-11.20%	
Post MBOR	\$3,580,551,380	\$3,845,565,100	\$3,946,241,780	\$3,876,954,790	\$3,742,061,910	\$3,321,184,600	
FINAL (J&D BOR, MTT, STC)	\$3,578,262,530	\$3,835,538,020	\$3,927,852,390	\$3,874,450,340	\$3,731,266,400	\$3,315,769,458	
Difference (Warrant to Final)	\$	-\$3,867,940	-\$6,638,360	-\$22,067,310	-\$3,122,930	-\$14,052,810	-\$9,980,872
	%	99.89%	99.83%	99.44%	99.92%	99.62%	99.70%
TV							
Assessor Projection					\$3,538,094,740	\$3,191,594,120	\$2,955,826,130
Difference (Projection to Warrant)					100.56%	100.57%	
Assessor Warrant	\$3,099,173,120	\$3,360,539,470	\$3,553,421,730	\$3,582,783,460	\$3,557,780,100	\$3,209,850,030	
Change from Previous Year		8.43%	5.74%	0.83%	-0.70%	-9.78%	
Post MBOR	\$3,098,817,510	\$3,364,061,500	\$3,550,406,740	\$3,582,448,240	\$3,554,943,630	\$3,204,568,420	
FINAL (J&D BOR, MTT, STC)	\$3,097,440,190	\$3,358,289,934	\$3,532,229,270	\$3,580,269,790	\$3,542,655,460	\$3,195,220,135	
Difference (Warrant to Final)	\$	-\$1,732,930	-\$2,249,536	-\$21,192,460	-\$2,513,670	-\$15,124,640	-\$14,629,895
	%	99.94%	99.93%	99.40%	99.93%	99.57%	99.54%
# of MBOR Petitions	951	1,068	1,367	829	1,189	777	

Note: Beginning in 2008, Commercial and Industrial properties could appeal directly to the MTT without an appeal at the local MBOR

Oakland County 2011 SEV & TV Estimates

2011 IRM 1.70%	Indicated Moves for 2011			REAL Residential, Commercial, and Industrial Classes Only				Estimate % Change	
	Res	Com	Ind	2010 SEV	2011 est. SEV	2010 TV	2011 est. TV	SEV	TV
Northville (Oakland Co Portion)	0.00%	-16.51%	-12.66%	\$ 134,366,650	\$ 133,822,313	\$ 133,826,510	\$ 133,482,191	-0.41%	-0.26%
Novi	-5.78%	-13.43%	-13.72%	\$ 3,100,717,650	\$ 2,825,095,850	\$ 2,984,101,470	\$ 2,745,826,130	-8.89%	-7.98%
Farmington	-8.23%	-11.48%	-17.24%	\$ 335,095,960	\$ 301,490,285	\$ 333,495,790	\$ 301,032,283	-10.03%	-9.73%
Farmington Hills	-7.82%	-13.85%	-18.27%	\$ 3,425,792,500	\$ 3,078,472,523	\$ 3,360,061,060	\$ 3,046,913,503	-10.14%	-9.32%
Troy	-7.48%	-14.77%	-18.56%	\$ 4,580,527,583	\$ 4,094,779,986	\$ 4,434,853,402	\$ 4,031,883,605	-10.60%	-9.09%
Rochester Hills	-3.73%	-15.41%	-18.31%	\$ 3,062,162,410	\$ 2,860,649,581	\$ 3,018,247,540	\$ 2,835,528,076	-6.58%	-6.05%
Oakland County				\$ 53,872,993,834	\$ 48,338,477,654	\$ 51,260,430,253	\$ 46,816,725,093	-10.27%	-8.67%

* 2011 Estimates (Non Novi) created using sales information available to Oakland County Equalization as of 8/1/10

* New Construction, Personal Property, and Pop-ups (uncapping) not finalized until 12/31/10

Source: Oakland County Budget Symposium II Session 2E by Dave Hieber, Oakland County, Presented November 8, 2010