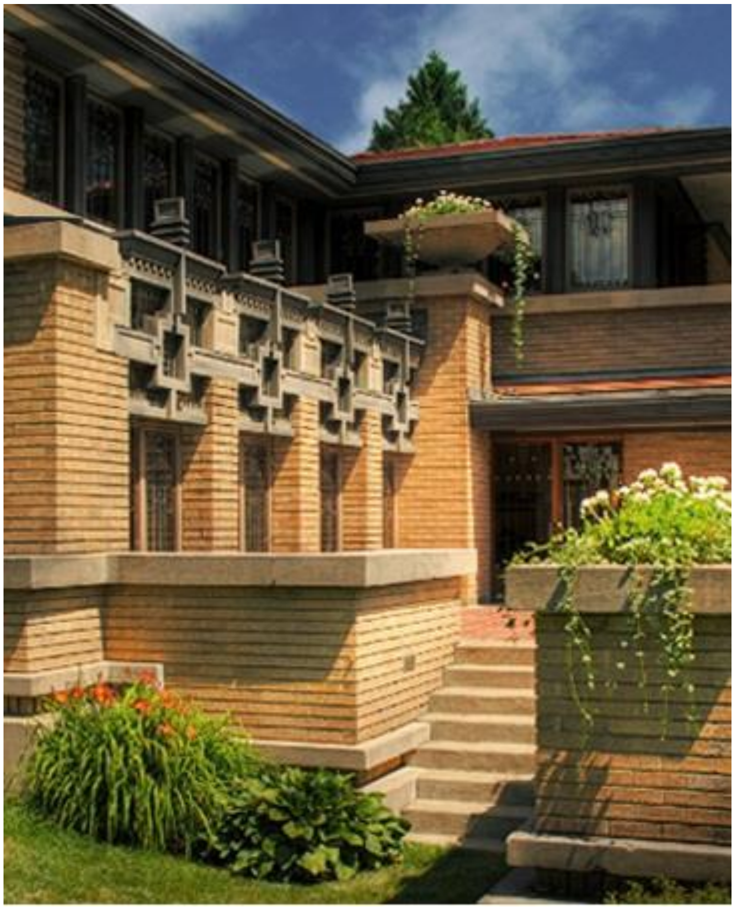
2017

Assessment Roll Report



Assessor's Office

City of Grand Rapids

7/20/2017

Table of Contents

I.	**Assessor's Transmittal Letter**	3
II.	**Overview**	
	a. Mission Statement	4
	b. Organizational Chart	5
III.	**2017 Assessment Roll**	
	a. Parcel Counts	6
	b. State Equalized Values	7
	c. Taxable Values	9
	d. Millage Reduction Calculation	11
	e. School District Totals	12
	f. Largest Taxpayers	13
IV.	**Assessment Districts & Zones**	
	a. Renaissance Zones	14
	b. Tax Capture Districts	16
V.	**Significant Legislative Changes Impacting Property Tax Administration**	
	a. Personal Property	18
	b. Disabled Veteran's Exemption	19
	c. Charitable Housing Exemption	19
VI.	**Real Estate Trends & Forecast**	
	a. Foreclosures	20
	b. Preliminary Sales Study Indications	20

July 20, 2017

Gregory A. Sundstrom, City Manager:

The City Assessor has completed the Annual Assessment Roll Report for tax year 2017, Fiscal Year 2018.

The purpose of this report is threefold: 1) to provide a synopsis of the City's Fiscal Year 2018 property tax base, 2) to provide key economic indicators related to the real estate market, and 3) to provide an overview of the City's various property tax incentive programs and property tax capture districts.

Respectfully submitted,

Scott Engerson
City Assessor

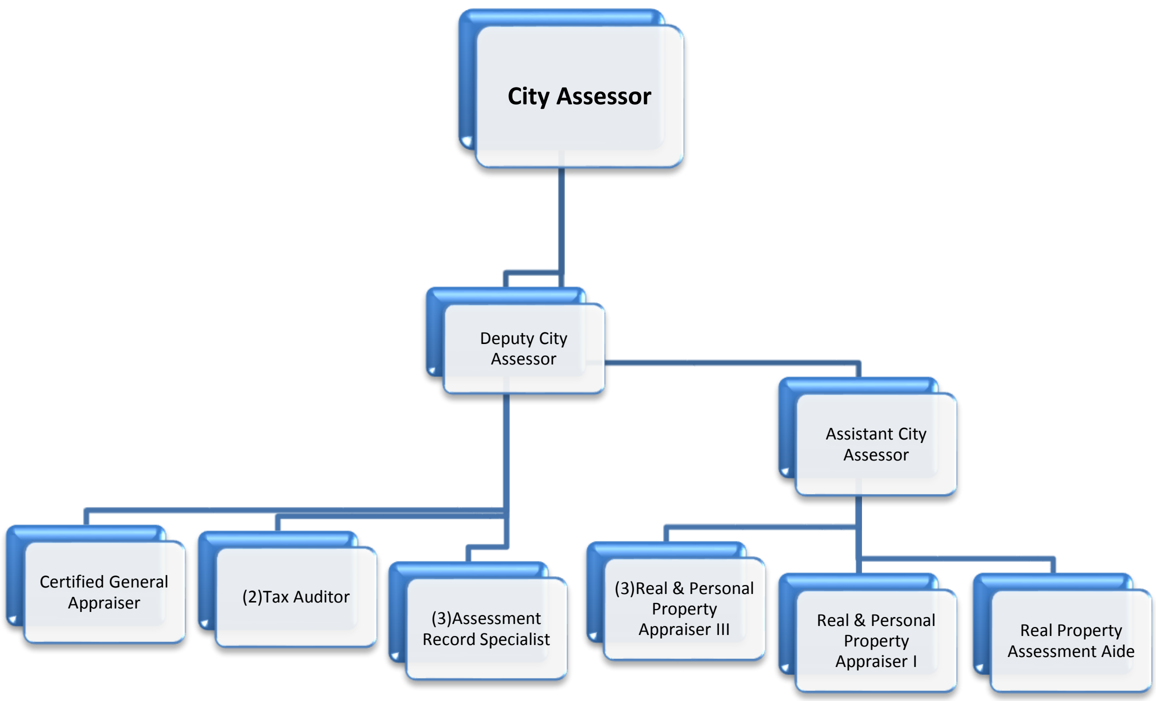
CITY OF GRAND RAPIDS, MICHIGAN MISSION STATEMENT

We, the elected and appointed officials and employees of the City of Grand Rapids, believe in the dignity and worth of all people and in the right of every citizen to have equitable access to the benefits of urban life. We believe in the rights of all citizens to express their views and the responsibility of the City government to respond to those views.

As government representatives, we will help shape the future to assure that the City will continue to be a place where the benefits of urban life can be enjoyed. We will:

- *Provide leadership in focusing community resources to address community needs and opportunities.*
- *Develop and nurture partnerships that encourage and support collaboration.*
- *Encourage economic prosperity for City residents and businesses to ensure the City's ability to provide important urban services.*
- *Foster the economic health of our City within an economically healthy metropolitan region and assure that responsibility is shared equitably across the metropolitan area.*
- *Celebrate and strengthen the diversity of our community, ensure the dignity of all citizens, and equitably deliver services.*
- *Provide for the security of persons and property.*
- *Provide leadership to ensure that children, families, and seniors thrive in our community.*
- *Develop, maintain, and improve City-owned physical infrastructure.*
- *Maintain and enhance residential neighborhoods and increase homeownership.*
- *Enhance citizens' quality of life using the City's cultural, recreational, and occupational infrastructure.*
- *Provide high quality municipal services efficiently, fairly, and courteously.*
- *Foster a learning environment, which promotes employee and team excellence in delivery of City services.*
- *Provide environmental stewardship to enhance quality of life for residents.*
- *Collaborate with residents to provide a neighborhood based City service delivery system.*

Fiscal Services
Assessor's Office
Organization Chart, Fiscal Year 2017



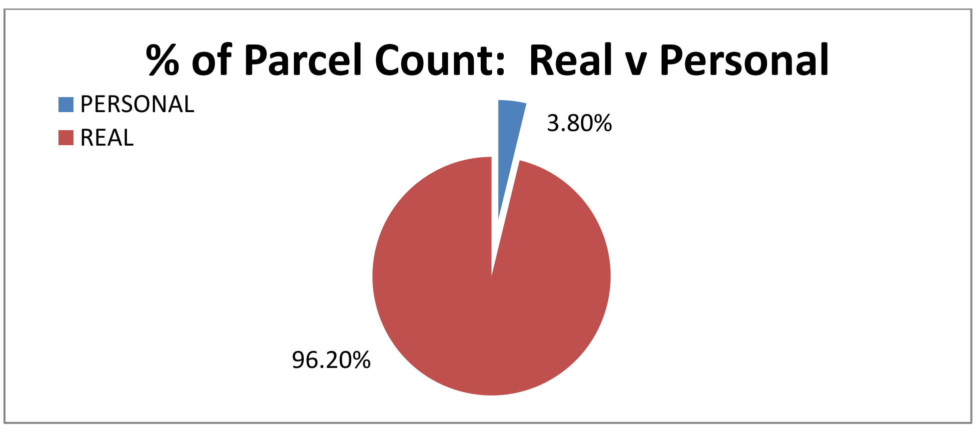
2017 Assessment Rolls *Parcel Counts*

The City Assessor is responsible for administering five separate assessment rolls. The ad valorem roll contains all real and personal property subject to taxation at either the full millage rate or the renaissance zone millage rate. **The Industrial Facilities (IFT) roll[1], Neighborhood Enterprise Zone (NEZ) roll[2], and Obsolete Properties (OPRA) roll[3], known as Special Acts Assessment Rolls,** contain eligible real and personal property subject to taxation at a reduced millage rate for a limited period of time. **The Tax Reverted Clean Title Act (TRCTA) roll[4]** contains properties that are subject to the full millage rate, but half of the levy is allocated to the Kent County Land Bank Authority.

Assessable property in the State of Michigan is categorized as either real or personal. All assessable property is further classified as agricultural, commercial, development, industrial, residential, timber-cutover, or utility. Parcel counts by type and classification for each of the five rolls are contained in the chart below.

2017 Parcel Counts

	Class ↓	Ad Valorem	IFT	NEZ	OPRA	TRCTA	Totals
Real Property	Commercial	4,204	7	6	69	17	4,303
	Industrial	573	62	0	1	1	637
	Residential	56,024	0	239	0	417	56,680
	Exempt	2,720	0	0	0	6	2,726
	Real Property Totals	**63,521**	**69**	**245**	**70**	**441**	**64,346**
Personal Property	Commercial	2,285	6	0	0	0	2,291
	Industrial	208	103	0	0	0	311
	Utility	13	0	0	0	0	13
	Personal Property Totals	**2,506**	**109**	**0**	**0**	**0**	**2,615**
Parcel Count Totals		**66,027**	**178**	**245**	**70**	**441**	**66,961**



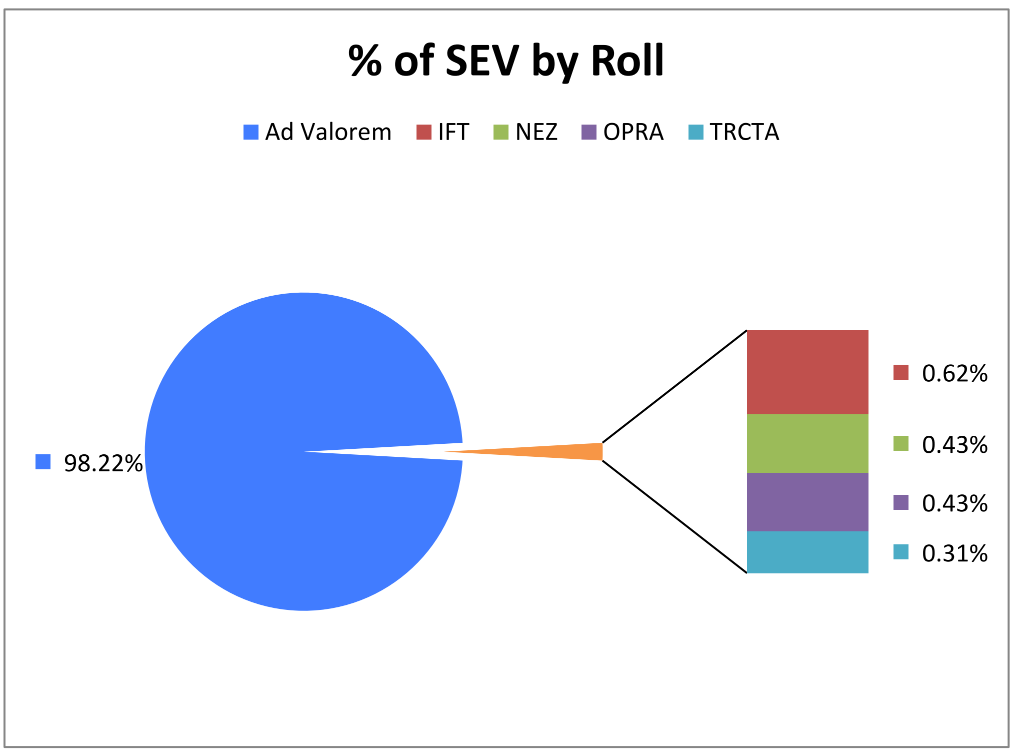
[1] As authorized by Public Act 198 of 1974.
[2] As authorized by Public Act 147 of 1992.
[3] As authorized by Public Act 146 of 2000.
[4] As authorized by Public Act 260 of 2003.

2017 Assessment Rolls *State Equalized Values*

State Equalized Value, commonly referred to as SEV, represents an estimate of 50% of the fair market value of the properties assessed on the roll. The chart below summarizes the SEV's by property type, classification, and roll.

2017 State Equalized Values (SEV)							
	Class ↓	**Ad Valorem**	**IFT**	**NEZ**	**OPRA**	**TRCTA**	**Totals**
Real Property	Commercial	$1,515,228,100	$294,600	$4,841,100	$24,230,300	$3,017,700	$1,547,611,800
	Industrial	$189,269,300	$13,340,900	$0	$38,700	$56,800	$202,705,700
	Residential	$3,478,392,600	$0	$19,727,600	$0	$14,314,100	$3,512,434,300
	Exempt	$0	$0	$0	$0	$0	$0
	Real Property Totals	**$5,182,890,000**	**$13,635,500**	**$24,568,700**	**$24,269,000**	**$17,388,600**	**$5,262,751,800**
Personal Property	Commercial	$220,405,400	$54,100	$0	$0	$0	$220,459,500
	Industrial	$70,718,000	$21,293,900	$0	$0	$0	$92,011,900
	Utility	$104,302,600	$0	$0	$0	$0	$104,302,600
	Personal Property Totals	**$395,426,000**	**$21,348,000**	**$0**	**$0**	**$0**	**$416,774,000**
SEV Totals		**$5,578,316,000**	**$34,983,500**	**$24,568,700**	**$24,269,000**	**$17,388,600**	**$5,679,525,800**

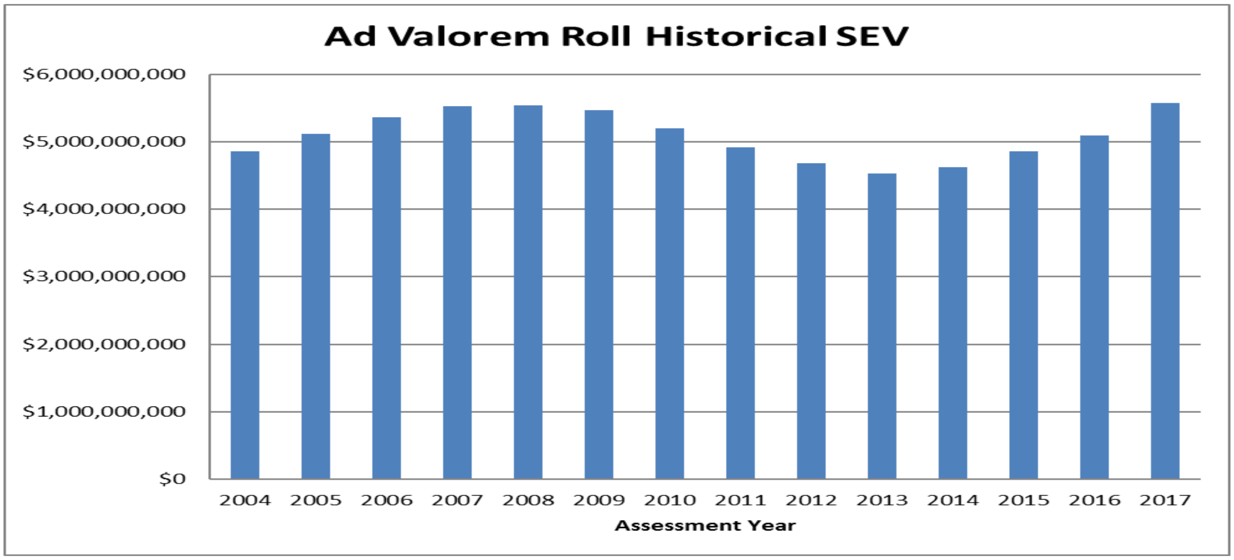
As the following chart displays, over 98% of the City's assessable property is assessed on the ad valorem roll.



2017 Assessment Rolls *Historical State Equalized Value*

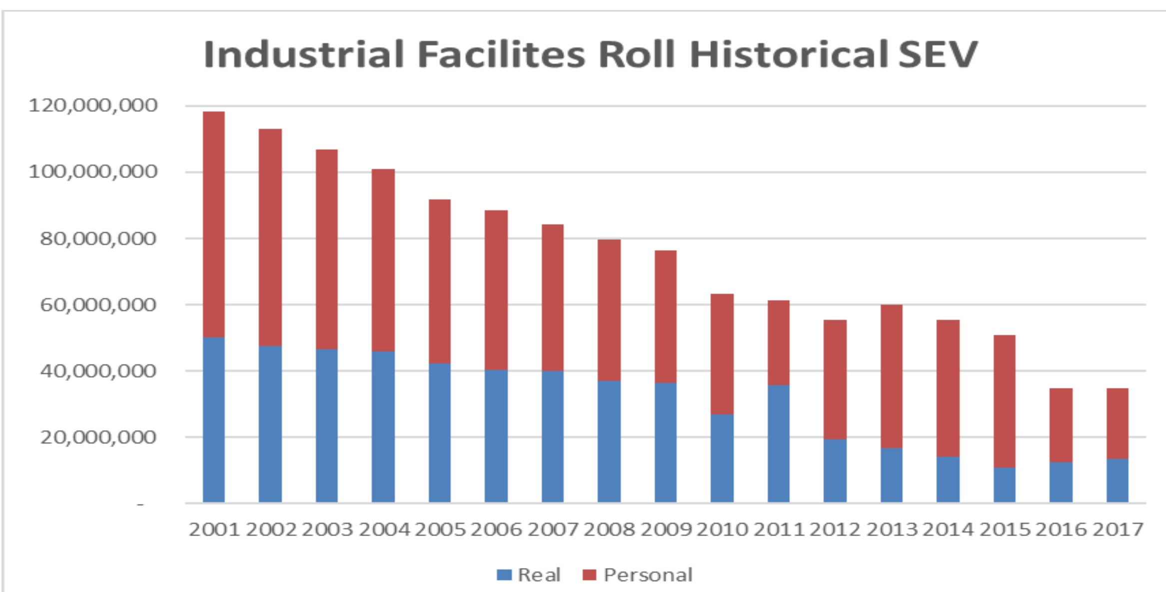
Ad Valorem Roll

A strong real estate market increased the City's SEV for the third straight year. The increase in 2017 was largely due to increases in commercial and residentially classed real property.



Industrial Facilities Roll

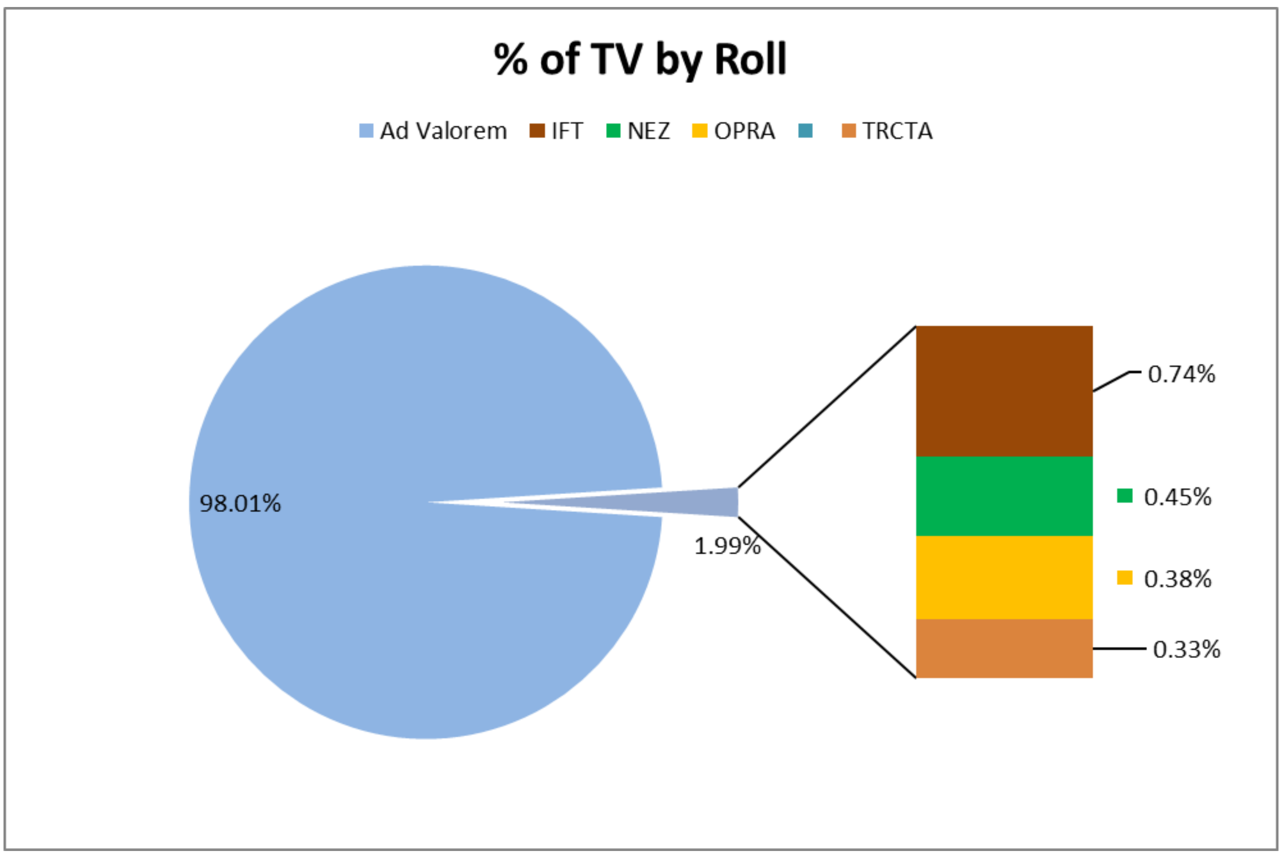
While the four Special Acts Assessment Rolls comprise less than 2% of the City's 2017 SEV, the IFT roll is considered to be a reliable indicator of the amount of annual private sector investment in industrial real property and industrial machinery and equipment. The IFT assessment roll also reflected an increase in value of real property but remained stable overall with the second year of the phase-in of the Eligible Manufacturing Personal Property Exemption.



Taxable value represents the property tax base of the City. While the State Equalized Value (SEV) is a measure of 50% of fair market value of property on the roll, the Taxable Value (TV) is multiplied by the millage rate to calculate property taxes.

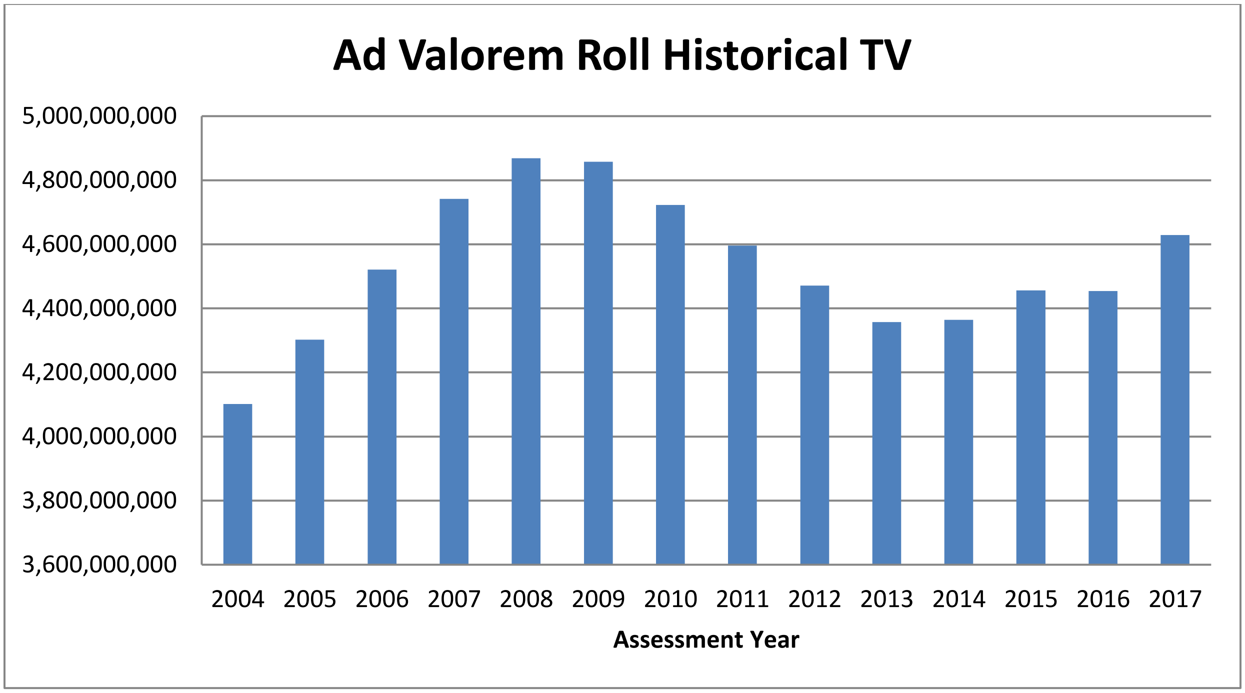
2017 Taxable Values (TV)							
	Class ↓	**Ad Valorem**	**IFT**	**NEZ**	**OPRA**	**TRCTA**	**Totals**
Real Property	Commercial	$1,301,686,385	$284,743	$4,795,562	$22,219,286	$2,937,040	$1,331,923,016
	Industrial	$172,823,262	$13,144,917	$0	$37,837	$56,800	$186,062,816
	Residential	$2,759,511,596	$0	$16,635,018	$0	$12,780,221	$2,788,926,835
	Exempt	$0	$0	$0	$0	$0	$0
	Real Property Totals	**$4,234,021,243**	**$13,429,660**	**$21,430,580**	**$22,257,123**	**$15,774,061**	**$4,306,912,667**
Personal Property	Commercial	$220,405,400	$54,100	$0	$0	$0	$220,459,500
	Industrial	$70,718,000	$21,293,900	$0	$0	$0	$92,011,900
	Utility	$104,302,600	$0	$0	$0	$0	$104,302,600
	Personal Property Totals	**$395,426,000**	**$21,348,000**	**$0**	**$0**	**$0**	**$416,774,000**
TV Totals		**$4,629,447,243**	**$34,777,660**	**$21,430,580**	**$22,257,123**	**$15,774,061**	**$4,723,686,667**

As displayed on the following chart, slightly over 98% of the City's property tax base resides on the ad valorem roll.



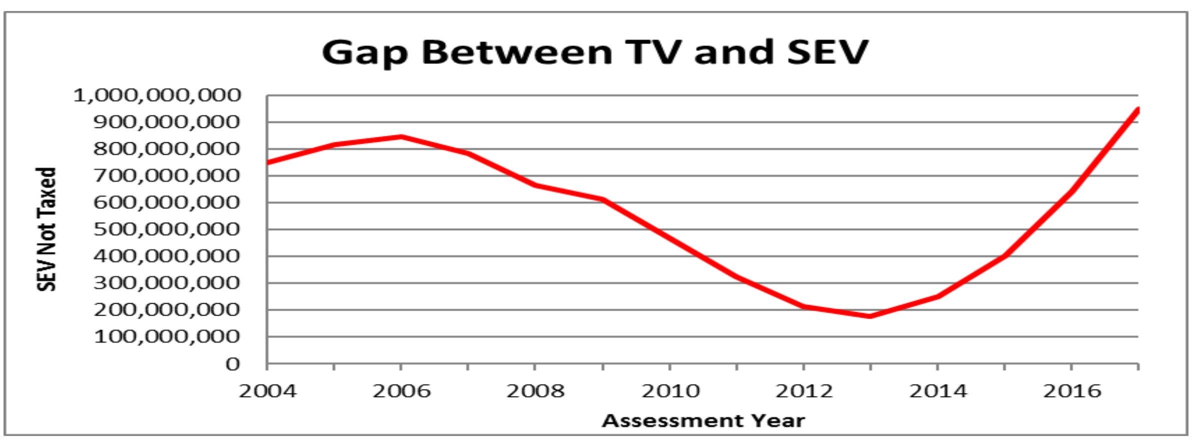
Ad Valorem Roll

While real property values increased due to the strong real estate market, the increase in taxable value increased slightly under 4%, the largest increase since 2007.



Ad Valorem TV vs SEV

The relationship of taxable value to state equalized value provides insight into the limiting effects of Proposal A. The graph below displays the gap between taxable value and state equalized value. The gap represents the loss in the property tax base due to the capping provisions contained in Proposal A. While this gap has narrowed significantly with the loss in property value during the last several years, it is widening as the market recovers.



Headlee Millage Reduction Fraction

In 1978, Michigan voters approved the "Headlee" tax limitation amendments to the Michigan Constitution of 1963 (Article IX, Sections 24 - 34). Often referred to as the “Headlee Rollback”, this constitutional amendment requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the City’s millage rate is “rolled back” so that the resulting growth in City property tax revenue does not exceed the rate of inflation. This is accomplished with the “Headlee” Millage Reduction Fraction (MRF).

Another amendment to the Michigan Constitution, known as Proposal A of 1994, requires the taxable value of an individual property to be capped by the rate of inflation, with the exception of properties which transfer ownership. For those properties that experienced a transfer of ownership in the previous year, the taxable value is “uncapped” and the taxable value becomes equal to the State Equalized Value (SEV). When the overall growth in taxable value exceeds the rate of inflation, a millage reduction fraction must be applied to the City’s millage rates.

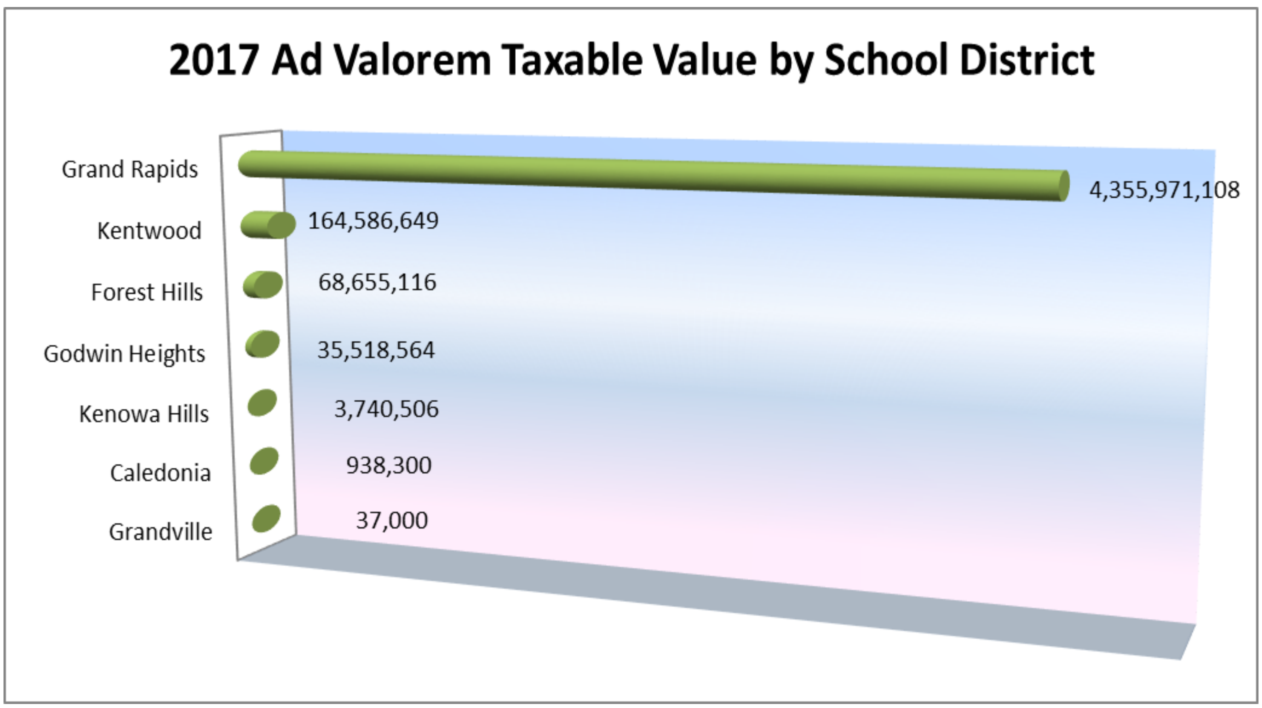
For tax year 2017, a low inflation rate multiplier of 1.009, coupled with the “uncapping” of taxable value in a growing real estate market, has resulted in the City’s total taxable value increasing more than the rate of inflation over the previous year.

The City’s millage reduction fraction is calculated at 0.988 for the 2017 tax year. This multiplier is applied to the City’s 2017 permanently reduced authorized millage rates and reduces the maximum allowable millage the City is able to levy in 2017 and forward. In order to return to the charter authorized millage, a vote by the electors would be required.

Ad Valorem Roll

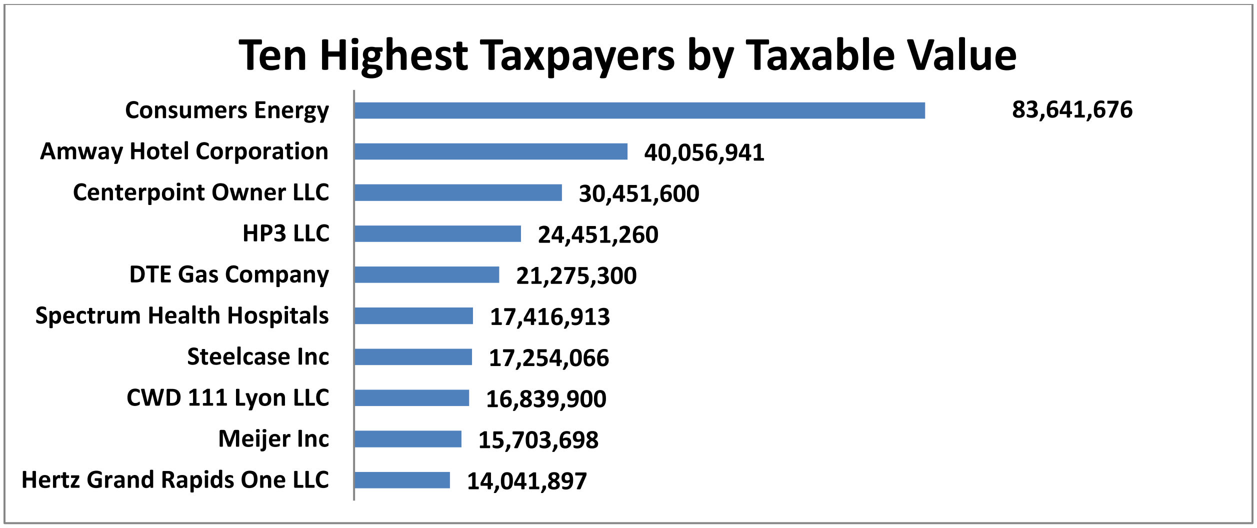
The City boundaries encompass property located in seven different school districts. The school districts and their respective 2017 taxable values and state equalized values are listed below.

School District	Parcels	Ad Valorem TV	Ad Valorem SEV
Grandville	8	37,000	37,000
Caledonia	25	938,300	938,300
Kenowa Hills	25	3,740,506	6,973,800
Godwin Heights	59	35,518,564	40,949,500
Forest Hills	145	68,655,116	76,589,300
Kentwood	1,385	164,586,649	183,659,300
Grand Rapids	64,380	4,355,971,108	5,269,168,800
Total	**66,027**	**$4,629,447,243**	**$5,578,316,000**



All Rolls

The 2017 taxable values of the City's ten largest taxpayers are listed in the following chart. The total taxable value includes both real and personal property from all assessment rolls.[5]



[5] IFT taxable value converted to equivalent taxable value.

The Michigan Renaissance Zone Act, Act 376 of 1996, was created to foster economic opportunities and stimulate industrial, commercial, and residential growth in distressed areas displaying evidence of adverse economic and socioeconomic conditions. Through this enabling legislation, the City created six renaissance zones in 1997, which are now expired, and an additional five zones in 2003.

The benefits for property owners in a renaissance zone are reduced real and personal property taxes for a period of 15 years in the form of a reduced millage rate. The state equalized value and taxable value is calculated in the same manner as all other parcels and is included in the totals of each respective assessment roll. During the first 12 years, property owners are subject only to local school debt millage. During the remaining 3 years, all other millages are phased in at 25% increments. The majority of the renaissance zones are in the final year of the phase out process. The benefit level is reduced from 50% in 2016 to 25% for the 2017 tax year.

Beginning in 2008, the State allowed for the extension of renaissance zone benefits on certain eligible properties whose owners planned to make significant investment during the originally planned phase out period. The State has approved extensions for six businesses located in the City. These benefits will expire in 2023.

Tool & Die Renaissance Zones

Beginning in 2005, the State allowed for the creation of Tool & Die Renaissance Zones. The City approved six new renaissance zone benefits in 2013 for a total of twelve companies receiving benefits for the 2014 tax year. All current Tool and Die Renaissance Zones will expire by 2020.

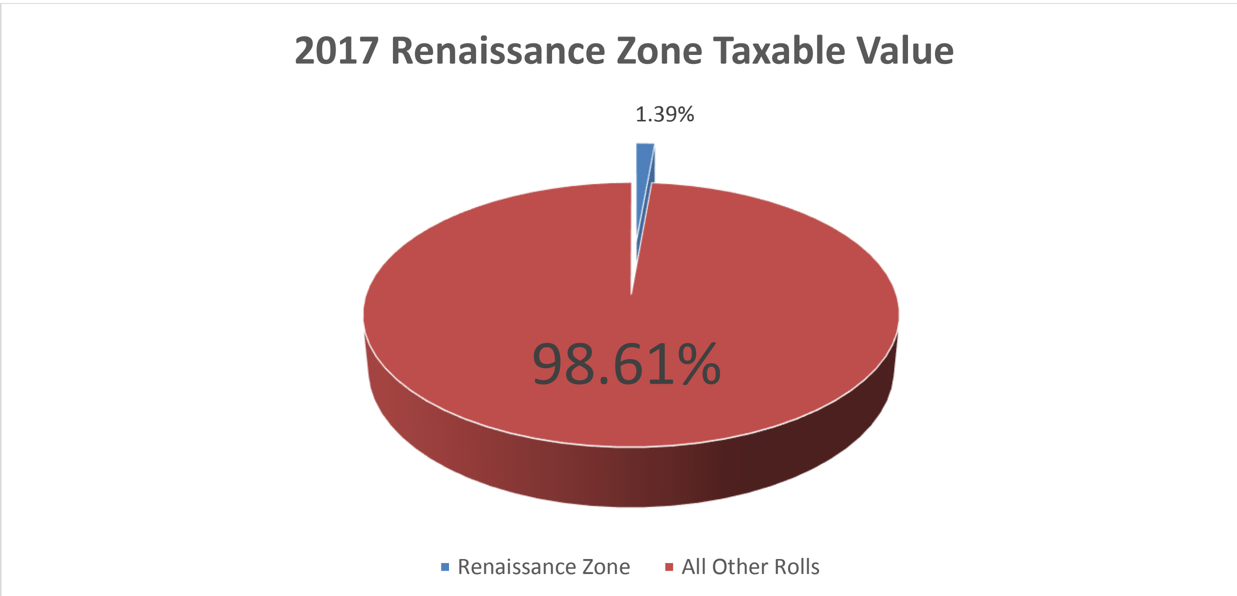
2017 Renaissance Zone Taxable Value – All Rolls

The following chart summarizes the amount of 2017 taxable value located in the City's various renaissance zones. Properties with a benefit level less than 100% are in the phase out process.

Renaissance Zones 2017 Taxable Value - All Rolls		
Benefit Level		**Taxable Value**
100%	$	4,735,882
75%	$	466,932
25%	$	60,409,017
Total	**$**	**65,611,831**

2017 Renaissance Zone Taxable Value – All Rolls cont.

The total 2017 taxable value subject to renaissance zone benefits on all rolls is equivalent to 1.39% of the City's total taxable value.



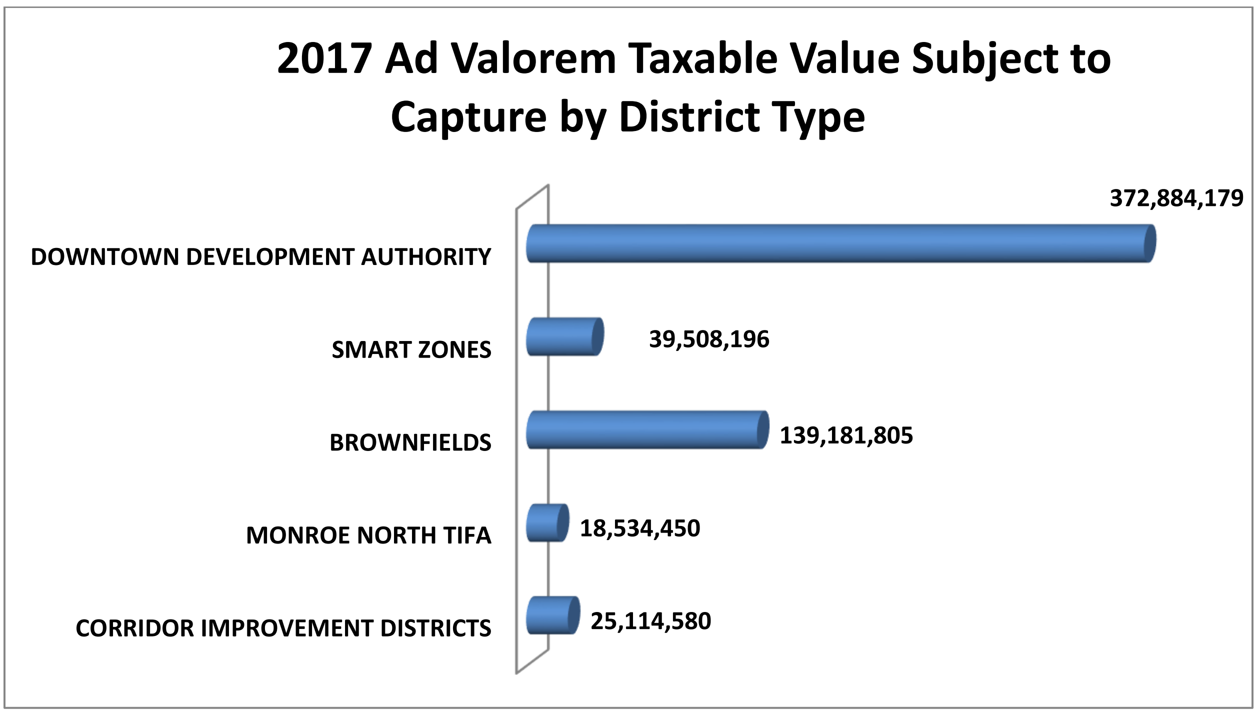
Types of Tax Capture Districts.

Legislation passed by the State of Michigan has allowed for the creation of five types of tax capture districts in the City of Grand Rapids: Downtown Development Districts, Smart Zone Districts, Brownfield Districts, Tax Increment Finance Districts, and Corridor Improvement Districts.

Property taxes within a tax capture district are based on the same millage rates as those outside of a district. While the tax calculation is the same, the distribution of the taxes varies in that an authority or developer receives a portion of the taxes as opposed to the agency levying the tax. The amount of tax subject to capture is dependent upon the type of district, and developers only receive reimbursement of documented eligible expenses as pre-defined in a development agreement.

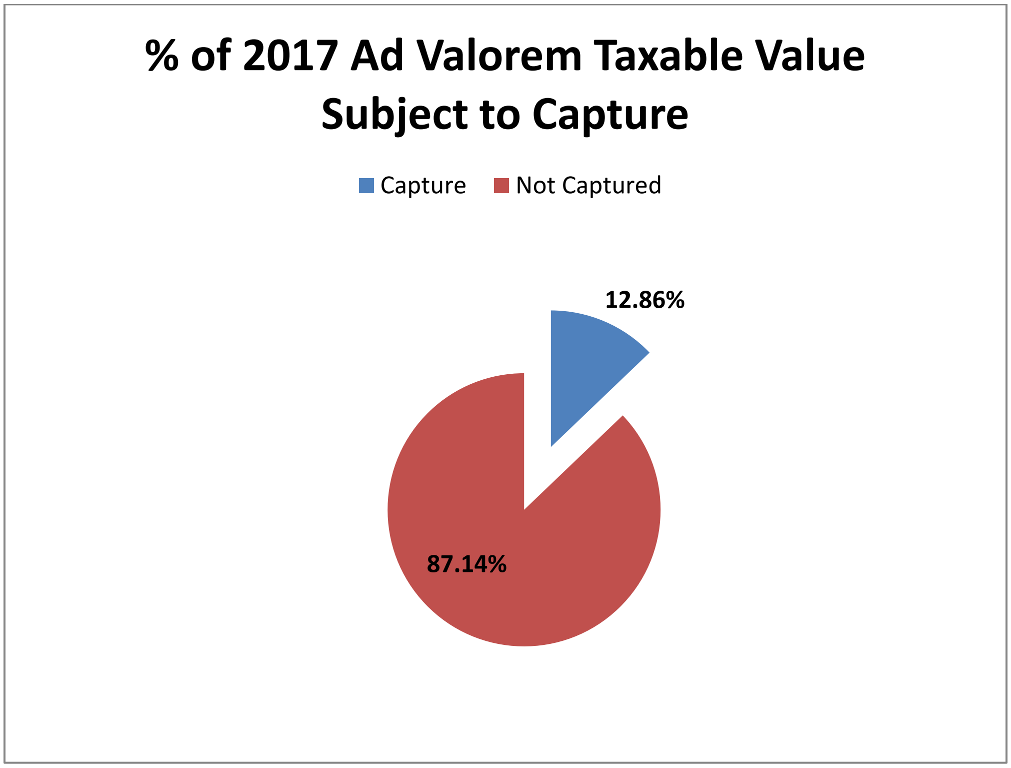
2017 Taxable Value Subject to Tax Capture Agreements

The amount of 2017 ad valorem taxable value subject to tax capture agreements is displayed in the following chart by district type.



2017 Taxable Value Subject to Tax Capture Agreements cont.

The amount of 2017 ad valorem taxable value subject to capture agreements is 12.86% of the Ad Valorem tax base.



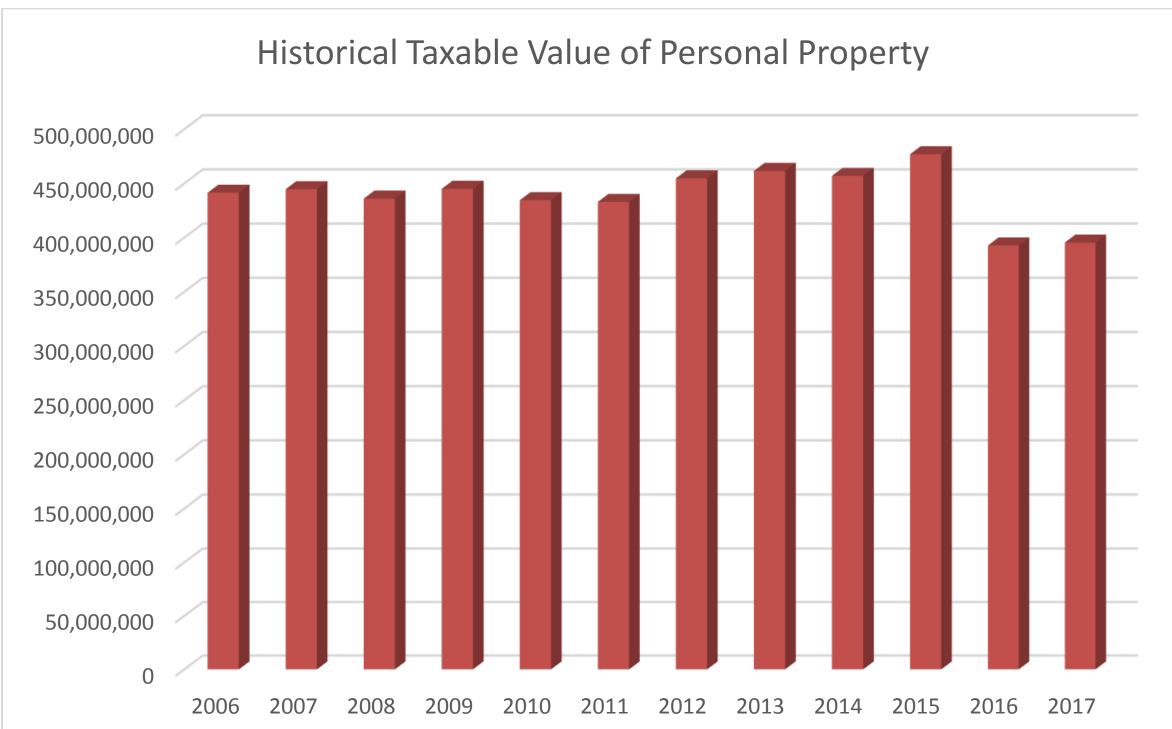
Significant Legislative Changes Affecting Property Tax Administration

Personal Property

A package of bills passed in 2012 by the state legislature, and the subsequent passage by voters of Proposal 1 of 2014, created two personal property exemptions. The first exemption, which began in 2014, is the "Small Business Tax Exemption". The second exemption, which began in 2016, is the "Eligible Manufacturing Personal Property" exemption.

The "Small Business Tax Exemption" exempts business personal property owned, leased, or in the possession of a business, if the total true cash value is less than $80,000 within the local unit of government.

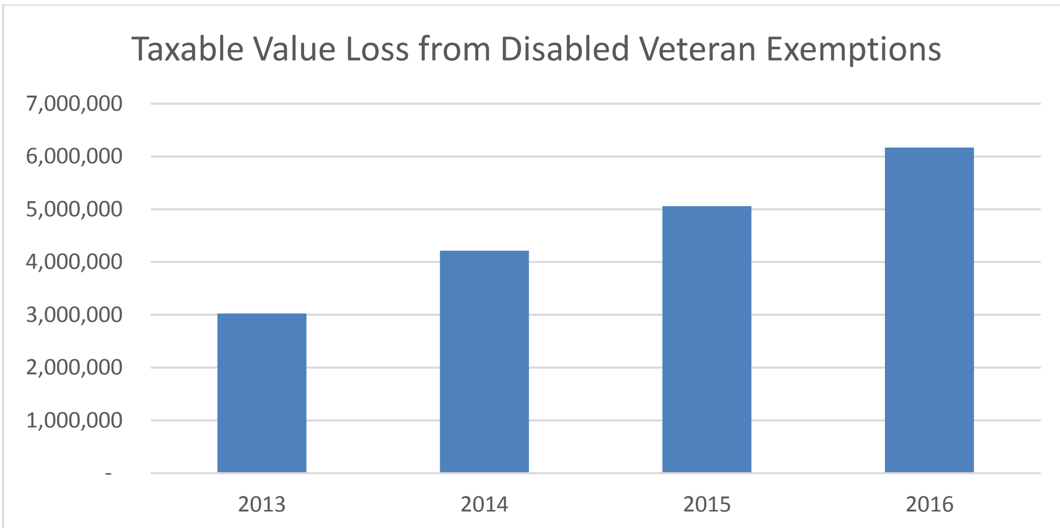
The "Eligible Manufacturing Personal Property" exemption (EMPP) eliminates personal property taxes on personal property which is used either for industrial processing, or direct integrated support of industrial processing. The exemption is phased in over several years beginning in 2016. In 2023, all Eligible Manufacturing Personal Property will be exempt in the State of Michigan. The overall effect on the personal property tax base is shown in this chart:



Other features of the bills include a proportion of Use Tax revenues to be directed to local units of government to offset revenue losses caused by the exemptions; establishment of a "State Essential Services Assessment" which will be levied against exempt personal property in 2017 with the revenue going to the state treasury's general fund; and creation of the "Local Community Stabilization Authority" which will receive and disburse the local communities' share of the State Use Tax.

Disabled Veteran's Exemption

In 2013, the state legislature passed Public Act 161, which provides a property tax exemption on the homestead of honorably discharged veterans of the United States Military who are 100% disabled. This chart shows the loss in taxable value as a result of the disabled veteran's exemption since the creation of the exemption.



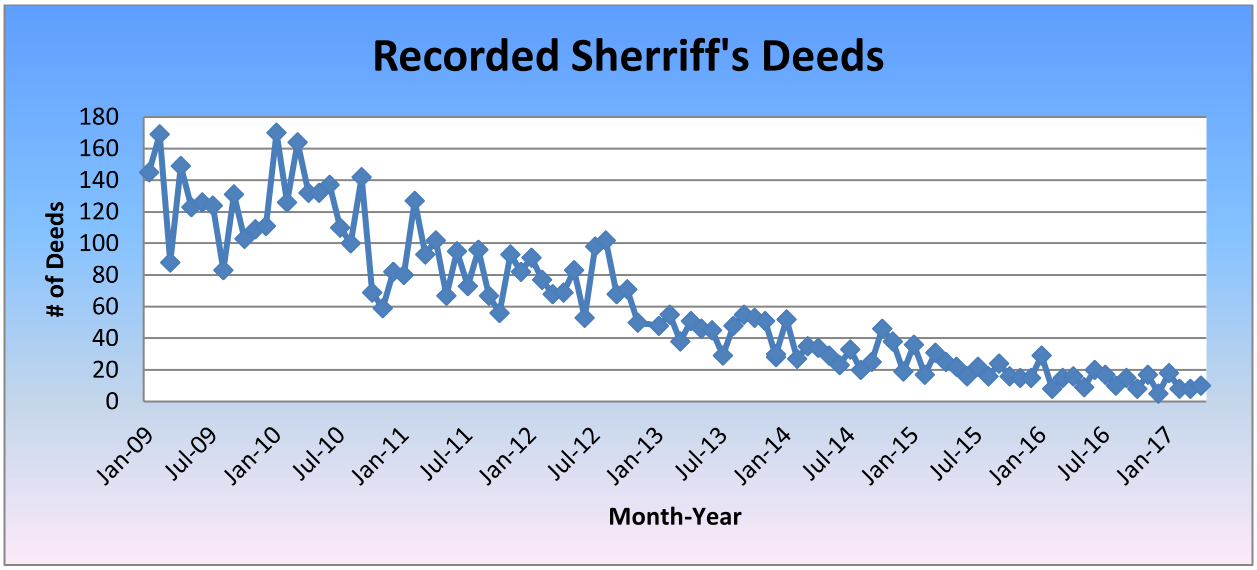
The State Tax Commission requires the disabled veteran to annually file for this exemption with the March, July or December Board of Review. As of this date, 90 exemptions have been granted for a total loss of 4,754,073 in taxable value for the 2017 tax year.

Charitable Housing Exemption

Public Act 456 of 2014 allows for an exemption from the collection of taxes under the General Property Tax Act, for charitable nonprofit housing organizations that own eligible nonprofit housing. The State Tax Commission granted 61 properties this exemption in 2016 and another 17 for the 2017 assessment year. The combined loss of taxable value in the two year period is 717,254.

Mortgage Foreclosures

The City of Grand Rapids tracks the number of foreclosures due to nonpayment of mortgages for the purpose of anticipating the growth or decline in the real estate market. This is based on the concept that real estate values rebound when the inventory of foreclosed properties is significantly reduced. As displayed in the following chart, the number of sheriff's deeds recorded has continually trended downward from the volatile 2009 - 2010 real estate market. This reduction corresponds with national trends of declining rates of foreclosure activity. The diminishing inventory of foreclosed property on the market is indicative of a stable and healthy residential real estate market in the City of Grand Rapids.



Preliminary Residential Sales Study Indications

A two year sales study performed by the Kent County Bureau of Equalization indicates an increase of 4.9% on 2018 state equalized values (SEV) in the residential class. This two year sales study, as required by the State Tax Commission, includes sales from April, 2015 through the end of March, 2017. This time period is a revision made by the State Tax Commission as published in State Tax Commission Bulletin 9 of 2017 issued on June 6, 2017.

Preliminary Commercial and Industrial Study Indications

Due to the limited number of sales in the commercial and industrial classes, the Kent County Bureau of Equalization performs appraisal studies to determine the assessment ratio for these classes. Results of the appraisal studies will not be available until December of 2017.