

## **Cottage Groves Tax Capacity Value Growing**

There is about \$3 billion in market value of land and buildings within the Cottage Grove community. However, the City does not levy property tax on market value. The City levies a property tax on what is called "Tax Capacity Value (TCV)." The TCV is the composite of all property value within a community multiplied by a rate set by the State of Minnesota which varies by class of property. The class rate multiplier is currently 1% of market value for residential property up to \$500,000 in value (1.25% for value above that) and generally about 2% for commercial property. Among several other classes of property are apartments, generally at 1.8% of market value and agricultural property at .55% up to 1% of value. These class rates are the same throughout the State. After placing this class rate multiplier against all property in Cottage Grove, TCV is \$32,435,266 for the 2009 tax year. It is this value, in 2009 on which the City will levy a property tax (excepting tax exempt properties). That property tax comprises about 78% of projected General Fund revenues in 2009.

The greater the tax capacity value within a community the lower the property tax burden tends to be on any single property. Due to the manner in which Cottage Grove has developed over the past 150 years Cottage Groves TCV is more moderate on a per capita basis than most metro area suburbs to which Cottage Grove compares (generally between 20,000 and 60,000 in population). Cottage Grove TCV per capita is at \$963 in 2008 (of which \$887 is taxable value). The lowest TCV among similarly sized communities in 2007 was \$819 (\$702 taxable); with the high end at \$2419 (\$2153 taxable). The average value/taxable value for 2007 was \$1263/\$1154). While TCV values in Cottage Grove continue as comparatively modest growth in TCV has been significant over the past several years. Since 2002, for instance TCV has increased over 85% in Cottage Grove.

Over the past several years, the City has held TCV growth as a top priority. Development of the industrial park, the Gateway redevelopment district and upper bracket housing within the West Draw neighborhoods has contributed to escalating TCV growth and fiscal health of the community. Continued high value growth in these areas and in the future East Ravine development district continues to be a high priority.

Tax Rates in Cottage Grove have moderated since 2002 in spite of the relatively low tax capacity value of property. The reason is that spending growth by the City has not escalated with recent improvements in TCV. Between 2002 and 2007 TCV per capita has improved on average at about 12% per year. This pace of growth is greater than that of most comparative communities. Spending growth by the City has been at about half the pace of TCV growth. The result is that the tax rate has dropped in Cottage Grove almost 26% over the past six years. 2008 TCV, on which 2009 taxes will be levied, is up about 4.45% on a per capita basis.