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Property Tax and Assessment News from Around the World

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Harris County could see budget cuts due to Hurricane Harvey's destruction

Harris County government departments could see their budgets reduced by up to 5 percent as property taxes take an expected dip due to Hurricane Harvey's widespread destruction.

The estimate is preliminary, County Budget Officer Bill Jackson said Friday. The extent of an anticipated decrease in property tax revenues will be determined after properties are appraised on Jan. 1.

His remarks came as Commissioners Court prepares for its annual mid-year budget review.

Damaged homes will be worth less and owners are expected to pay less in property taxes. In other cases, repairs to homes or other buildings could bring them back up to their original value. Properties unaffected by flood waters could see a jump in value.

Jackson said the county's public contingency fund -- roughly $100 million -- has helped pay for Harvey related expenses, such as debris clean-up and overtime. Jackson said Harvey-related overtime has totaled some $12 million, so far.

The county still is assessing what is likely to be hundreds of millions of dollars of damage to infrastructure -- but most of that will be covered by insurance and some repairs can be reimbursed by the federal government.

Harvey's impact on the county's budget likely will come from a dip in property tax revenues, Jackson said. The county relies on property taxes for most of its revenue. Unlike the City of Houston, it does not collect a sales tax.

Jackson said the goal is to keep departmental budgets flat, but some could see cuts of up to 5 percent. He said the goal is to prioritize law enforcement, public health care, and road and bridge budgets.

"We're not going to have any severe decreases," Jackson said.

If budgets are curtailed, it would be the first time since the economic downturn around 2009, Jackson said.

The county plans to keep its overall property tax rate the same. Commissioners Court is expected to approve an overall proposed property tax rate of $.62998 per $100 of assessed value on Sept. 26.

TENNESSEE - Amazon collects tens of millions in incentives, but jobs progress is unclear

Amazon, the online retail giant, is adept at maximizing tax breaks and other subsidies when it develops or expands facilities across the country, and its Tennessee properties are no exception.

The company was awarded $30 million in property tax breaks from three counties for up to 20 years, and $14.9 million in state grants for infrastructure or job training at its five Tennessee distribution facilities, state records show.

But it's unclear if the company fulfilled its promises to create thousands of jobs in exchange for those incentives.

As of December, Amazon's reporting of data to the state showed it's short of job commitments in three of the five facilities. The company still has one to three years, depending on the facility, to create the new jobs it promised.

In Wilson County, where it was awarded a $3.3 million tax break to create 800 jobs at a fulfillment center, county officials said they don't know if Amazon delivered.

The director of the Joint Economic & Community Development Board of Wilson County said the agency has no staff and other pressing issues besides tracking jobs. The county's policy requires monitoring.

Each year state and local governments award Tennessee companies $2.5 billion in taxpayer subsidies to create long-lasting jobs.

A company representative said Amazon employs 5,500 full-time employees in the state, with health insurance and other benefits.

Some criticize officials for giving Amazon subsidies because the company would need to build distribution facilities in Tennessee to serve its growing customer base, whether or not it received incentives.

PENNSYLVANIA - Allentown schools, churches would be slapped with proposed stormwater fee

Allentown residents, businesses and several groups typically excluded from taxes will owe the city money — in some cases thousands of dollars — if officials move forward with a proposed stormwater fee in 2018.

The proposal, which city officials have long hinted at and formally announced this week, calls for every landowner in the city to pay a fee based on the impervious surfaces on their property — areas covered by buildings, concrete or pavement where rainwater isn't able to sink into the ground.

For the average homeowner, the fee would be modest. About half of city property owners would owe $60 annually. But for those who own the biggest properties with some of the biggest parking lots, the fee would be in the thousands of dollars.

And unlike property taxes, almost no one will be exempt from paying the stormwater fee. Nonprofits, such as hospitals and churches, and government entities, such as the Allentown School District and Lehigh County, would be on the hook in a big way.

Dieruff High School, for example, which is exempt from property taxes, has 333,974 square feet of impervious surface between the sprawling East Side school building and its multiple parking lots, according to city records. Based upon the city's proposed fee of $20 per 500 square feet of impervious surface, the Allentown School District would owe $13,360 annually just for that building.

PPL Center, which is also exempt from property taxes, would likewise owe a substantial bill. The arena and several attached businesses occupy a city block — 209,897 square feet of impervious surface — and would pay $8,400 per year under the plan.

The city's churches, which often have large parking lots, also would have to pay up. New Apostle Church, a modest house of worship at 1747 Oxford Street on the city's South Side, has 8,670 square feet of impervious surface. That's a $340 bill annually.

For the school district, which has 22 schools and owns several more properties in the city, the burden would be much larger than just the bill for Dieruff. School Director Robert Smith said he was shocked by the proposal. The district's budget for 2017-2018 has already been set, and it doesn't include any money for stormwater fees, he said.

"This is the most ridiculous thing," he said. "We're barely making it as is. Our fund balance is almost depleted, and now this."

Smith said he will recommend to the district's finance director that the school district simply not pay the fee.

Allentown Public Works Director Craig Messinger, who presented the plan to Allentown City Council on Wednesday night, said the fee is necessary to comply with federal mandates that will be built into the city's new stormwater permit.

Allentown's permit, issued by the state Department of Environmental Protection, expired in 2009. Since then, city and state officials have been negotiating a new one, and time for that process has finally run out. Each time a new permit is issued, federal mandates require municipalities to adhere to stricter standards and discharge cleaner stormwater into local waterways.

Elizabeth Treadway, a consultant hired by the city to study the stormwater fee, told council members Allentown has $70 million worth of backlogged storm sewer projects that will require significant investment. Spreading the fee equally among everyone who uses the system is the fairest way to do it, she said.

The stormwater fee is expected to raise $5.3 million for Allentown in 2018. The proposal calls for it to remain steady through 2021.

Allentown is planning a series of public meetings to discuss the proposed fee. Messinger said he expects it to be included in the mayor's proposed budget when it is released in November. The city also is recommending several credits that would be offered to property owners who invest in improvements such as rain barrels, rain gardens, tree plantings and removing pavement to manage their stormwater.

City spokesman Mike Moore could not be reached for comment.

Council members have not voted on the proposed fee, but were briefed on the details. Councilman Daryl Hendricks blamed the federal government for imposing a mandate with no funding behind it. Councilman David McGuire said spreading the fee evenly among all city property owners would solve a problem municipalities have long faced with unequal taxation on properties.

Allentown as a city will also be affected by the fee. The city must pay into the stormwater fund for all eligible city properties, Treadway said, or risk losing funding from other government entities who own property in the city such as Lehigh County, which has an administrative building, courthouses and Coca-Cola Park.

The federal government owns a courthouse in Allentown, and the state government owns a nearly 200-acre property that once housed Allentown State Hospital.

Lehigh County Executive Tom Muller said he routinely meets with Pawlowski and often speaks with council members but has not heard anything about the proposed fee.

“Clearly, the county would not be happy,” he said. “They just received $200 million from the Lehigh County Authority [by leasing the city’s water system]. One would hope they have the funds to do some of these things.”

Allentown’s storm-sewer system was not part of the 50-year water and sanitary sewer lease that the city signed with Lehigh County Authority in 2013. The $211.3 million one-time payment the city received was used to pay down unfunded liability on city pension plans — the difference between what is promised to retirees and the money that's available. That move saved the city from pension costs projected to reach $24 million by 2015.

Hospitals, which are typically tax-exempt, likely would face hefty bills as a result of their large buildings and ample parking. Allentown did not provide any estimates for how much any of the city’s hospitals would owe, but Lehigh Valley Health Network, St. Luke’s University Health Network and Sacred Heart have hospitals within city limits.

Spokesman Brian Downs said LVHN is not aware of any proposed stormwater fees and couldn’t comment until officials learned more.

The fee presents an additional financial burden for some of the city’s largest properties that are already on the tax rolls. Allentown Fairgrounds at 17th Street occupies an entire city block and is one of the largest taxable properties in the city. It’s also covered almost entirely by pavement.

Ray Hoffman, CEO and executive chairman of the Allentown Fair, said he was “curious” about the impact the fee would have.

“We have not been informed, and we’re certainly going to look into it,” he said.

For business owners and residents looking to calculate their fee, they will need to know the square footage of impervious surface on their properties. Lehigh County assessment records do not track that data. Allentown has the data, which it will eventually make public, Messinger said.

Who else pays a stormwater fee?

Philadelphia, Lancaster, West Chester and Derry Township, near Hershey, have all implemented a fee, according to Allentown’s consultant, Elizabeth Treadway. Cities including Easton, Scranton, Williamsport and Carlisle have considered the option or are in the process of implementing a fee, Treadway said.

WYOMING - With oil and gas down, governments getting fewer property taxes

Tougher times in the oil and gas industry last year will mean fewer property tax dollars for Park County’s schools, fire departments and other governmental entities this year.

Over the fiscal year that began July 1, local governments expect to collect $43.4 million in property taxes.

The Park County Treasurer’s Office plans to send out tens of thousands of tax bills to property owners in the coming weeks.

The total amount of property taxes is down by roughly $2 million and about 4.6 percent from the $45.5 million billed out in 2016. It’s also down roughly 30 percent from the $62 million worth of property taxes assessed in 2015.

However, Park County Assessor Pat Meyer believes the oil and gas industry and, in turn, the county's tax base, is on an upward trend — meaning more tax dollars for local governments next year.

"I still think we're going to be on the upswing, but it's going to be a lot more gradual than I first anticipated," Meyer said recently, adding, "We're going to get more [production] and it's going to come back."

It's unclear how long that might take. Data from the Wyoming Oil and Gas Conservation Commission says that, from January through June, oil and gas production in Park County actually appears to have slipped a bit further — falling between 1 and 2 percent from the same period in 2016.

However, prices for the minerals have improved; higher gas prices are also expected as a side effect of hurricanes in the southern part of the U.S.

Meyer suspects last year will prove to have been the bottom of the decline and "it wasn't that bad" for governments like the county.

"We've lived off way less than that [amount of taxes] before," he said.

While the industry will pay fewer taxes this year, most local homeowners will actually pay more, because residential properties are continuing to increase in value. The median sales price of a residential home in Park County rose to $231,250 last year — up 1.2 percent from the year before; an increase in value generally means a corresponding increase in taxes.

Wyoming's K-12 schools collect the bulk of property taxes. Of the $43.4 million in property taxes in Park County, about $26 million, or roughly 60 percent, will go to schools. Another $7.26 million (16.7 percent of the total) will go to the Park County government.

The remaining 23.4 percent or $10.1 million is split between a variety of other government entities. In Powell, those taxing entities include Northwest College, the city, the Powell fire district, the Powell hospital district, Crown Hill Cemetery, Park County Weed and Pest, the Powell Recreation District and Powell Valley Community Education.

Property taxes are assessed through what's called a mill levy. Each mill represents a 0.1 percent tax on a property's assessed (taxable) value. Each entity is limited in how many mills it can collect. For example, the county commission can levy no more than 12 mills on taxpayers.

In Powell city limits, property owners are being assessed a total of 76.252 mills this year. For someone who owns a $170,000 house (the median sales price in Powell last year), that will mean a tax bill of about $1,231.

The property tax rate for Powell area residents is slightly higher this year, because Crown Hill Cemetery District leaders raised its levy from 1.002 to 2.86 mills. On a $170,000 house, that will mean paying an extra $29.72.

The district — which is allowed to levy as many as 3 mills — plans to use the money to develop four new blocks at the cemetery, located east of town. That includes dirt work, water lines, roads, sod, markers and other items, the district says.

"Most areas [of the budget] have remained the same, or have been cut in this budget to allow for the construction of these blocks and still stay within the 3 mill limit," district officials wrote in their budget.

Powell Valley Community Education also considered slightly raising its mill levy, but ultimately did not.

Properties are assessed at different rates: homes, businesses and lands are taxed on 9.5 percent of their market value, industrial properties are assessed on 11.5 percent of their value and minerals like oil and gas are levied on 100 percent of their value.

When all of those figures are added up, Park County's assessed valuation for 2016 stood at just less than $605 million. That was down about $35 million from the year before.

The valuation dipped because the oil and gas industry continued to slow down last year.

Companies pumped out 9.75 million mcf of natural gas — up about 4.6 percent from 2015 — but that wasn't enough to offset a decline in oil production. The formations beneath Park County yielded not quite 6.09 million barrels of oil last year, a 7.6 percent drop from 2015.

The other, bigger problem was that prices for those minerals stayed low. Park County's oil fetched a price of around $29.69 a barrel, according to Meyer's calculations, down from nearly $34 a barrel in 2015.

The total value of the oil and gas taken from beneath Park County lands came to less than $187.5 million — the lowest amount since 2003.

Meyer says Park County's fortunes can generally be tracked with the price of gasoline at the pump.

"When it hits $3 a gallon, we'll be doing much better," Meyer said earlier this summer, adding that, "I don't mind paying the extra money for the gas because that usually means good things are happening."

(On the flip side, he noted that higher gasoline prices can also mean fewer travelers, hurting the county's tourism.)

Because of the slowdown in the oil and gas industries, Park County governments have, by necessity, become somewhat less reliant on mineral production.

In 2009, oil and natural gas made up two-thirds of the county's property tax base. Now, that ratio has flipped: mineral production represents less than one-third of the county's assessed value while homes, businesses and equipment represent two-thirds.

Park County commissioners are required to approve the entire mill levy, which they did on Aug. 1.

CONNECTICUT - Surprise state property tax on second homes included in budget

Connecticut will impose a state property tax of 5 mills on secondary and vacation homes, according to figures from the latest budget proposal.

The state tax would be in addition to the local property tax already paid by homeowners and is expected to raise $32 million per year.

Under the heading of "Establish State Tax Property Tax on Seasonal and Recreational Homes," the state property tax would affect those who keep a second home or vacation home in Connecticut.

Sen. John Fonfarra, D-Hartford, said it is estimated the tax would apply to 20,000 homes across Connecticut during a review of the revenue projections by the Finance, Revenue and Bonding Committee.

Rep. Chris Davis, R-Ellington, and ranking member of the finance committee, questioned Fonfarra on how the state would define a seasonal or recreational home.

Fonfarra could not offer any specific language but assured Davis that it would be included in the budget. Davis was concerned the law could affect real estate brokers who own multiple homes.

Davis said such a proposal was never discussed during the legislative session and is "one that needs a lot of examination depending on the definitions of things and who is truly impacted by this."

Davis said he looks forward to debating whether or not an individual who "works hard and owns an additional home on a lake," should be charged an extra tax.

The Top 10 Cities with the Highest Commercial Property Taxes

A lag time in reassessment periods in some jurisdictions is causing some property tax bills to skyrocket.

Property taxes that are rebounding along with recovering property values should be no surprise to landlords. However, a lag time in reassessment periods in some jurisdictions is causing some property tax bills to skyrocket.

Across many metros, property values have recovered or even surpassed values achieved at the peak of the past cycle in 2006 and 2007. Some jurisdictions have been very aggressive in chasing improving values in the market recovery. “Municipalities have been looking for every way to raise revenues with the strain on economies and budgets. So I do think pressure to raise taxes has been on an upward slope,” says Timothy Trifilo, a partner in the tax group at accounting firm CohnReznick.

In addition, jurisdictions reassess values every two or three years rather than annually, and now they are moving values markedly higher, notes Dorothy Radicevich, the national property tax leader and principal in the state and local tax practice of accounting and consulting firm BDO. For example, BDO is working with a client in Philadelphia where the local taxing authority reassessed 65,000 properties in that jurisdiction that resulted in a total increase of $16 billion in property value—a 40 percent increase.

The increases in value will generate an additional $118 million in revenue that will be spread across those properties. “What that shows is that this particular jurisdiction may be playing catch-up in what is happening in terms of value increases due to market sales or investments in the area,” says Radicevich. Depending on the type of property, owners could see a huge increase in their tax bills, she adds.

Some cities also have introduced significant increases to their effective tax rates to raise additional revenue. According to the annual 50-State Property Tax Comparison Study conducted by the Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence, the city that saw the biggest year-over-year increase was Columbus, Ohio, which raised its effective tax rate on commercial properties by 8.0 percent for taxes payable in 2016. However, the average effective commercial property tax rate across all 53 cities surveyed remained relatively flat at 2.10 percent.

Although higher taxes are often passed through to tenants at commercial properties, they can have a bigger direct impact on assets that don’t have direct pass-throughs to renters, such as apartments, self-storage facilities and corporate-owned properties. In some cases, higher taxes can also put a damper on property prices. The higher the real estate taxes go, if the owner is not able to recoup the amount in rents, it can have a downward impact on market value, says Trifilo.

Some jurisdictions do put limits or caps on the amount an assessed value can be raised in a particular assessment period, as well as limits on raising tax rates. For example, California’s Proposition 13 restricts annual increases of the tax to an inflation factor not to exceed 2.0 percent per year. However, investors do have to be aware that a sale will trigger a reassessment of the property value outside of those caps. So for an owner that has held a property for 20 years and has a very low tax bill, a sale to another entity could produce an assessment at a much higher value that will create a big jump in the property tax bill, notes Radicevich.

In the 50-State Property Study, effective tax rates on commercial properties for the 53 cities included range from a low of 0.66 percent to a high of 4.09 percent. The top 10 metros in the study for the highest effective commercial property tax rates include:

Milwaukee, Wis. (Tie)
Commercial Property Tax Rate: 2.85percent
Industrial Property Tax Rate: (#23) 1.57 percent
Multifamily Property Tax Rate: (#9) 2.84 percent

Indianapolis (Tie)
Commercial Property Tax Rate: 2.85 percent
Industrial Property Tax Rate: (#7) 2.31 percent
Multifamily Property Tax Rate: (#20) 1.95 percent

Minneapolis
Commercial Property Tax Rate: 3.00 percent
Industrial Property Tax Rate: (#18) 1.75 percent
Multifamily Property Tax Rate: (#22) 1.75 percent

Des Moines, Iowa

Commercial Property Tax Rate: 3.01 percent
Industrial Property Tax Rate: (#16) 1.82 percent
Multifamily Property Tax Rate: (#5) 3.59 percent

Columbia, S.C.
Commercial Property Tax Rate: 3.24 percent
Industrial Property Tax Rate: (#1) 4.20 percent
Multifamily Property Tax Rate: (#7) 2.95 percent

Aurora, Ill.
Commercial Property Tax Rate: 3.43 percent
Industrial Property Tax Rate: (#11) 2.06 percent
Multifamily Property Tax Rate: (#3) 3.93 percent

Providence
Commercial Property Tax Rate: 3.71 percent
Industrial Property Tax Rate: (#13) 1.95 percent
Multifamily Property Tax Rate: (#21) 1.90 percent

Bridgeport, Conn.
Commercial Property Tax Rate: 3.81 percent
Industrial Property Tax Rate: (#10) 2.09 percent
Multifamily Property Tax Rate: (#4) 3.81 percent

Chicago
Commercial Property Tax Rate: 3.86 percent
Industrial Property Tax Rate: (#14) 1.92 percent
Multifamily Property Tax Rate: (#40) 1.17 percent

New York City
Commercial Property Tax Rate: 3.93 percent
Industrial Property Tax Rate: (#6) 2.36 percent
Multifamily Property Tax Rate: (#1) 5.47 percent

Detroit
Commercial Property Tax Rate: 4.09 percent
Industrial Property Tax Rate: (#2) 2.99 percent
Multifamily Property Tax Rate: (#2) 4.79 percent

Hurricanes Harvey and Irma Will Devastate Lives. Will They Forever Damage Property Values Too?

It's looking like a once-in-a-generation hurricane season for the southeastern United States. Harvey has left at least 70 people dead and battered nearly 200,000 homes along the southern border of Texas and Louisiana. Meanwhile, Irma has wrecked several Caribbean islands and is threatening Florida and other portions of the coast with the prospect of more lives and homes lost, and years of painful rebuilding.

Once lives no longer hang in the balance, the attention inevitably will turn to longer-term devastation: What happens to the real estate in those storm-ravaged towns and cities?

It might not be what you think.

While many assume that residents will abandon their homes en masse and property values will plummet after a big natural disaster—as happened in some New Orleans neighborhoods after Hurricane Katrina in 2005—that's not always the case. In fact, with Hurricanes Jose and Katia brewing offshore behind Irma, a look back at the two most destructive storms in recent U.S. history, Katrina and Sandy, show just how dramatically the levels of destruction and speed of recovery can vary.

"We see a big disconnect between the [neighborhoods] that were hit and those that were not hit" in some storms, even within the same city, says Todd Tomalak, vice president of research at John Burns Real Estate Consulting, a nationwide firm. "The areas nearby not directly hit by the storm continue chugging along."

And while prices are likely to drop initially, they usually don't crash entirely. They're likely to rebound within a few years.

Houston home sales, of course, have slowed since Harvey deluged the city. But not all homeowners across the metro area are feeling the same pain. Homes in areas that didn't flood might actually be worth more now than they did before the floods, as folks whose properties were badly damaged begin to look in earnest for safer places to live.

This has happened in previous (albeit smaller) Houston storms. In the city's Meyerland neighborhood, which has flooded four times since 2015, median prices fell by 16% year over year after the third flood, according to John Burns. However, property values in the rest of the city went up.

"In a flood like this, if you're high and dry, you're considered to be a very attractive address," says Houston-based real estate broker Cheri Fama of John Daugherty Realtors.

Harvey will cost Texans about $40 billion to $50 billion in repairs and rebuilds, according to Enki Holdings, a Savannah, GA–based disaster data analytics firm. An estimated 10% to 15% of those homes are beyond repair and will need to be demolished.

"It's a mess to clean up. But many structures will probably not be lost," says Chuck Watson, director of research and development at Enki Holdings. "That's a very big difference with Katrina. With Katrina, the flooding reached all of the way up to the rafters."

The problem is that the longer the homes are underwater, the more damage is done, as the water seeps into the walls and compromises the structures. That's what happened in New Orleans. On the other hand, if the water inundates a home and then runs out all at once, the impact could weaken the already compromised structures and the homes could collapse.

"It's a Catch-22," Watson says. "You want it to drain out fast, but not too fast."

One big advantage Houston has over New Orleans after Katrina is that the Texas city sits above sea level. That means the water will drain out on its own. In New Orleans, the water had to be pumped out.

But the Houston-area water is more contaminated with chemicals, oil, and sewage.

"All of a sudden you have to go a lot further in cleaning the mess up and drawing the water," says real estate appraiser Orell Anderson of Strategic Property Analytics in Laguna Beach, CA, who worked in New Orleans after Katrina. This is due to the many chemical and oil facilities as well as the 13 Houston-area toxic waste sites that flooded.

"You've got bacteria and fungus and sewage in your walls," Anderson says. "That takes a lot more than just drying up the carpet."

Despite all of this, local home prices probably won't fall as much as initially feared, says national real estate appraiser Jonathan Miller, who worked on Sandy-damaged homes after the 2012 storm. That's because many of these affected homeowners have mortgages they still need to repay, so they can't afford to sell at a big discount. They're more likely to fix up their homes and wait a bit until the market improves.

However, the storm might lead to a rash of foreclosures and short sales in Houston from homeowners living paycheck to paycheck who lost jobs or can't come up with the money for large-scale repair jobs.

And the disaster could have big ramifications in the rest of the state. Texas is currently facing a housing shortage as more companies, and therefore workers in need of housing, relocate to the region for its lower taxes and cost of living. But with construction labor and materials headed to help rebuild Houston, fewer sorely needed homes will go up in the other parts of the state. And that could push prices straight up.

The scope of destruction that Hurricane Irma will inflict on the U.S. is still unknown. As of this writing, the storm has already killed 18 people in the Caribbean and is projected to reach South Florida on Saturday.

"Little wobbles [in the storm's path] can make a big difference," says Enki Holdings' Watson. "There's a whole bunch of 'ifs.'"

Nearly 8.5 million Florida residential and commercial properties have a high, very high, or extreme risk of wind damage from Irma, according to real estate data provider Core Logic. The company estimates that about 3.5 million properties are at risk from storm surge damage.

The luxury, waterfront high-rises along the Florida coast are likely to be battered by the hurricane and storm surges from the ocean. Some condos in Miami could lose 30% of their value—or much more—as a result, says Deerfield Beach, FL–based real estate consultant Jack McCabe.

About three-quarters of the units in these fancy Miami Beach towers are owned by foreign investors, the majority of whom don't live in them full time, according to McCabe. (Florida is the top destination for foreign buyers, who made up about 22% of the state's overall purchases as of March 2017, according to the National Association of Realtors®.)

"Investors who hadn't sold yet are going to start dumping these things even if they have to lose money," McCabe says. "This is going to cause a lot of people to change their minds about having a condo on the beach in South Florida."

Worsening matters is rebuilding efforts in Florida won't be cheap. The city is so far south that finding masses of construction workers and transporting materials will likely cost far more than the rebuilding efforts in Texas.

Compounding the rebuilding challenges: The majority of homeowners likely to be hurt by these disasters do not have flood insurance. It's estimated that about 80% to 85% of Houston homeowners don't have the policies. And only about 42% of homes in Florida's coastal counties are covered, according to the Associated Press.

That's partly because only homeowners living in federally defined special flood hazard areas (i.e., flood zones) are typically required to get flood insurance if they want a mortgage. So folks who don't live on the coasts or have already paid off their homes might opt not to carry it.

Annual premiums for flood insurance can top $1,200 in some parts of the country but are usually about half of that, according to ValuePenguin, a consumer spending information website.

However, even those with the policies could be waiting weeks—if not months—to receive any money as the priority goes to the most damaged homes, says Michael Barry, spokesman for the Insurance Information Institute, an industry-funded group based in New York. And that's if the damage was clearly caused by flooding, and not winds. Wind damage is typically covered by basic homeowners insurance.

And if the cause of the damage is murky—as was the case with many of the New York and New Jersey homes slammed by Sandy—it could take more time to figure out who's on the hook for the repairs.

The Federal Emergency Management Agency does provide grants up to $33,300 to repair homes, replace lost property, and provide rental assistance for those displaced by storms for up to two months.

But homeowners must jump through hoops to get the money and often receive much less than the maximum, says Robert Meyer, co-director of the Risk Management, Decision Processes Center at the University of Pennsylvania in Philadelphia.

While each storm is different, there are a few lessons to be learned from previous hurricanes.

After Sandy hit the New York City region in 2012, "the expectation [was there's] going to be a rapid price cut due to all of the devastation—and that didn't shake out," real estate appraiser Miller says. "Sales just stopped."

Prices didn't reach rock bottom because sellers, who knew their homes weren't going to fetch top dollar anytime soon, pulled their homes off the market. Even those whose homes weren't damaged had to contend with trees and power lines down, bargain-seeking buyers, and a reluctance from potential buyers to move into an area that needed years to recover.

"Only sellers who needed to sell would sell," Miller says. They typically saw a 5% to 15% price reduction.

It took at least three years for the market to stabilize and buyers to return after the storm, says real estate broker Annette Farina of Belle Harbor Realty. Her brokerage is based in the Rockaways, a peninsula in Queens, NY, that got walloped by Sandy.

Now, the number of sales and property values are back to what they were before the storm, with sellers getting full asking prices, she says.

Property values took much longer to go back to normal after Katrina in the hardest-hit parts of New Orleans, many of which were also some of the poorest. But that's also due to the financial crisis and ensuing recession that pushed home prices down all over the country.

Case in point: the St. Bernard Parish in New Orleans, overtaken by floodwater in Katrina. Nearly 130 people in the parish died due to the storm, and nearly all of the homes were damaged, many beyond repair. In July 2005, a month before Katrina, the average home price was $127,380, according to the Gulf South Real Estate Information Network. A year later the average price plummeted nearly 229% to hit $38,733.

It wasn't until 2014 that the average price of a home in the parish sold in July topped what it was before the storm. In July 2017, the average home price in the parish was $172,759, according to the most recent data available.

But right after the storm, prices in the New Orleans metro area went up 8.73% from 2005 to 2006, according to NAR data. There were few folks buying in the worst-off areas, but the areas spared the wrath of Katrina suddenly became especially attractive to buyers.

"There was a good number of investors," says New Orleans–based luxury real estate broker Dorian Bennett of Dorian Bennett Sotheby's International Realty. "People are always trying to make money off of situations that are problematic."

No one knows what will happen in the aftermath of Hurricanes Harvey and Irma. But what can be gleaned from past disasters is that the hurricanes aren't likely to keep buyers away for long.

"People pay significant premiums to be on the water" and likely won't be deterred by a big storm, real estate appraiser Anderson says. "[Most] people ... arrive at the conclusion that that only happens to other people and not me."

The "Ugly" Property Next Door is Ruining My Property

Traditional bases for private nuisance claims include circumstances where noise, light, vibration, or odor emanating from a neighboring property harm the value of your property. Such bases can be objectively verified and quantified. Courts in various states depart, however, on the issue of whether pure unsightliness of a neighboring property, which diminishes the value of your property, supports a cognizable damages claim against the neighboring property owner under the law of nuisance.

As explained by the Vermont Supreme Court in the recent case of Myrick v. Peck Electric Co., 2017 WL 129041 (January 13, 2017), state laws vary on the viability of a claim for aesthetic nuisance. In that case, the question was whether the plaintiff homeowners had a cause of action for private nuisance against solar energy companies who leased property from their neighbors for the purpose of constructing commercial solar arrays. According to the plaintiff landowners, the solar arrays constituted a private nuisance because they negatively affected the surrounding area's rural aesthetic, causing properties in their vicinity to lose value.

The Court determined that there was no such cause of action under Vermont law. In determining that Vermont law would not support such a cause of action, the Court explained that the judicial branch is ill-suited to be an arbiter of style or taste, and that the subjectivity of aesthetic preferences required that such matters remain the province of legislative decision-making in the form of zoning laws, or restrictive covenants, matters that the courts are competent to interpret and apply.

In explaining its rationale, the Court outlined some differences among the various states. The Court noted that some states recognize aesthetic nuisance as a stand-alone claim, while others recognize aesthetic nuisance only when the complained-of harm includes an element of traditional nuisance, such as noise, odor, light disruption, or physical invasion. The Court also noted a universal exception in the great majority of jurisdictions – where a defendant has acted solely out of malice or spite, nuisance liability attaches because such conduct is indefensible on social utility grounds.

TEXAS - Wiped-out properties are due to be taxed as if still standing

As a result of Hurricane Harvey, Rockport's mayor released a statement that approximately 30 percent of the community's housing was destroyed, 30 percent to 40 percent was so badly damaged it was not salvageable, and only 30 percent to 40 percent was habitable.

Similar or even greater percentages of housing stock destroyed by Hurricane Harvey exist for Port Aransas and Mustang Island in Nueces County. A significant portion of the housing stock in San Patricio County has also been destroyed or damaged so severely that it is uninhabitable.

Shifting focus to Harris County, the extensive flooding caused by Hurricane Harvey and then exacerbated by releases of storm water from old reservoirs has caused experts to say that approximately 40,000 homes and apartments have been so severely damaged by flood waters that they are uninhabitable. Added to that number will be flooded homes in Fort Bend County.

Then there is Jefferson County (Beaumont and Port Arthur) with 255,000-plus residents where virtually every home and apartment is flooded as I write.

Yet every owner of every destroyed or severely damaged house or condo or mobile home will receive a property tax bill from their county's tax collector soon after Oct. 1. It will reflect the assessed value of those houses, condos and mobile homes as if they still existed and were still inhabitable.

While the sending of real estate tax bills for homes which no longer exist sounds ridiculous, that in fact will happen because the date of each building's appraisal valuation by each County Appraisal District was Jan. 1. There seems to be no means under current Texas real estate tax law to reduce the property taxes for 2017 to reflect the damage. Owners must pay their full property tax bill for 2017 on Jan. 31, 2018, or the taxes will become delinquent.

Texas has some of the highest real estate taxes in the United States. A $250,000 condo in Los Angeles County costs just a bit more than $2,500 in property tax. In Nevada a $250,000 house would cost about $1,700. In contrast the owner of a $250,000 house in Rockport pays around $5,000 in property tax.

Imagine the profound shock and emotional distress owners of homes destroyed or severely damaged in Hurricane Harvey will feel when they receive their tax bills in October, wherever their mail is being forwarded.

Hurricane victims will be burdened by the cost of replacing all of their lost household goods, high insurance deductibles, or the consequences of having no wind or flood insurance. Then they will be taxed on a house, condo or mobile home which no longer exists.

Owners of business buildings blown to bits by the hurricane, like those in Rockport, or destroyed by flood waters, like those in Beaumont, will get the same treatment, being told they must pay real estate taxes on a building that no longer exists.

Cities, counties and school districts ravaged by wind and water have no incentive to cut property tax rates at a time when their own buildings and utility infrastructure have been profoundly damaged.

The only solution for many will be to file a Chapter 11 or 13 bankruptcy reorganization, which should stop late payment penalties accruing and stop real estate tax foreclosure at least for a while. However, the taxes on a building which no longer exists will ultimately have to be paid, or the owner will lose his or her land to foreclosure.

My family's home in Rockport was not destroyed or seriously damaged. Our family will pay its taxes on time, but I fear that the usual whopping tax bills next month, on homes and business buildings which no longer exist, will put many of my fellow Texans over the edge financially and emotionally.

In 1978 a man named Howard Jarvis led a real estate taxpayers' revolution in California because ordinary homeowners and small businesses simply could not afford the constantly increasing real estate taxes being charged by their local governments. Though Mr. Jarvis died back in 1986, the Howard Jarvis Taxpayers Association still fights against governors, state legislators, judges, county commissioners, city council members, public employees and greedy people who claim that low real estate taxes create housing shortages.

Perhaps the victims of Hurricane Harvey will kick off a second Texas revolution.

At least when the British taxed colonists’ tea in 1772, the property which was taxed, the tea itself, still existed.

TEXAS - Mayor seeks temporary property tax hike for Harvey recovery

Mayor Sylvester Turner will ask City Council to approve an 8.9 percent hike in the city's property tax rate this fall to help Houston recover from Hurricane Harvey.

Turner's proposal, which will begin with a series a public hearings later this month and reach a formal vote in mid-October, would increase the property tax rate from 58.64 cents per $100 of appraised value to 63.87 cents.

That is what the city's tax rate was four years ago, before a 13-year-old voter-imposed limit on Houston's property tax collections began forcing City Council to cut the rate each year to avoid bringing in more revenue than allowed.

Turner is able to propose an increase beyond the strictures of the so-called revenue cap by declaring an emergency, allowing the city to collect a projected $113 million for one year.

Debris removal could cost more than $200 million and will require the city to foot 10 percent of the bill without being reimbursed by the federal government. Houston also lost 334 city vehicles and saw the municipal courts building, City Hall and its adjacent annex, and two sewage treatment plants knocked offline by flooding.

"If this is not an emergency, I don't know what is. What we're able to recoup from one year, the $113 million, will not even be enough to cover the expenses we will have incurred," Turner said Monday. "What we don't get from the feds we'll have to come up with ourselves. I would be not doing my job if I did not advance it."

After one year, the emergency period would end and the city's tax rate again would be dictated by the voter-imposed revenue cap, which limits the annual growth of Houston's property tax revenue to the combined rates of inflation and population growth, or 4.5 percent, whichever is lower.

If the cap had not come into force, Houston would have been able to collect a projected $220 million more in the last fiscal year and the two prior ones, officials estimate.

During the same time period, the owner of a $200,000 Houston home with a standard homestead exemption will have saved about $84 in taxes, compared with the cap never having taken effect.

TEXAS - Harvey-struck Texas counties face blow to property tax revenues

Texas communities flooded by Hurricane Harvey could see their property tax revenues sink, a financial blow that would leave many cities and counties struggling for years.

Property taxes are the top source of revenue for local governments in Texas, which depend on it to fund schools, roads and other public services.

With tens of thousands of homes and businesses damaged, officials foresee tumbling values when those structures are reassessed.

“This is something that is going to depress revenues, the only major revenues our counties have, immediately and for years,” said Donald Lee, executive director of the Texas Conference of Urban Counties, a non-profit organization of 37 member counties.

Texas is one of seven states nationwide that has no state income tax, leaving it with an outsized dependence on property taxes. The Lone Star state has the third highest average property tax rate in the United States, at 2.06 percent, according to a study by real-estate tracker ATTOM Data Solutions.

Neighboring Florida, which likewise has no state income tax, could face a similar challenge. The state is bracing for a direct hit from Hurricane Irma, one of the strongest storms ever recorded in the Atlantic. Florida counties like Miami-Dade, which is in Irma's immediate path, also count property taxes as their biggest revenue source.

Wind and flooding damaged at least $65 billion worth of property since Hurricane Harvey made landfall on Aug. 25 and tore across dozens of Texas counties in the following days, according to a preliminary report by AIR Worldwide, which evaluates the impact of catastrophes.

Assessors in Harris County, home to Houston, began visiting neighborhoods struck by Harvey this week, according to Harris County Appraisal District spokesman Jack Barnett.

But with roughly 1.8 million parcels of property in the county, where property taxes poured more than $1.4 billion into county coffers last year, the impact to property values was largely unknown.

Harris County Treasurer Orlando Sanchez echoed the sentiment. "There will be a hit, there's no question about it, but we'll have to see what that is," Sanchez said.

Still, analysts and local officials suspect Harvey could wallop property tax revenues to a degree few storms have in the United States.

"The flooding that we're seeing reminds me a lot of (Hurricane) Katrina," which devastated New Orleans in 2005, said Kate Boatright, a Dallas-based analyst with S&P Global Ratings.

Property tax collections in New Orleans dropped 17 percent after the storm, and did not recover to pre-Katrina levels until five years later, according to the city's financial reports.

Thousands of New Orleans workers and teachers were laid off while major streets lay broken for years. S&P downgraded the city's credit.

In Texas, certain Harvey-struck counties, like Harris, are starting from a stronger financial position than that of New Orleans and Louisiana when Katrina bore down, which could help with recovery, Boatright said.

Harvey, which brought a record 51.88 inches of rain to southeast Texas, also flooded large swaths of residential and commercial property.

By Friday, Texas counties and cities had reported at least 68,981 homes and businesses were destroyed or severely damaged in the storm, with another 145,944 properties affected in some way, the Texas Department of Public Safety said. Many were outside of designated flood plains.

Properties beyond mapped flooding areas typically are not required to have flood insurance, and the cost of rebuilding or repairing can fall on property owners.

"A lot of property owners do not have the money sitting around to rebuild," said Lee of the Texas counties organization.

As a way to mitigate the costs, owners will look for emergency reassessments of their homes to reduce their upcoming tax bills, he said.

Each county in Texas has an appraisal and collection system. Values are usually set in January and bills go out in October and November.

Even if property owners don't get reappraisals, revenues will still likely sink if the homes are not restored to pre-storm conditions by the next annual appraisals, Lee said.

The potential drop in revenue comes amid a state legislative fight over property taxes, which many Texas residents say have become unaffordable. Republican Governor Greg Abbott has supported an effort to make it harder for large counties and cities to raise property taxes. But that measure stalled in a special legislative session last month.

Texas-based Fitch Ratings analyst Steve Murray said he was concerned about the impact on smaller Texas localities, which typically have lower financial reserves to sustain them than do larger cities and counties.

The speed at which communities recover and grow back their tax bases will also depend on the timeliness and amount of federal aid, Murray said.

But that money can take months, and often years, to reach damaged communities after disasters.

“In the meantime, revenue is going to take a hit,” Lee said.

NEW YORK - City's commercial rent tax a small business killer, opponents say

An rents rise, an increasing number oi mom and pop stores in Manhattan are having to pay a special business tax. Many of the store owners say that without relief, they might have to close. But it's not an issue high on the mayor's agenda. Michael Scotto has the story in the final part of his series on the retail crisis sweeping the city.

Three years after Natasha Amott opened her kitchen supply shop in the Flatiron District, she says she was hit with a huge bill for a tax she had never heard of.

"All of a sudden I was faced with a charge of $20,000," she recalled.

Amott is talking about the commercial rent tax - a 3.9 percent surcharge on annual rents of more than $250,000 paid by stores and selected businesses south of 96th Street in Manhattan.

"How do you have a tax based on your zip code that's not tied to revenue? I already pay corporate taxes, it's not tied to that. It's just simply the city saying, you already pay a high rent, so pay this money to us as well," Amott said.

The tax began in the 1960s when the city needed cash. In 1995, the city eliminated it everywhere except about half of Manhattan. Some areas near the World Trade Center were exempted after 9/11. But with rents soaring, a growing number of stores have to pay - including mom and pop shops already battered by high costs and online competition.

"More and more businesses are being covered by this crazy tax. So we need to give them relief. It's unfair and it's out of date," said City Councilman Dan Garodnick.

Natasha Amott now pays $15,300 a year in commercial rent taxes. That's on top of other taxe, including $27,000 of her landlord's annual property tax bill.

Eleven-thousand leases are now subject to the tax, which generated nearly $779 million last year.

Garodnick is sponsoring a bill to exempt businesses with annual rents up to $500,000. That's twice the threshold today. He estimates it would shield another 3,500 establishments from the levy.

A majority of the City Council supports the bill as does Republican mayoral candidate Nicole Malliotakis.

But Mayor Bill de Blasio has never shown much interest in a rollback.

An aide tells NY1, "Especially given the uncertainty about the federal budget, health care and tax reform, we don't feel it's the right time to take major action on the commercial rent tax.”

The tax has become an issue in local races. On the Upper West Side, it is a cornerstone of the City Council campaign between Mel Wymore and incumbent Helen Rosenthal. Both say the issue resonates with voters amid so many vacant storefronts.

"Everyone feels it; everyone sees their favorite bodega went out business that they've been going to for years," Wymore said.

"It's a Manhattan problem, it's a citywide problem that deserves a citywide solution," Rosenthal said.

For business owners like Amott, relief cannot come soon enough. Without it, she says she might have to close when her lease expires in five years.

New Jersey's highest-in-the-nation property taxes cost 9 percent of household income

Sky-high property taxes continue to be a major problem for New Jersey residents, and for some it's worse than others.

Gov. Chris Christie blames residents for New Jersey's highest-in-the-nation property taxes, saying they must sacrifice public services if they want lower property taxes, but Democratic activist Lisa McCormick argues that the Republican is using a false narrative to excuse the unfair allocation of costs that have resulted since 1980.

"We know what to do to solve the problem, but we are unwilling as a society to accept the medicine we need to accept to solve it," Christie said. "I at times grow disillusioned by New Jerseyans who are always complaining about their property taxes but don't want any reduction in services or change in the way things are being done."

The average property tax bill going into 2017 was $8,549, up 2.35 percent from the previous year. In some towns, the average is double or triple that amount.

Statewide total tax collections have grown by $500 million a year since Christie took office in 2010, with property tax bills costing an average 9 percent of household income.

"Republicans pretend there is no difference between feeling the most pain and paying the most, but for those who have lots of money a high tax bill hurts less," said McCormick. "The way to tell if a tax bill is fair is by looking at what you get for your money and judging whether the amount that is left over is enough to live on."

McCormick said she would like Democrat Phil Murphy to come out with a property tax plan like the one proposed by Lt. Gov. Kim Guadagno.

"Lt. Gov. Kim Guadagno has proposed an idea similar to one floated by former Assembly Speaker Alan J. Karcher in 1984," said McCormick. "That would cap property tax bills at five percent of income."

Karcher, the fiery liberal Speaker of the New Jersey Assembly for two terms in the 1980's, died in 1999 at the age of 56 from lung cancer.

"Candidates might also benefit by reading a book Karcher wrote called New Jersey's Multiple Municipal Madness, which examined the crazy quilt of towns in the state and proposed merging some of the state's 566 municipalities," said McCormick. "I would like to see more candidates embrace that idea but too many lack the courage to consider abandoning home rule and threatening corrupt political machines."

Here's a look at who's paying the most:

Millburn, Essex: $23,327 average property taxes ($1,082,989 average home)
Loch Arbour, Monmouth: $22,323 average property taxes ($1,040,183 average home)
Tavistock, Camden: $21,689 average property taxes ($1,720,000 average home)
Alpine, Bergen: $20,910 average property taxes ($2,724,160 average home)
Tenafly, Bergen: $19,866 average property taxes ($803,377 average home)
Mountain Lakes, Morris: $19,775 average property taxes ($782,636 average home)
Rumson, Monmouth: $19,146 average property taxes ($1,336,434 average home)
Glen Ridge, Essex: $19,045 average property taxes ($543,553 average home)
Mendham Township, Morris: $18,752 average property taxes ($908,246 average home)
Essex Fells, Essex: $18,743 average property taxes ($923,039 average home)

NEW HAMPSHIRE - Portsmouth residents fear being priced out of homes

City residents packed City Council chambers to let officials know they didn't like their decision to conduct another revaluation nor the property tax increases that came with it.

Longtime city resident Bill St. Laurent seemed to speak for many when he said about the revaluation "this is terrible."

"I know things would go up but this is ridiculous," he said during an informational forum held by the city's Assessor's Office on Tuesday night. "You've got to help seniors, you've got to help (people on) fixed incomes. Why shouldn't I be able to keep my home if I want my home?"

He pointed to all the attention that city officials have given to the need for more workforce housing in Portsmouth when they should be focused on the need to "reduce the taxes, reduce the budget."

Resident Erik Anderson called the turnout "great" but reminded the literally standing-room only crowd that he was one of just two people who attended a public hearing on the fiscal year 2018 budget.

"You have to engage in that process when it takes place," Anderson said about the next budget hearing. "This room should be full with people looking at the budget."

The City Council during at least the past six years have passed annual budget increases of about 3 percent.

They also typically approve city union contracts that often include cost of living adjustments and step increases.

Anderson said despite the rising value of his home, "I don't have the intent to sell my house."

"I'm going to be buried in my backyard," Anderson said. "My home is becoming a liability."

Resident Nancy Andrews, who described herself as one of the city's seniors, said her tax bill will be going up by about $100 a month.

"It seems like a lot as a senior. We see ourselves subsidizing bicycles for tourists," she said. "Seniors are people who've established Portsmouth. I hear my friends say they never go downtown anymore."

City Assessor Rosann Maurice-Lentz said the city decided to do another revaluation now because property values have increased significantly.

They are required to do a revaluation at least every five years but she decided to do one just two years after Portsmouth's last one.

Though valuations have gone up sharply, city officials are estimating that the tax rate will drop from $17.04 per $1,000 in property valuation in 2016 to an estimated $15.53 per $1,000 in 2017.

But she acknowledged Tuesday night that residential property owners are paying a greater share of the city's property tax levy because home values went up faster than commercial property values.

"There's a shift from commercial to residential of approximately 3 percent," she said Tuesday night. "Residential properties are outpacing the commercial, that's why you're seeing a shift."

Many residents complained that commercial property owners in the city weren't paying their fair share of the tax levy with all the new hotels going up in Portsmouth.

Resident Chris Brown complained that "residential taxpayers are carrying the city on their back when commercial interests are thriving."

Resident Manny Chavez noted that everyone is saying "Portsmouth is a great place to be and everyone wants to live here."

But he talked about a neighbor who decided to move to Florida because he got tired of paying high property taxes.

"Especially fixed income people like me, (the city) is trying to drive us out," he said.

But he promised “I’m going to die in Portsmouth.”

“I think the residential people are paying more,” Chavez said. “Look at all the buildings going up here. They should pay the price.”

Resident Harold Dow said he has lived in the same house for 54 years.

“They’re trying to take my profit and put it in the budget,” he said about his rising house values.

He urged city officials to “take care of the people who’ve lived here for ages and built this great city.”

Former City Councilor Esther Kennedy noted pointedly during the meeting that City Manager John Bohenko was on a three month sabbatical.

“I feel sorry you folks have to deal with it while he’s gone,” she said.

City officials urged residents who disagreed with their valuations to take advantage of the informal appeal process which is going on through Sept. 11.

Plus, they can file a request for an abatement by March 1, 2018.

MICHIGAN - Another Tale in the Ongoing Saga of Who Deserves a Charitable Tax Exemption

Both nonprofit leaders and government administrators in Michigan are anxiously awaiting a Michigan Supreme Court decision related to determining exactly what makes a charitable institution, well, “charitable.”

Depending on who you ask, the decision, set to come down from the court on September 19th, is likely to be seen as either adding “clarity,” from the nonprofit view, or as an “expansion,” expressed with some trepidation by county officials.

A recent opinion, released by the court on June 28th, indicated it felt lower courts had “misinterpreted the factor that prevents charitable organizations from discriminating when determining who is eligible to receive their services. This is one of six criteria the court established to assess a nonprofit as ‘charitable.’”

Many states employ multifactor tests when determining eligibility. Some are pro forma criteria, met basically by being recognized by the IRS as a 501(c)(3) organization. These include being organized for a public purpose, restrictions on private inurement, and non-distribution clauses. Factors that include more gray areas are often about who is eligible to receive services from the nonprofit in question and whether the organization can demonstrate public support for its mission.

In Michigan, where this tension between local governments and nonprofits has been playing out over the last year, the Michigan Nonprofit Association has tracked an increase in the number of appeals by charities that have been denied exemptions from paying property taxes. This reflects a national trend where local and state governments are applying closer scrutiny to nonprofit tax exemptions, reflecting both strapped government budgets and a perception by government officials of decreased political will by citizens, in this case property owners, to take on additional tax burdens. A search of NPQ’s archives on “property tax exemptions” yields dozens of articles on the subject.

Localities where these fights tend to play out most include cities that are home to large universities and hospitals as well as state capitals, as government itself is exempt from paying property and other taxes. Michigan is currently the arena for two disputes. Thomas King, who practices governmental law in Michigan notes, “The city of Kalamazoo, which has a higher concentration of nonprofits in its urban core as opposed to other municipalities…[ends] up with a greater percentage of exempted real and personal property.” This adds strain on the system for private homeowners and commercial property owners, who must make up the difference in municipal property tax levies.

Concurrently, an income tax proposal has been recommended in East Lansing, home of Michigan State University, to drive down the need for property tax revenues.

The income tax was one of several recommendations following months of research by the East Lansing Financial Health Review Team, which was established to address the city's nearly $200 million debt. Besides the income tax recommendation, the team also commissioned a report that concluded MSU cost the city about $3.75 million in uncompensated public works, law enforcement and fire services in 2015.
The university has made several multimillion-dollar offers to East Lansing to avoid the institution of such a tax.

Nonprofits and their public counterparts need to be prepared to highlight the community benefits they bring as employers—in wages, other taxes paid, vitality, and other community services—to counter the arguments of what they "cost" cities in being located there and property-tax exempt. But, in fairness to local tax bases, large institutions may need to be more open to generous payments in lieu of taxes.

As we are seeing here in Michigan and elsewhere, these battles tend to become bouncing balls between courts and state legislatures. A favorable court decision to nonprofits later this month may indeed send them running to the state capitol to defend their status legislatively. As Attorney King warns, "All municipalities are required to have a balanced budget. They have a certain amount of the budget that's fixed, which means the tax rate goes up and fewer properties pay. If it's ultimately determined by municipalities and legislatures that the definition is unfair, the legislature could certainly change that exemption."

IOWA - TIFs should never fund residential development

Excuse us while we beat this drum: Tax increment financing has no place in residential development.

But that's precisely the plan pitched in Riverdale. There, developers hope to leverage the power of TIF to fund a subdivision that would, ultimately, increase enrollment at Pleasant Valley Community School District while siphoning off precious resources from district coffers.

Look, TIF isn't, in and of itself, an unreasonable tool for economic development in blighted areas. Those last words are key here: economic development in blighted areas.

TIFs are intended reinvigorate business in run-down neighborhoods, thereby boosting residential taxes through job creation. The Riverdale proposal, backed by city officials, end-runs this key component and goes straight to the housing.

Unsurprisingly, Pleasant Valley district officials rejected the idea on its face. Scott County supervisors should follow suit and oppose this proposal at every turn. A concerted, unified campaign could stop this short-sighted proposal in its tracks.

Here's a quick and dirty about TIF: It reroutes tax revenue, generated through increased property value due to a development, to solely the zone where the construction occurred. Cash that would otherwise flow to schools or county coffers is, instead, used to build roads and sidewalks. Ultimately, the cash benefits the developer.

It's the tax base, as a whole, the ends up picking up the slack, as schools, in particular, grapple with boosts in enrollment.

In this instance, the incentive appears needless and Riverdale officials should do everyone a favor and back away from the effort. The housing market in and around Bettendorf is strong. New builds and housing tracts continue expanding the fringes of Davenport. In almost all instances, contractors and developers assume the risk. They sell the houses. They play by established rules and don't expect a taxpayer-subsidized advantage.

Everyone gets their share, taxpayers included.

There's a strong argument to be made for the economic boost the Riverdale project would add to the community. The City Council's support is understandable until one looks at the issue from 30,000 feet.

This is yet another case in support of statewide legislation that would give veto authority to all governmental bodies potentially affected by a proposed TIF. The power of consultation is, simply, not good enough. It's a senseless oversight that undercuts elected officials' ability to scuttle bad deals that do little for their constituents.

Market forces suggest that the tract in question would get subdivided with or without taxpayer support. In short, the market forces should determine whether the development in Riverdale sinks or swims. Nor should the school district be asked to saddle the cost.

On a grand scale, TIFs are complicated, contentious vehicles of development. In Illinois, TIFs have been widely overused. Moline has, too often, tapped TIF in the past few decades to the detriment of its schools and city budgets. Chicago's ungainly TIF map has raised the ire of the governor's office, probably rightly so.

But TIF abuse isn't so widespread in Scott County. That's because the county board has applied judicious, conservative skepticism to TIF applications. Supervisors have scrutinized TIFs that would consume farm land. They've criticized projects that would suck tax dollars from school districts. And they've generally been less than hospitable to TIF proposals for residential developments. If nothing else, they've waged a campaign from the bully pulpit against most bad deals.

All of those standards should apply in Riverdale Tuesday when the TIF's applicants and city officials come seeking the county's support.

On its own, the proposed development could benefit its developers and Riverdale alike. But there's simply no justification for expecting Pleasant Valley School District or Scott County to cover its costs.

CHICAGOANS: BRACE FOR YET ANOTHER TAX HIKE

A new property tax hike worth as much as $148 million is set to hit Chicagoans as part of the latest school funding proposal. That’s on top of the record-breaking property tax hikes Mayor Rahm Emanuel approved in 2015 and a litany of other city and county taxes and fees.

Chicagoans should brace themselves for yet another property tax hike. The school funding proposal passed by the General Assembly and signed by the governor authorizes Chicago Public Schools to hike property taxes yet again to pay for pensions, this time by as much as $148 million.

It’s the latest in a deluge of tax hikes city residents have faced as the state, the city of Chicago and Cook County attempt to tax their way out of their structural problems.

The General Assembly recently passed the single largest permanent income tax increase in Illinois history as part of the 2018 budget. And Cook County, CPS and the city of Chicago have all passed a laundry list of new taxes in the last three years.

These hikes were massive, uncoordinated actions designed to paper over each individual government’s budget crisis.

Each hike has taken a toll on Chicagoans’ income. The 2015 Chicago property tax hike alone costs the average property owner an additional $500 a year. That’s on top of the city’s new utility taxes, garbage collection fees and Cook County’s sales tax hike and new sweetened beverage tax that are all pinching Chicagoans’ strained wallets.

And when the education funding bill is signed into law, Chicagoans will likely have to add another CPS property tax hike to their already-heavy burden.

A deluge of tax hikes

Chicago enacted numerous tax increases over the past two years. Residents are being hit with a multibillion-dollar burden to shore up Chicago’s broken pension systems, not to provide new services. That burden includes:

- A record $700 million-plus set of tax hikes in 2015, including:
    - A property tax hike of $318 million in 2015 that will rise to a total of $543 million a year by 2018. The tax is meant to partially pay for the city’s virtually insolvent police and fire pension funds.
    - An additional $45 million in property taxes to pay for CPS capital projects.
    - An additional $62.7 million from a new garbage collection fee.
    - $60 million in new fees on taxis and ride-hailing services, such as Uber and Lyft

  - $13 million from higher building-permit fees
  - $1 million from a tax on e-cigarettes
- A $50 million increase on 911 fees, effective in 2015, to pay for city laborers pensions.
- A new $9 million tax on plastic bags in 2017.
- A new $12 million "Netflix" tax on movie streaming and other media in 2015
- A tax on water and sewer utilities that will raise $56 million in 2017 and nearly $240 million annually by 2020.
- The Chicago Park District also hiked parking, harbor and program fees by more than $1 million.

CPS officials, trapped in a financial crisis of their own making, have hiked taxes on Chicagoans as well. CPS increased property taxes by $272 million in 2016 to pay for teachers' pensions. The new school funding proposal includes another property tax hike worth up to $148 million. And that doesn't include the billions in future taxes Chicagoans are on the hook for due to CPS' massive borrowing.

Cook County has also hiked a number of taxes over the past two years, including:

- A new sweetened beverage tax expected to collect $67.5 million in 2017, and $200 million in 2018.
- A $474 million, 1 percent sales tax increase in 2016. With the increase, Chicago's combined sales tax rose to 10.25 percent, the highest combined sales tax rate of any major city in the nation.
- A new $15 million, 1 percent tax on hotels. The new tax pushed the combined hotel tax burden in Chicago to 17.4 percent – among the top five highest rates in the nation.
- $6.5 million a year from new fees on e-cigarette liquids and lawsuit filing.
- A new $750,000, 3 percent amusement tax on ticket-reselling websites in 2016.

Overburdened and overwhelmed

Chicagoans have been under heavy strain over the past decade. They've faced increased violence, weak jobs growth and the incompetence of Chicago-area governments, from Cook County to CPS, residents continue to face higher taxes and fees – the highest in Illinois – as the dysfunction gets worse.

That's forced residents of all stripes – from millionaires to middle- and working-class residents – to abandon the city in recent years. Not only did Chicago's population shrink from 2000 to 2010, but the entire Chicago metro area has also shrunk for two years in a row. In all, Chicago's population is at levels not seen since 1920.

But that decline matters little to politicians at both the state and city level. Lawmakers still find it easier to pass the bill to taxpayers than to actually tackle the reforms necessary to fix the fundamental problems with government in Illinois.

Adding insult to injury, Chicagoans know the new tax hikes aren't dedicated to creating better schools, safer streets or a better jobs climate. Instead, almost all the money from the hikes is paying for each government's pension crisis.

The more residents are burdened, the more likely those who can will leave to find better opportunities elsewhere.

ILLINOIS - Make way for commercial PACE funding in Illinois

Energy efficiency is on the minds of many commercial real estate owners as it provides a way to lower energy costs, increase property values, reduce operating expenses and enhance the comfort of their tenants. However, there are two main obstacles that can prevent owners from making energy improvements to their properties: a lack of capital and the inability to find financing sources.

To overcome these barriers, in certain states commercial property owners have been utilizing Property Assessed Clean Energy (PACE) financing, which provides funding for energy efficiency, water conservation and renewable energy projects.

What is PACE financing?

PACE is a voluntary energy conservation program that provides up to 100 percent financing for approved energy efficiency projects. While PACE is a national initiative, programs can be established locally and tailored to meet specific regional needs. State legislation must be passed in order to authorize municipalities to create local PACE programs. Commercial PACE programs are active in 18 states, with Illinois being the most recent state to pass PACE legislation.

PACE provides low-cost, long-term financing for energy efficiency projects such as, installing solar panels, HVAC improvements, roof repairs, updating insulation and installing LED lighting. This financing is available for a variety of commercial real estate properties including retail, multifamily, industrial, office, hospitality, affordable housing and senior housing.

How does PACE work?

Financing is arranged through a local program administrator who ensures applications meet specific guidelines and coordinates with the municipality to sell bonds to provide capital for such projects. The property owners repay the long term improvement financing through an assessment included on the real estate tax bill.

The PACE financing lien is affixed to the property -- not to an individual or business -- until the financing is repaid and since PACE is repaid through the property tax bill, it is non-recourse to the individual property owner. If the commercial real estate property is sold before the PACE assessment is fully paid, the lien stays with the property and remains the responsibility of the new owner as part of the real estate taxes as the savings from the energy efficiency project continue to benefit the new owner.

The value of PACE

From a property owner's perspective, there are many benefits of utilizing PACE financing. PACE offers up to 100 percent financing for projects, therefore the owner does not have to worry about upfront capital and can reallocate funds that were previously reserved for energy projects. The energy savings from PACE financed projects can also increase a property's value and cash flow. In addition, it provides access to energy efficient technology that may not have been otherwise available to the property owner.

Municipalities can also see benefits from PACE in terms of economic development, job creation, increased property values and the fact that there are zero net costs to the issuer or government body.

Commercial PACE is now available in Illinois. Legislation for PACE financing in Illinois started in 2009 with the passage of a basic PACE bill. In 2017, SB1700 -- HB2831 successfully passed committees, and in August, the governor signed it into law. Illinois' PACE law is only in effect for commercial properties.

The introduction of PACE in Illinois will help spur more energy efficient projects within the commercial real estate market, improve property values and create jobs in the clean and renewable energy industries.

CALIFORNIA - Bay Area Legislators Call for Prop 13 Tax Reform to Address Commercial Property 'Loophole'

Bay Area elected officials and activists gathered in Oakland on Saturday calling for Proposition 13 to be reformed.

State legislators, county officials, and city councilmembers in attendance announced their support for a "split roll" property tax system that would assess commercial real estate at its full and current market value, while retaining the existing Prop 13 method of assessing residential real estate — whereby reassessment only happens when a home is sold.

The change could raise as much as $9 billion in new revenue a year, claims the group Make It Fair.

State Senator Nancy Skinner told about 250 people at the gathering, which was held in Oakland's First Congregational Church, that Proposition 13 still has "an aura of untouchability," but that in fact, it's time to amend the law.

"It was a bad measure and has denied our schools significant funding," she said. "Prop 13, from day one, was designed as a corporate giveaway, but it was sold as a protection for homeowners."

State Senator Scott Wiener said it has been difficult to challenge Prop 13 because of widespread cynicism of government that has led many voters to support extreme restrictions on revenue. "There's been a 50-year campaign from the radical right, well before the tea party, to de-legitimate government," he said.

But Wiener added that it could be difficult to fix Prop 13 for another reason: if commercial real estate is taxed at higher rates than residential properties, it might exacerbate the fiscalization of land use that has dis-incentivized cities from building new housing. This could worsen the state's housing crisis, said Wiener.

Assemblymember Rob Bonta rallied the audience asking them "are you ready to fight for people over profits?" He said amending Proposition 13 is "not an easy battle," and that "opposition will be fierce," but he said the time is ripe because California has a super-majority of Democrats who can pass progressive tax measures.

According to Ben Grieff, the executive director of the non-profit EVOLVE, companies like Chevron are paying disproportionately lower property taxes because they have owned their buildings and land for decades and structured transactions to acquire new real estate in ways that avoids triggering a reassessment. Amending Prop 13 to trigger reassessments of corporate property at full market value would raise taxes on many large businesses. Grieff claimed that smaller businesses wouldn't be significantly impacted.

Melvin Willis, a city councilmember in Richmond, where Chevron's Bay Area refinery has been located for over 100 year, said Californians are "picking up the buck for a multi-billion dollar corporation." He said his city is a good example of what happens when companies pay low property taxes. Richmond has struggled in previous years to balance its budget and the city's residents routinely complain of poorly maintained services and infrastructure.

Alameda County Supervisor Keith Carson said Alameda County loses as much as $550 million a year in revenue it would otherwise be collecting had Prop 13 not sheltered commercial real estate from being assessed at its true value.

Opponents of changing Proposition 13 say that the greatest beneficiaries of the law are homeowners. They warn of any tampering with the constitutional amendment and say that a split roll would be unfair to corporations and increase an already burdensome tax load on the private sector.

According to the California Taxpayers Association, "[o]pponents of Proposition 13 continue to advocate for higher taxes on business property in a state that continually ranks as having one of the most difficult tax and regulatory climates for businesses."

As to when voters might see a ballot initiative to change Proposition 13, Grieff said his group is "keeping options open" in order to wage the most effective campaign.