IPTI Xtracts

Property Tax and Assessment News from Around the World

UNITED STATES - December 2018

Contents

Progress and Poverty at Amazon HQ2

"As has sometimes been noted, one can buy a castle in some parts of Europe for less than a modest condo in San Francisco."

In the nineteenth century, the expansion of the railroad promised vast economic opportunities. Towns lived or died by where the track was laid, a fact that some unscrupulous companies used to extort bribes as they planned their routes. But, as the first transcontinental neared completion in 1868, there was at least one prominent naysayer. That year, Henry George published "What the Railroad Will Bring Us" in Bret Harte's Overland Monthly. George argued that the railroad might well make his home of San Francisco "the first city of the continent." These changes however "will not benefit all of us, but only a portion." With the development of San Francisco, the city would grow wealthier, but also less egalitarian. At the time, George was a solitary voice in a sea of boosterism, but within a decade the city would witness a series of riots led by an angry, xenophobic "Workingmen's Party." By then, George seemed to have been a prophet.

In 1879, George formulated his ideas into a book entitled Progress and Poverty. From Adam Smith to John Stuart Mill, liberal economists had argued that land was a monopoly and that the landlord could claim in rent any financial advantage it offered. George's epiphany was that the economic value of land was no longer just a function of how much grain one could grow on it. Whether one could afford space in the city determined access to a vast array of economic advantages of scale and proximity that were inconceivably greater than anything in the countryside. Furthermore, the city offered opportunities for culture, education, and socialization that far outstripped the offerings of small towns. If classical economists were right when they asserted that the value of land was proportional to its advantages, then the price of urban space would grow in tandem with the development of the city. That meant that every step forward for the community would be a step back for its tenants.

Today, Alexandria Ocasio-Cortez is playing the role of Henry George by attacking Amazon's decision to locate its headquarters in Queens. Her criticism of the tax subsidies granted to Amazon are cogent and uncontroversial—even conservative commentators like Tucker Carlson acknowledge that it makes little sense to fork over billions of tax dollars for a company to relocate to a city it would have moved to anyway. But she has also expressed concerns much closer to those embodied in George's critique of the railroad. The economic opportunities offered by Amazon, will, she suggests, hurt her constituents by driving up rent.

Ocasio-Cortez styles her brand of socialism the "Green New Deal," but it is hard to overemphasize how much her position departs from wheeling and dealing tradition of old-school urban liberals like Richard Daley. These figures traditionally believed it was their job to bring as much money as possible back to their districts. The singular goal of the New Deal was full employment. So, it testifies to the stark differences between our own economic problems and those of the 1930's that no one bats an eye when a representative protests new jobs in her district. Today, we have full employment and are pretty sure that it isn't what we need. Note recent headlines like "Americans Want to Believe Jobs Are the Solution to Poverty. They're Not" and "The U.S. economy doesn't need more Amazon jobs. It needs higher wages."

Ocasio-Cortez's pessimism isn't unfounded. One study found that, when the housing market is tight, rising income among high earners can negatively impact the poor by pushing up housing costs. While George's prediction that rising land values would consume all economic progress was clearly overstated, there is some truth to the idea that urban space becomes more valuable in proportion to the benefits it offers. Citylab found that the cities with the highest economic mobility in America were also consistently the least affordable. Wherever they chose to locate, young people are saddled with an impossible choice between pursuing opportunity or affordability. If George were to visit "The City by the Bay" today, he would feel justified in his conclusion that no advances in the labor market would improve living conditions until the rent question is settled. Business Insider ranks San Francisco and San Jose as the two best urban economies in the country. Most residents of the Bay Area, however, don't feel so wealthy. That is because, as HUD concluded, any residents of San Francisco who earn less than $100,000 can be classified as "low income."

Although they both highlighted the paradox of "progress and poverty," the differences between George and Ocasio-Cortez are more important than the similarities. George believed that rising rents were the inevitable cost of progress. Halting improvements in urban life that sparked rent was neither possible nor desirable. The goal was not so much to reduce rent, as to redistribute it. Conversely, Ocasio-Cortez, opposes "gentrification," a cultural and social phenomenon that purportedly inflates housing costs.

For example, Ocasio-Cortez suggested in her critique of Amazon that "luxury housing" built in the Amazon boom would negatively impact her constituents. I have my doubts about this. I am old enough to remember when people who moved into warehouses were perceived as desperate refugees; now the warehouse aesthetic is incorporated into luxury apartments in every part of the world where the name "Brooklyn" is known. Our valuation of architectural style is subjective and historically contingent. There is no evidence that any particular architectural style positively corresponds with higher rents. As has sometimes been noted, one can buy a castle in some parts of Europe for less than a modest condo in San Francisco. If inflated real estate prices are constituted primarily by location rather than the building itself, controlling the quality of housing is no solution to the affordability crisis.

The concept of "gentrification" focuses the discussion of rent on the displacement of ethnic communities. Because of the cultural orientation of this discourse, we assume that cultural and aesthetic changes are not just results, but also causes of high real estate values. However, many of the prime examples of gentrification—for example, Greenpoint, the Mission District, and U Street—have garnered so much demand precisely because of the commodification of their ethnic culture and cuisine. Ben's

Chili Bowl—Washington D.C.'s famous historically black restaurant—drives up values in the U Street Neighborhood considerably more than the Target does in Columbia Heights. According to Professor Sharon Zukin, this "Disneyfication" of ethnic community is not an isolated instance, but part of a pervasive trend in the development of American cities.

Problematically, this means that halting "gentrification" wouldn't just require blocking totems of white bourgeois culture like Whole Foods; it would mean suppressing the culture of existing ethnic communities. If one wanted to turn around the Mission District in San Francisco, they'd need to tear down not just Ritual, but also La Taqueria. The only way to stifle demand for a neighborhood is to guarantee that no one wants to live there. This would be a truly pyrrhic victory; it would mean creating a desert and calling it peace.

George, in contrast, argued for a tax on land on land values that would fund programs like free higher education and public transit. Today, George's "land value tax" is practiced in Taiwan and Denmark—a recent study of the latter found that as the tax increased, the price of property declined proportionally. Many experts, including the editorial staff at the Economist, think highly of the tax. Land value taxation might or might not be the best solution to the high cost of urban life today, but it is hard to deny that George's general approach to rent is more practical than what prevails today.

In 1908, the Georgist Benjamin C. Marsh was asked to organize an exhibit on rent in New York City. Over 70,000 people visited the exhibit, the centerpiece of which was two cubes, one barely half an inch across, the other four and a half feet. One was a scaled representation of the value of land in Manhattan in 1624 and the other the value in 1907. The display asked simply, "Who created it? Who gets it?" The forces underlying urban rent are too large, complex, and—dare I say—natural, to stop. Marsh's question represents a better angle for tackling the question. If rent reflects the growth of a community, how do we ensure that the proceeds don't act as a barrier for entry to the disadvantaged, but rather are leveraged to benefit the entirety of the community that creates it?

Christopher England holds a Ph.D. in U.S. History from Georgetown University and has taught at Georgetown at the University of Wisconsin-Madison.

FLORIDA

Historic Miami church fighting $7M property tax bill

A historic Miami church is fighting back after being hit with a $7 million dollar property tax bill.

The Miami-Dade Property Appraiser claims First Presbyterian Church of Miami has violated its religious exemption status by leasing a part of the church to a for-profit school and food trucks.

Tuition at the school costs about $16,000 a year. The Miami Herald reports the church belongs to the oldest organized congregation in the city.

The taxes only apply to about 30 percent of the property said to be in violation.

Church attorneys say the school is motivated by the church's sincere religious beliefs and that the church's constitutional rights are being violated.

The church sits on more than three acres of valuable waterfront land. The market value is estimated at $86 million.

HAWAII

The cost of living in paradise just got more expensive for homeowners

The cost of living in paradise just got a little more expensive, and the parts of Oahu with the largest increase in property taxes may surprise you.

Many homeowners may be paying more for their slice of paradise next year thanks to the latest real property assessment values.

The City and County of Honolulu's Real Property Assessment Division has prepared the 2019 real property notice of assessments applicable to the 2019-20 tax year, and sent approximately 295,000 notices on Dec. 15.

The aggregate assessed valuation of all real property on Oahu increased from $257.99 billion to $275.46 billion, indicating an approximate increase of 6.8 percent. Contributing to this increase were newer residential subdivisions, recently built condominiums, and the robust markets of the commercial, industrial, and hotel and resort classifications.

Real property assessment administrator Steven Takahara says overall residential properties have increased 5.4 percent, but that doesn't mean everyone will pay more.

The property assessments for North Shore residents increased more than 10 percent with Kahuku and Leeward Oahu up more than 7 percent.

Urban Honolulu and Kalihi saw a 5 percent increase and Windward Oahu and East Honolulu saw the lowest increase of just over 3 percent.

Numerous things are taken into consideration when determining real property values such as renovations or upgrades to the property, amenities in the area, shopping malls, beaches, even crime rates.

"Maybe lower or affordable type section of the market is more appealing because more people can qualify for that market. Like I said there's numerous variables that come into play," Takahara noted.

Takahara says some people are worried about monster homes driving up their property values. He says they won't. They are classified differently than smaller homes.

"The land value may be similar, but the item itself, all the improvements is not, so that's a different market in itself," he explained.

It's also important to check to make sure your assessment is correct.

"If they feel we valued it too much, they have the option to appeal, because that value is the taxable, what that's one component of the equation that they're going to pay their real property taxes on," Takahara said.

The assessment notice is not a tax bill. The notice provides the property's ID/TMK, assessed value, tax classification, applied exemption amount, applicable special assessment, and net taxable value. All 2019 assessed values reflect the value of real property in their entirety (fee simple) as of Oct. 1, 2018, and are derived from sales of similar property through June 30, 2018.

Information stated on the Real Property Notice of Assessment is used to determine the real property tax bill amount. The property's net taxable value stated on the assessment notice is taxed per $1,000 of value at the property's applicable classification tax rate. The classification tax rate is set by the City Council in June 2019. The tax bill will be mailed in July 2019.

Homeowners have until Jan. 15, 2019 to appeal.

Hand delivered appeals must be received and accepted by 4:30 p.m. on Jan. 15, 2019. If the appeal is mailed, it must be postmarked by a government postal service on or before Jan. 15, 2019. Appeals filed online at www.realpropertyhonolulu.com must be completed by 11:59 p.m., Jan. 15, 2019. A $50 deposit for each appeal is required. Make checks payable to City and County of Honolulu. Enclose a self-addressed stamped envelope with your appeal application to receive a receipted copy of the appeal. An appeal cannot be lodged by facsimile transmission or via email.

In an effort to expedite the appeal process and to minimize the wait time for a Board of Review hearing date, appellants should submit any evidence and supporting documentation to the Real Property Assessment Division with the appeal form or shortly thereafter. If you are submitting evidence separately from the appeal form, please include the name of the appellant, Parcel ID/TMK, year of the appeal, and contact information such as phone number, mailing address, and email address to either office.

The Honolulu City Council determines the rate that you pay on your assessment, and that rate could change in June.

ILLINOIS

Washington approves 7.5 percent property tax levy hike

City Council members Monday voted 7-1 to approve a 7.5 percent increase in the city's property tax levy.

The hike will cost the average Washington homeowner about $12 a year.

Alderman Brett Adams cast the lone dissenting vote.

"It was not an easy decision," he said.

The city's portion of a Washington property owner's property tax bill is about 5 percent. School districts' property taxes represent 70 percent of a property tax bill, with an average of 37.4 percent from the property owner's grade school district and 32.6 percent from Washington Community High School, according to a property tax distribution chart compiled by the city.

The main reason for the city's levy increase is a $140,472, or 71 percent, increase in property tax dollars that will go into the city's general fund in an effort to build the general fund back to pre-tornado levels.

The general fund will receive $336,075, the most since $360,000 in the 2013 tornado-year levy. More than $195,000 went into the general fund from the 2017 levy.

Mayor Gary Manier and Alderman Brian Butler were critical of a television news report last week on a public hearing by the council on the proposed increase.

"Here we were talking about a possible $12 increase on a $3,000 property tax bill, while down the street the high school board was approving a levy that will raise taxes about $100 on the same bill," Manier said.

The mayor said city staff and the council have exhibited fiscal responsibility for years.

"We've gotten projects done and recovered from a disaster," he said. "Our employees provide unbelievable service to the community. Their work is especially impressive because we've grown 50 percent in population since 2000 and we haven't added extra city personnel."

Butler said he appreciated residents' comments last week and thanked them for expressing valid concerns, "but I don't know why this is a news story. If anything, it's a success story. Eighty percent of our levy goes to pensions the state isn't funding. The remaining 20 percent is discretionary with most going into the general fund."

The city will send $535,300 in 2018 property tax dollars to the police pension fund and $345,000 to the Illinois Municipal Retirement Fund.

The average annual Washington property tax bill — including all taxing bodies — is about $3,000. City officials estimate the following increases in the city's portion of a property tax bill, assuming no change in the property's equalized assessed valuation: $3.96 for a $1,000 tax bill, $7.93 for $2,000, $11.89 for $3,000, $15.86 for $4,000, $19.82 for $5,000, $29.73 for $7,500 and $39.64 for $10,000.

The city's 2018 property tax rate, which will be determined next year by Tazewell County, is estimated to be 47 cents per $100 equalized assessed valuation. The 2017 tax rate was 44 cents.

The tax rate was 80 cents in 1997, when voters approved Washington becoming a home-rule community, but it had been as high as $1.26 in 1989.

The tax rate fell to 40 cents in 1997 and it has remained around that level since then.

Property taxes will account for 6.5 percent of the city's revenue for the 2018-2019 fiscal year, according to city officials.

Other revenue sources for the city include sales tax, income tax, telecommunications tax, motor fuel tax, water and sewer fees, loans, grants and fund surpluses.

MICHIGAN

Ford's Detroit campus plan wins state tax breaks

Michigan's economic development board on Tuesday approved a 30-year tax abatement for Ford Motor Co.'s planned campus in Detroit's historic Corktown neighborhood that is the tax-incentive linchpin for the automaker's revitalization of the long-vacant Michigan Central Station.

The Michigan Strategic Fund's board signed off on Ford's application for a 30-year Renaissance Zone designation for the 18-story train station and its parking deck, the former Detroit schools book depository that is adjacent to the depot and the property of the former Lincoln Brass Works factory at 2051 Rosa Parks Blvd.

The tax breaks amount to $208.8 million -- or $6.95 million annually -- in property taxes that Ford won't have to pay over a period of 30 years that will begin in five years, according to the Michigan Economic Development Corp.

The Corktown properties currently generate less than $200,000 annually in taxes, according to a MEDC briefing memo to MSF board members.

The MSF board's approval of the Renaissance Zone designation is the final step toward Ford securing nearly $239 million in total tax breaks for the $740 million autonomous vehicle campus the automaker plans to establish in Corktown by 2022.

Ford appears to have more time, though, to bring 5,000 jobs to Detroit in exchange for the tax breaks.

The strategic fund's briefing document says Ford has pledged to bring 2,500 "direct jobs" to Corktown by Dec. 31, 2022 and another 2,500 employees of suppliers and "partners" by Dec. 31, 2028.

Ford "anticipates the bulk of the supplier jobs to be created or brought in by 2022," said Stacey Bowerman, vice president of business development projects for the MEDC.

Detroit City Council has approved tax breaks under the Obsolete Property Rehabilitation Act, a Commercial Rehabilitation District -- abatements valued at $27 million over 12 years, according to the MEDC memo.

Those tax breaks will effectively freeze the taxable value of the Corktown properties at current levels after the renovations and improvements are made.

City Council also approved an application for a Renaissance Zone, which exempts Ford from paying real and personal property taxes as well as Detroit's city taxes on corporate income and utility users.

Ford Land Development Co., the automaker's real-estate development arm, plans to tear down the 289,000 former brass factory on Rosa Parks Boulevard and build a new 500,000-square-foot to 600,000-square-foot office and research building.

Ford, which announced its purchase of Michigan Central Station in June, had pushed for quick approval of the tax breaks this fall from state and city officials in order to begin work constructing a temporary safety enclosure to dry out the weather-damaged train depot, which sat exposed to the elements for years.

Major rehabilitation and construction work at the train station is expected to begin in early 2019, according to the MEDC memo.

The brass factory property is adjacent to The Factory building at Rosa Parks and Michigan, where 250 Ford employees in the company's electric and autonomous vehicle divisions began working in late May.

Rehabilitation of the 273,000-square-foot former DPS book depository at 2231 Dalzelle St. is set to begin in early 2019. The onetime post office built in 1936 has sat vacant since a fire ravaged the building in 1987.

NEW YORK

A Tax Overhaul Plan Co-ops and Condos Will Love

Residents of the city’s co-ops and condominiums might soon have reason to rejoice. Ditto owners of one-, two-, and three-family homes – if the panel studying an overhaul of the city’s much-maligned property tax system adopts a new recommendation from the independent fiscal monitor Citizens Budget Commission, Bloomberg reports.

The nonpartisan group has proposed a “comprehensive redesign” of the system that would shift co-ops and condos from Class 2 into Class 1 with one-, two-, three-family homes, which face a lower effective tax rate. Effective tax rates would be increased for residential rental buildings (Class 2), utility properties (Class 3), and commercial properties (Class 4).

Assessed values would rise in all four classes, with a shift to valuation relying on full market value, possibly adjusted to favor residential properties and households where property taxes are out of proportion to income. Under the current system, co-ops and condos are assessed not on market value but on the value of nearby rental properties. That, plus a cap on yearly rises in assessments, has led to a current state of affairs where wealthy homeowners frequently pay far less in property taxes, proportionally, than lower-income households.

The Advisory Commission on Property Tax Reform, formed in the spring by Mayor Bill de Blasio and the city council, is developing legislative proposals and other steps for next year that would introduce the first changes in the system in more than 20 years. The commission has heard comments from the public in all five boroughs, and it will hear expert testimony at a hearing on Dec. 13. It is now considering the CBC proposals.

PENNSYLVANIA

Allentown residents see 27 percent property tax increase

Allentown's budget drama is officially over after a wild weekend of politics, and residents are now dealing with a historic property tax increase.

For the first time in 13 years, Allentown residents will see a property tax increase.

After much back-and-forth, and a midnight veto, the new budget raises the rate by 27 percent.

"I feel, in my heart and in my head, what I did was financially responsible for the citizens and Allentown and for the residents," said Allentown Mayor Ray O'Connell.

Last week, council proposed a reduction of O'Connell's proposed 27-percent tax increase to a 22-percent increase, but Saturday night, the mayor ran out the clock to prevent another city council override vote.

O'Connell waited until 30 seconds before the midnight deadline Saturday to hand in his veto, which made his budget law.

"Financially, we need the money. We truly do and my argument has always been we cannot cut services," said Councilwoman Candida Affa.

Some council members pointed out resident feedback that some people in Allentown won't be able to afford the new charge.

"I'm not saying we don't need to raise taxes. Of course, we probably need to raise taxes a little bit, real estate taxes, but it doesn't have to be 27 percent in one shot," said Councilman Julio Guridy.

The mayor and City Council did agree though that the budget process needs an overhaul to prevent this kind of scenario again.

"Start the budget process early rather than submit it maybe November 5th, maybe submit a budget in October," O'Connell said.

He went on to say that he and council have already agreed to try to do that by sitting down and beginning in January or February.

TENNESSEE

What TIF has meant to downtown Johnson City

There has been a notable revitalization occurring in downtown Johnson City over the last decade. This revitalization is the result of the entrepreneurial spirit of our business owners, their employees and the residents who come to work and live in downtown Johnson City every day. While there are many factors that have contributed to this growth, there is one tool that that has had a significant impact and continues to garner attention. That tool is Tax Increment Financing or TIF.

TIF became a tool for revitalization when the Johnson City Development Authority (JCDA) established a Redevelopment Plan for the area and established a base year for measurement of 2008. TIF became the incentive tool of choice because it limits the amount of incentive that can be used to the amount of additional taxes that are generated within the redevelopment district. This was important in 2008 when many in city and county government, as well as a sizeable portion of the population, were concerned that downtown revitalization was an exercise in futility. Many of the past efforts for revitalization had not spurred the investment in the area that was needed.

Many are still mystified by the inner workings of this tool. TIF does not increase any property tax in any way. The amount of property taxes collected by the city and the county in 2008 continue to be paid and retained by them in exactly the same way today as it was ten years ago. The difference is that by implementing TIF, the city and the county have made a commitment that when individuals and businesses invest in properties within the district, thereby raising the value of their properties and those around them, the additional property taxes collected as a result of these increased property values will be reinvested within the district. This reinvestment happens through a dedicated and restricted fund administered by JCDA and the TIF Advisory Committee that operates under the JCDA. The TIF Advisory Committee is made up of representatives from the JCDA Board, Washington County Commissioners and appointees and City of Johnson City Commissioners.

The tool has been useful in incentivizing investment in properties that are simply not cost effective without the incentive. The cost of renovating an historic building can present many challenges that are not faced when building a new building. There are common issues such as asbestos removal, fire safety for multi-story buildings, ADA compliance for buildings that were built well before ADA existed, entry and exit requirements for buildings with other existing structures adjoining on multiple sides, etc. There are also unique challenges in many potential projects. A recent renovation of the buildings on Cherry Street involved buildings that had originally been used as a tobacco warehouse and shipping point. In its original use, the tobacco would be delivered at the back of the building and pushed down the sloped floors to the Cherry Street side where the trains were loaded. This building design included a sloped floor that was four feet lower on one side of the building than on the other. This worked great for the original purpose of the building but caused great challenges and costs when figuring out how to repurpose the buildings for use today. When you combine these added costs with the fact that in 2008 people were unwilling to pay rents equivalent to other parts of the city, it becomes clear why the downtown had become stagnate in spite of the energy and enthusiasm many had for what they saw as the potential in the historic core of our city.

Since 2008, the property values in the redevelopment district have begun to grow significantly. In 2008, the total value of property in the district as reported in the Annual Financial Report for Washington County was just over $166 million. Today, the County Trustee reports the value in the district as $253.8 million. This nearly 53% growth of over $87 million in the last ten years, has far outpaced the growth in the rest of Washington County. During this same period, the growth of all of Washington County (outside of the Redevelopment District) has gone from just under $8.7 billion in 2008 to a little less than $9.7 billion in 2018. This nearly $1 billion of growth is 11.4% since 2008. The Redevelopment District has grown at a rate 4.6 times greater than the rest of the county. It is important to note that within Washington County, approximately 46% of this incremental property tax growth does not go towards the TIF incentive tool but is instead retained by the county for debt service and general use. This means that while the county has made a sizeable and crucial commitment to the Redevelopment District, the county is also benefitting directly and immediately from this growth. While this growth cannot be attributed entirely to this tool, it is undeniable that the tool has had a marked positive impact. The cost of the TIF incentive must also be compared to the costs of preparing vacant land for development. By incentivizing growth within the existing core of our city, we alleviate the need for additional roads, utilities and other public services to an expanded area, all of which come at a cost to the taxpayer.

The impact of TIF is measurable in the increased value of properties that have been redeveloped using this incentive. It is also measurable by the more than $4.8 million of public-owned projects that have been funded using TIF, including the purchase and repurposing of the former Washington County Courthouse to the Johnson City campus of Northeast State Community College, as well as the Pavilion at Founders Park which expanded public parking and hosts the farmers market and other community events throughout the year. Perhaps the greatest impact of TIF is one not directly measurable. That is the vote of confidence that is given to potential investors as well as existing owners in the district when they see the commitment made by our city and county government officials. By supporting TIF, these officials are making a strong statement that they believe in the future of our downtown and that they support the individuals and businesses that are willing to take on the risks of purchasing, renovating and repurposing these challenging projects. With their continued support, the future of downtown looks bright!

TEXAS

Texas property tax notices confuse homeowners and don’t comply with state constitution, expert says

Local governments have not been properly notifying homeowners of their expected property tax increases since 1978, disregarding a requirement of the Texas Constitution, an academic researcher told lawmakers on Wednesday.

For decades, Texas has required appraisal notices that include an “estimate of tax due,” but the notices are both too confusing and not accurate enough to comply with the state constitution, said tax expert Jennifer Rabb, director and fellow of the McNair Center for Entrepreneurship and Economic Growth at Rice University.

The Constitution requires taxpayers be provided with “a reasonable estimate of the amount of taxes that would be imposed on his property if the total amount of property taxes for the subdivision were not increased.”

But Rabb said the notices sent to taxpayers each spring show them a misleading mix of the previous year's tax rates along with current appraisals to create a number that is “entirely fictional” and has almost no chance of ever being accurate. Rabb and other tax experts told lawmakers that the technology exists to give taxpayers “real-time tax rate notices” electronically as various local governments propose rates. That would give homeowners more accurate information and a better opportunity to protest or give feedback to local officials about their proposed taxes before rates are set.

The critique of property tax notices was a key point as the Texas Legislature works on property tax reform proposals before the legislative session that begins on Jan. 8. While the Senate has long pushed to make it harder for local governments to enact substantial property tax increases without going to voters, the conversation on Wednesday showed the willingness of lawmakers to take up what has been a top priority of Rep. Dennis Bonnen, a Brazoria County Republican who is in line to become Speaker of the Texas House in January.

Bonnen in 2017 proposed a series of reforms to do exactly what Rabb and officials with the Texas Taxpayers and Research Association recommended on Wednesday. Bonnen’s House Bill 15 would have gotten rid of the “estimate of tax due” on appraisal notices and instead spelled out more clearly how the tax rates proposed by local governments would affect a homeowner's tax bill.

"Our property tax system is needlessly confusing and discourages citizens from taking an active role in the local rate-setting process," Bonnen said in 2017 when he announced the legislation.

The transparency measures Bonnen pitched were just one tax measure that went nowhere in the last legislative session. Though both Republican-dominated chambers of the Legislature and Gov. Greg Abbott have called for property tax reforms, a package of legislation died in both the 2017 legislative session and a special session called in the summer, amid disagreements between Lt. Gov. Dan Patrick and outgoing House Speaker Joe Straus.

Opponents of the reforms pointed out that state lawmakers themselves bear some of the blame for property tax escalation. As the state has reduced its share of education funding, school districts have had little choice but to compensate with property tax revenue, they say. State funding for schools is expected to be another big issue in the upcoming session.

State Sen. Paul Bettencourt, R-Houston, pledged Wednesday that property tax reform will happen in 2019.

"Don't underestimate the Lieutenant Governor's resolve," Bettencourt told the audience at Lone Star College-Montgomery.

As lieutenant governor, Patrick is elected statewide and presides over the Texas Senate with the ability to control which bills are heard in the Senate and when.

Wednesday's hearing showed that once again a centerpiece to the reforms will be the Senate's demand to limit how much cities, counties and special districts can increase property tax rates from year to year. Currently, Texas law allows local governments to increase the effective tax rate by 8 percent before the public can petition for a rollback election to contest the increase. The Senate in 2017 wanted to push the limit down to 4 percent and require an election anytime a local government wanted to go higher.

In January, Abbott pitched a tax reform plan that calls for an election anytime a local government raises its property tax levy by more than 2.5 percent.

Bettencourt, chairman of the Texas Senate Select Committee on Property Tax Reform, has long complained that tax revenues are growing far faster than people's incomes, putting too much pressure on homeowners and businesses.

"You can't let government grow 7, 8, 9 percent a year," he said. "Folks' incomes can't keep up with that."

On Wednesday, local governments were already lodging their opposition to the Legislature again trying to cap rates. Nathan Watkins, the city manager of Mont Belvieu in Harris County, said the rollback rate caps would hinder the ability of local government to provide the services people in communities like his demand.

Bettencourt said he has no doubt the Legislature will reset the rollback rate this year. It's only a question of how low it will be set.

"It's going to change," he predicted.

WASHINGTON

New Details on the Waterfront Seattle Project Tax Negotiations

Discussions move ahead on the LID, a special tax that will provide funding for the extensive waterfront remodel

A controversial one-time tax on commercial and residential property located near Seattle's downtown waterfront, which the Seattle City Council was supposed to have approved before the end of this year, has been held up by protests from some of those property owners who say the proposed $200 million tax assessment, known as a Local Improvement District (LID), is too high and should be scaled back. LIDs allow cities to impose a special tax on properties that will gain value because of improvements that are paid for with the tax. In this case, the city has long planned to use a LID to help fund the $688 million Waterfront Seattle project.

The long-planned project redesigns Seattle's waterfront once the Alaskan Way Viaduct comes down. But property owners inside the LID, which includes properties up to 12 blocks away from the waterfront itself, have the right to protest the tax; if property owners who represent more than 60 percent of the value of the land inside the LID write protest letters to the city, the LID can't go forward.

The Seattle Times reported last week that high-profile land use attorney Jack McCullough is representing some of the large waterfront property owners in negotiations with the city, and that, according to some condo owners, the city had agreed to lower the LID from $200 million to $160 million. (Condo owners, who would pay a median assessment of $2,400, payable over 20 years, represent just over 12 percent of the properties along the waterfront most of the land in the LID is owned by big commercial companies.)

Through conversations with property owners, city officials, and other sources familiar with the negotiations, Seattle magazine has learned more details about the proposed deal, as well as the remaining sticking points.

The proposed total assessment of $160 million would be supplemented by additional contributions from the city of Seattle and the Friends of the Waterfront, a private nonprofit established in 2012 to raise money for the new waterfront, and to help operate and maintain it. Current plans for what's usually referred to as the waterfront park, include a grand, terraced "Overlook Walk" staircase leading from the new MarketFront development at Pike Place Market to the waterfront (and onto the roof of a new Seattle Aquarium expansion); a wide new waterfront promenade flanked by protected bike lanes and hundreds of new street trees; and year-round events, including the return of Concerts at the Pier (at Pier 62).

The city will reportedly contribute an additional $30 million, and the Friends another $10 million, to get the total back up to $200 million. (Seattle Office of the Waterfront director Marshall Foster would not confirm the additional contribution from city tax dollars, but added, "What I can say is, the strategy here is in no way to pursue funds that would otherwise be used for neighborhood parks or other facilities in the city [but] to really look at funds that are associated with the replacement of the viaduct and the [citywide] parks district," adopted in 2014. That ballot measure established an annual budget of around $4 million to operate and maintain the park.

"The only discussion right now is that we will build the project, with a LID of a size that the city can complete the whole project," says Heidi Hughes, executive director of Friends, "because without a significant portion of that funding, we end up with road and a wider sidewalk."

Another sticking point has been the budget for operations, maintenance, and—especially—security. Friends of the Waterfront plans to supplement Seattle Police Department patrols and the city's Law Enforcement Assisted Diversion program with its own version of the Downtown Seattle Association's Downtown Ambassadors—essentially, private staffers who keep an eye on the park, offer information, and help people in crisis—but property owners want more assurances that the city will enforce its anti-camping laws. Former mayor Charles Royer, who co-chaired the waterfront committee and supports the LID, says that property owners are worried that "the waterfront could open and the first tents could go up the next day."

Seattle Office of the Waterfront director Foster says the city plans to keep the new waterfront secure and inviting through a combination of daily maintenance by parks employees, year-round programming in partnership with the Friends, the ambassadors program, and police. "Our focus is primarily on trained ambassadors and outreach staff who will be backed up as needed by SPD," Foster says. However, he said he couldn't confirm any details about the LID negotiations, including whether the city has committed to spending more money on security in the park.

Ivar's CEO Bob Donegan, who served on the Central Waterfront Committee that came up with the original waterfront plan back in 2012, says that downtown property owners on that committee at the time said that they "would not support the creation of this park if there is not enough budget to do four things: program, landscape, maintain, and secure the park." Although Donegan says that ultimately, "I think the security is going to be fine," others involved in the negotiations say the issue remained a sticking point last week.

Another issue that has come up in the negotiations with property owners is what impact the LID assessments, which were conducted by an independent assessor, will have on their future property taxes. Although the LID is a one-time assessment, some property owners have expressed concern that the King County Assessor, who determines individual property values, will look at the higher LID assessments and raise their property values (and thus their annual property taxes) accordingly. "They wanted assurances that [King County assessor] John Arthur Wilson wasn't going to bump up their county assessments," Donegan says. Deputy King County Assessor Al Dams says his office bases assessments on the sales prices of nearby properties, not on independent assessments like those done by Zillow or, in the case of the LID properties, Valbridge Property Advisors. However, Dams notes that "if you put a desirable amenity in a neighborhood or by a piece of property, that may drive up the values. Will the waterfront be really nice? If so, that probably will drive the values up."

Although some condo owners have joined the protest against the LID, others say they're happy to pay the tax. Cary Moon, the former mayoral candidate, lives in the assessment area, says she's "going to happily pay our assessment, because I know our building is benefiting and I know our property values are benefiting" from what she calls a "really big and ambitious and bold" waterfront proposal. Royer, too, says he's happy to fork over his share of the LID, which he estimates for him will be around $24,000—or a little over $1,000 a year. "A thousand dollars a year for me to live next to the beach, with a view of the waterfront ... is a fair deal."