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John DeStefano, Jr.
Mayor

Testimony of the City of New Haven
to the Finance Committee

Regarding

H.B. No. 5424 AN ACT CONCERNING DELAYS IN REVALUATION FOR CERTAIN TOWNS

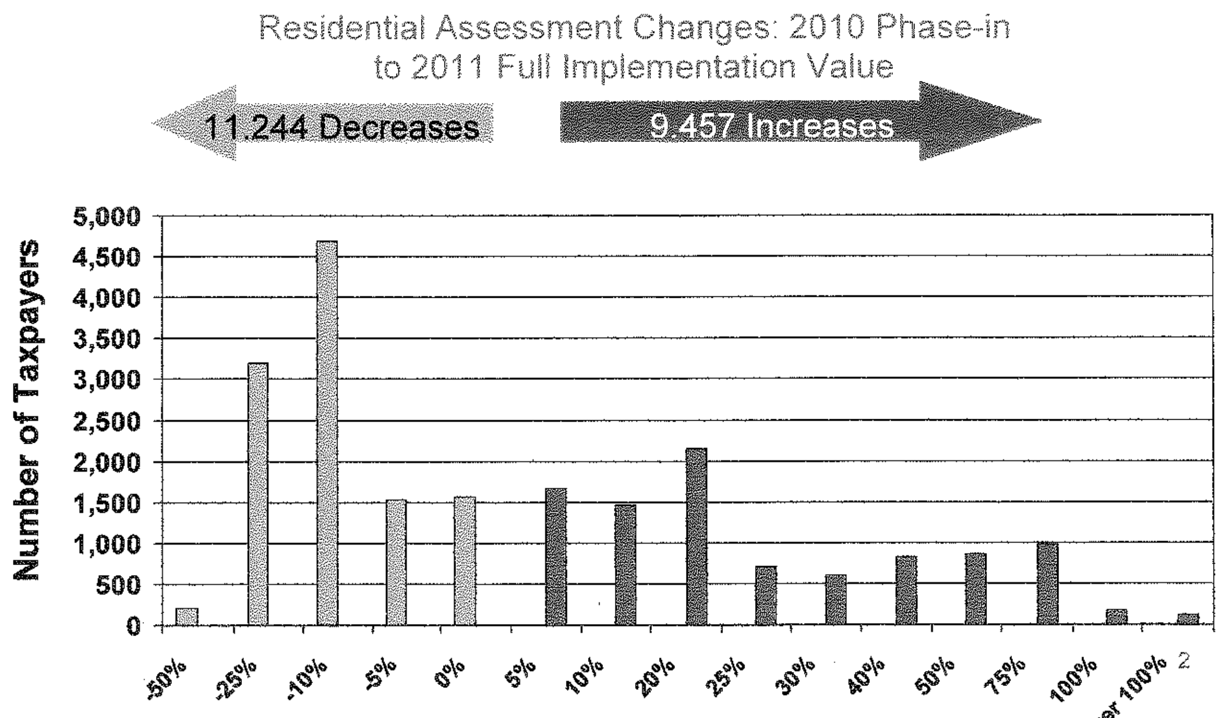
Submitted by
Rebecca Bombero, Legislative Director, City of New Haven
March 12, 2012

Senator Daily, Rep. Widlitz, and members of the Finance Committee. Thank you for the opportunity to comment upon HB 5424 and the revaluation process. State statute requires a municipality to conduct a revaluation of all real property to capture the changes in fair market value to ensure an equitable distribution of the property tax burden.

Property taxes however, are the most regressive forms of taxes and do not take in to consideration a property owners ability to pay, and there are great differences in tax rates between communities throughout the state as some communities have large amounts of exempt property, others shoulder large services burdens hosting low income housing and at risk populations – including large amounts of ex-offenders. Some communities, like New Haven, face both challenges. Despite these challenges New Haven works to encourage home ownership, attract businesses and build a vibrant community.

In 2006, the City of New Haven conducted a statistical revaluation of properties. This occurred at the relative height of the property market. In this revaluation all property appreciated, with residential property appreciating the most. As result, the City elected to institute five year phase-in as permitted CGS 12-62c to gradually shift this tax burden. Unfortunately, in fall 2008, the housing market collapsed. We began to see values fall and were concerned that further progress of the phase-in would result in a property tax burden that was not reflective of current market conditions – people who would be paying taxes on far more than their property was worth. In 2009, the General Assembly passed PA 09-60 which enabled municipalities to delay revaluation, or to freeze the implementation of phase-ins until the market stabilized.

In 2011, the City conducted a new revaluation. What we witnessed in the valuation is an extremely volatile market. Due to very low commercial vacancy rates, our commercial values continued to grow. The residential market was very different. Over half of property owners saw their properties values decrease from the frozen 2010 values. Take my home for instance – the 2006 assessment was $230,000. The 2010 phased in assessment is $168,410, the new, 2011 value is $165,406. Over 11,244 properties saw such decreases ranging from small like mine to up to 10, 25 or 50%. The remaining 9,457 residential properties saw increases. While some were small and between the 2010 frozen value, and the 2006 full value, many properties had continued to appreciate since 2006 and saw increases of 30, 40 50 and up to and over 100% from the frozen 2010 values.



After the completion of the initial v[illegible]series of eight community meetings where he met with property owners from throughout the City. People were concerned, and many were scared. People who are already struggling afraid that they would no longer be able to afford their homes. Some argue that those who paid the $600,000 or the $2M for their homes can afford the increases. This may be fair – but you worry about the widow next door – who has lived in the home 20 years, who paid $60,000 when both she and her husband were working, who raised their family there, and now is on a fixed income. They may live in a $600k home, but they are asset rich and cash poor. Or what about the teacher and the firefighter – who bought the home on Orange Street for $150,000 ten years ago who now have a $400,000 property.

Over the course of the winter the Mayor met with members of our Board of Aldermen and we talked about different scenarios:

- We could ask to not implement. But what about the 11,244 people whose properties went down? What about the $2M we just spent on the revaluation.
- We could fully implement – but what about the little old lady, or the couple on Orange Street – or better yet – Chatham Square, a neighborhood that 10 years ago had numerous boarded up homes where homeownership is on the rise, where an active neighborhood association has helped drive down crime and beautify the neighborhood – where drastic increases could truly tip the neighborhood back the other way, where the average home saw almost a 20% increase.

- We could phase-in from the 2006 values (as permitted by 12-62c). However 76% of those benefits would be to commercial properties – mainly those in the downtown core where the vacancy rate is 8% - the lowest in the state – and one of the lowest in New England.
- Or we could do something different. The City looked a number of different programs all over the country. We reviewed homestead tax credits, we reviewed circuit breakers and we looked at how limiting the eligibility of a phase in could offer the homeowner protection.

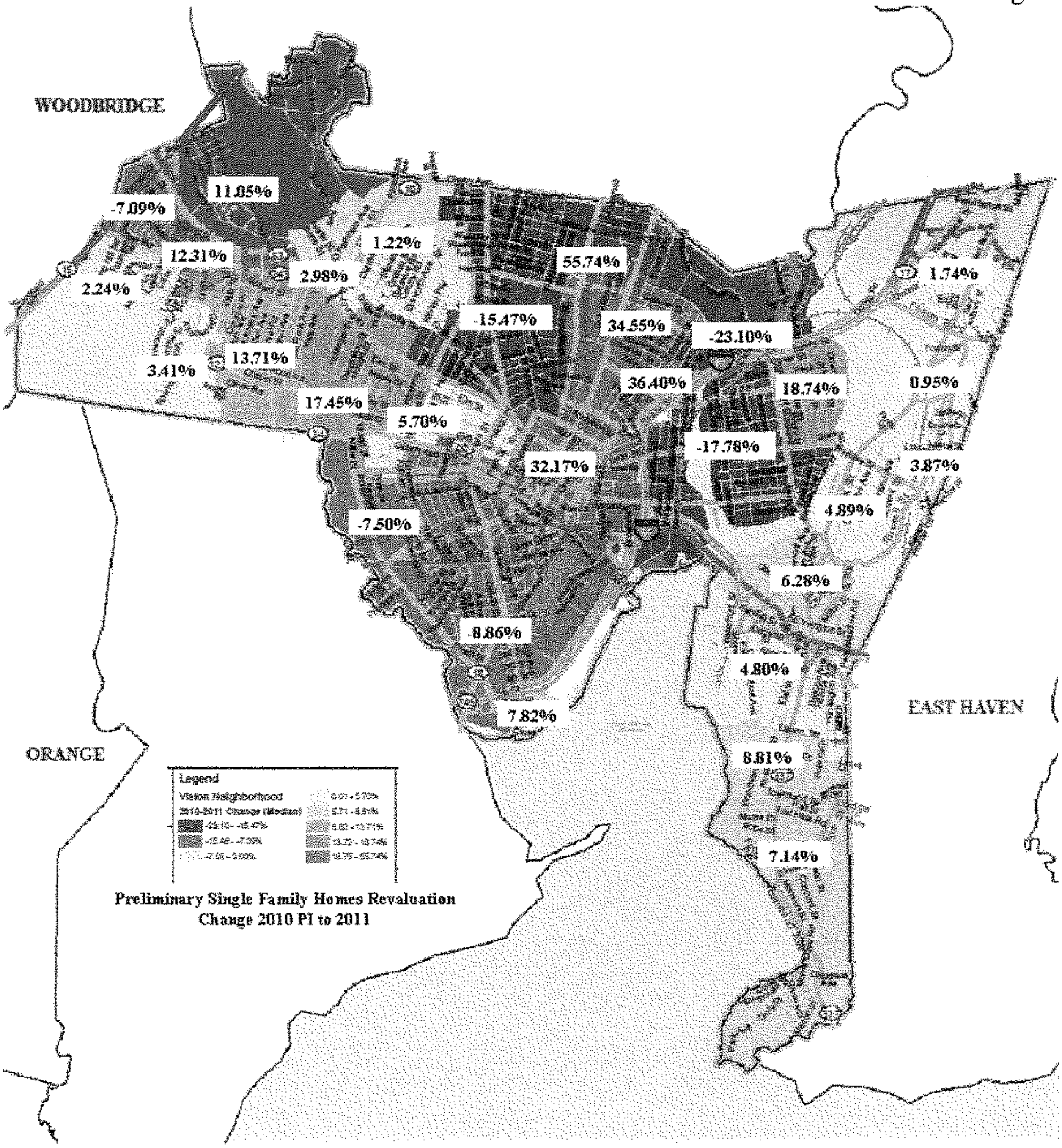
The solution:

While there is no silver bullet – no fix to solve all problems – the Mayor and the Board have devised a plan that would accomplish homeowner protection and will have the smallest impact on the rest of the grand list. A phase in from the 2010 frozen assessment but only for those owner occupied residential properties.

- This program would require the re-distribution of approximately $9M of tax dollars and would raise the potential mill rate from 38.96 to 40.56 – 1.6 mills or about 4%
- The mill rate of 40.56 would still be lower than the current mill rate of 43.90.
- The number of owner occupied residential properties that saw increase would drop from approximately 4,541 under full implementation to only approximately 1,425 – and the size of these increases would be approximately 80% smaller.
- Increases would gradually be eased in over 5 years to allow homeowners time to adjust.

What does this mean – let's go back to my own home as example. Currently I pay about $7,393 in taxes. If the grand list was fully implemented my tax bill would be $6,452, under this proposal I would pay $6,717 a difference of only $265. Bottom line - for me this is still a $676 decrease. Now lets take the widow – one that I used to live next door to on Foster Street. Current taxes are $7,546, under full implementation that would go to $9,703 – a $2,162 or 28% increase or just over $40 a week! Under this proposal her taxes would only go to $7,598 in the first year – a $52 increase for the year.

I look forward to continuing the conversation with revaluation with you all. Attached to my testimony you will find a map of the impacts of revaluation on single family homes and full language for our proposal. You can find more information about our revaluation and our proposal in presentations on the City's web page. Thank you for your consideration and I would be happy to answer any questions.



Preliminary Single Family Homes Revaluation Change 2010 PI to 2011

PROPOSAL

PURPOSE:

The goal of this legislation is to enable the City of New Haven to implement a five year phase-in of the 2011 GL from the 2010 Grand List used for tax purposes (2nd Year Phase-in of the 2006 Revaluation) only for Owner Occupied Residential Properties. The intention of owner occupied parcels is to limit to individuals that claim such residence as their primary residence and extends to both the owner and an individual who has life use of the property. It is not the intention that this Owner Occupied Phase-in will effect any existing exemptions including but not limited to those for veterans, seniors or the blind. The legislation is modeled off of existing CGS 12-62c, Public Acts 09-60, and 11-212.

THE FORUMLAS (for a five year phase-in):

Year 1: 2011 GL = 2010 GL + (2011 ASSESSMENT – 2010 ASSESSMENT) / (5)

Year 2: 2012 GL = 2011 GL + (2012 ASSESSMENT –2010 ASSESSMENT) / (5)

Year 3: 2013 GL = 2012 GL + (2013 ASSESSMENT – 2010 ASSESSMENT) / (5)

Year 4: 2014 GL = 2013 GL + (2014 ASSESSMENT – 2010 ASSESSMENT) / (5)

Year 5: 2015 GL = 2014 GL + (2015 ASSESSMENT – 2010 ASSESSMENT) / (5)

Example 1:

2001 GL	$70,000		
2006 GL	$130,000		
2010 PI GL	$100,000	**BASE AMOUNT**	
2011 GL	$200,000		
2011 PI GL	1	$100,000 + ($200,000 - $100,000)/5	$120,000
2012 PI GL	2	$120,000 + ($200,000 - $100,000)/5	$140,000
2013 PI GL	3	$140,000 + ($200,000 - $100,000)/5	$160,000
2014 PI GL	4	$160,000 + ($200,000 - $100,000)/5	$180,000
2015 PI GL	5	$180,000 + ($200,000 - $100,000)/5	$200,000

Example 2:

2001 GL	$200,000		
2006 GL	$350,000		
2010 PI GL	$260,000	**BASE AMOUNT**	
2011 GL	$300,000		
2011 PI GL	1	$260,000 + ($300,000 - $260,000)/5	$268,000
2012 PI GL	2	$268,000 + ($300,000 - $260,000)/5	$276,000
2013 PI GL	3	$276,000 + ($300,000 - $260,000)/5	$284,000
2014 PI GL	4	$284,000 + ($300,000 - $260,000)/5	$292,000
2015 PI GL	5	$292,000 + ($300,000 - $260,000)/5	$300,000

Draft Language:

Sec. 1. (NEW) *(Effective July 1, 2012, and applicable to assessment years commencing on or after October 1, 2011)* (a) For the purposes of this section:

(1) "Residential property" means a building containing four or fewer dwelling units used for human habitation, the parcel of land on which such building is situated, and any accessory buildings or other improvements located on such parcel.

(2) "Owner Occupied" means any property where the owner occupies that property as his or her principal residence at least one hundred eighty-three (183) days of each year, or any tenant for life or tenant for a term of years liable for property taxes under section 12-48 as attested to on forms provided by such municipality and submitted no later than June 1st of the effective tax year.

(3) "Base Amount" means the assessment adopted pursuant to 12-62p (b) and used for the purposes of tax bills issued in on July 1, 2011.

(b) Notwithstanding any provision of the general statutes, any municipal charter, any special act, any home rule ordinance or any other local law, any municipality in which the provisions of section 12-62p (b) of the general statutes are effective for the assessment year commencing October 1, 2010, may, by ordinance, adopt the property tax system described in this section, provided the assessor of such municipality determines that without implementation of such property tax system, implementation of a revaluation for the assessment year commencing October 1, 2011, would result in some residential property increases in excess of one-hundred percent.

(c) (1) A town implementing a property tax system defined in this section may phase-in a real property assessment increase of owner occupied residential properties by requiring the assessor to gradually increase the assessment applicable to such properties in the effective assessment year preceding that in which the revaluation is implemented. The base amount shall be subtracted from the assessment of each such owner occupied residential parcel in the effective year of said revaluation, and the annual amount of the annual incremental assessment increase for each such parcel shall be the total of such subtraction divided by the number of years of the phase-in term.

(2) The legislative body of the town shall approve the decision to provide for such phase-in, provided the number of assessment years over which such gradual increases are reflected shall not exceed five assessment years, including the assessment year for which the revaluation is effective.

(3) The legislative body may approve the discontinuance of a phase-in of real property assessment increases resulting from the implementation of a revaluation, at any time prior to the completion of the phase-in term originally approved, provided such approval shall be made on or before the assessment date that is the commencement of the assessment year in which such discontinuance is effective. In the assessment year following the completion or discontinuance of the phase-in, assessments shall reflect the valuation of real property established for such revaluation, subject to additions for new construction and reductions for demolitions occurring subsequent to the date of revaluation and on or prior to the date of its completion or

discontinuance, and the rate of assessment applicable in such year, as required by section 12-62a.

(d) The assessment of any new construction that first becomes subject to taxation during an assessment year encompassed within the term of a phase-in shall be determined in the same manner as the assessment of all other comparable real property in said assessment year, such that the total of incremental increases applicable to such other comparable real property are reflected in the assessment of such new construction prior to the proration of such assessment pursuant to section 12-53a.

(e) Not later than thirty business days after the date a town's legislative body votes to phase-in real property assessment increases resulting from such revaluation, or votes to discontinue such a phase-in, the chief executive officer of the town shall notify the Secretary of the Office of Policy and Management, in writing, of the action taken. Any chief executive officer failing to submit a notification to said secretary as required by this subsection, shall forfeit one hundred dollars to the state for each such failure.