STATEMENT REGARDING
SENATE BILL 399: *AAC ANNUAL ADJUSTMENTS TO ASSESSMENT RATES ADOPTED FOR APARTMENT AND RESIDENTIAL PROPERTIES*

FINANCE, REVENUE AND BONDING COMMITTEE
MARCH 16TH, 2010

Good Morning Senator Daily, Representative Widlitz, Senator Roraback and Representative Williams and members of the Committee. My name is Oz Griebel, and I am President and CEO of the MetroHartford Alliance. I am here today to testify in support of Senate Bill 399, as it provides incentive to municipal leadership to grow the Grand List by controlling the tax levy and to reduce the mill rate. For background, the MetroHartford Alliance is the Region's economic development leader and the City's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, institutions of higher education, and municipalities. All of these investors share a common interest in the full economic and employment recovery of Connecticut, in a dynamic Capital City, and in the enhanced ability for the Region to compete for jobs, capital, and talent.

Although the over reliance on the property tax is certainly a statewide problem, we are here today to discuss the property tax structure specific to the City of Hartford. We applaud Governor Malloy's commitment to the economic development of our Capital City, and point out that a critical component of a vibrant City consistent with his vision is a strong and expanding Grand List. Additionally, we endorse policies to eliminate the competitive burden that Hartford faces vis a vis other municipalities as a result of its confusing property tax structure and distinctly high mill rate for FY'12 of $71.79 plus a surcharge on commercial properties of 7.5% for an overall commercial rate of $77.13.

Unfortunately, these goals are significantly impeded by the current property tax system. Since the late 1970s, Hartford's formula for distributing the property tax burden has been intentionally different from every other city and town in Connecticut. Historically, when residents were faced with increased property values during a revaluation, commercial property owners have stepped up to the plate and borne a disproportionately larger share of the tax burden in order to alleviate residential tax increases. Periodically, this has necessitated legislation to enable the City to change the local taxing methodology. Unfortunately, the layering of repeated changes to the local method of taxation has resulted in a complicated and unpredictable local tax system with distorted assessment ratios and the highest mill rate in our state at $71.79 ($77.17 for commercial properties).

To illustrate, last year, in order to suppress increases to residential taxes, the residential assessment ratio (RAR) was set at 26.2% of fair market value (FMV) and the apartment ratio was set at approximately 37.6% of FMV, with the remaining tax burden shifting to the commercial taxpayer. During the 2011 legislative session, our organization worked closely with members of the Hartford delegation and the Mayor's office to begin to correct this distortion and slowly restore fairness and balance to our City's tax system. Our collective ultimate goal is to reduce the mill rate over time, in part by complying with the state standard of 70% FMV for all properties. With this goal in mind, Public Act 11-212(e) was intended to slowly phase-in the RAR by linking it directly to the annual amount of tax to be levied by the City as compared to the rate of inflation. If fully implemented, the Act would increase the RAR to 33.38% of FMV for the July 1, 2012 tax bills, with apartments at 50% of FMV. Unfortunately, the legislation's language proved difficult to actually implement, so we are here today to request a change.

Senate Bill 399 proposes to revise subsection (e) of Public Act 11-212 to simplify the phase-in triggers with respect to increases or decreases in the annual adjusted tax levy. To do so, the RAR phase-in would be tied to fixed dollar amounts, empowering the City to reduce the rate of the phase-in if the size of the budget is restrained. With lower spending, all classes of property benefit as the mill rate comes down. Conceptually, the RAR phase-in would link to changes in the tax levy as outlined in the following table:

RAR Phase-In	
Change in Adjusted Tax Levy (Current Fiscal Year less Prior Fiscal Year)	Residential Assessment Ratio (RAR)
Reduction of greater than one-half per cent in the Adjusted Tax Levy	No change in RAR
Reduction of less than one-half per cent or no change in the Adjusted Tax Levy	1.5% point RAR increase
Any Increase up $2,000,000	2.0% point RAR increase
Increase of $2,000,001 to $4,000,000	2.5% point RAR increase
Increase of $4,000,001 to $6,000,000	3.5% point RAR increase
Increase of $6,000,001 to $8,000,000	4.5% point RAR increase
Increase greater than $8,000,000	5.0% point RAR increase

To summarize, our tax reform goals are to:

- increase the Grand List by retaining and growing its commercial property component;
- provide incentives to the City to restrain the adjusted tax levy;
- smooth tax increases that would otherwise be faced by residents by phasing in the 70% assessment ratio; and
- eliminate the competitive burden that Hartford faces vis a vis other municipalities as a result of its confusing property tax structure and distinctly high mill rate for FY'12 of $71.79 plus a surcharge on commercial properties of 7.5% for an overall commercial rate of $77.13.

Conclusion:

This year, the City predicts that the mill rate will exceed $82.15 if we do not make a change. The fact that Hartford’s tax rate is significantly higher than its neighboring towns or sister cities in the South and other regions puts us at a distinct and unfortunate disadvantage as we compete for jobs and strive to achieve the Governor’s laudable vision for a dynamic and vibrant Capital City with low commercial vacancy rates and increased homeownership. Our strongest opportunity to achieve these goals is in pursuing a simple tax structure similar to the rest of the state, increasing the City’s overall competitiveness and instilling predictability into an increasingly complicated tax system that currently serves as a deterrent to growth. Senate Bill 399 can move us in the right direction to begin to accomplish these goals.

We respectfully ask the Committee to support Senate Bill 399.