



## **My Ward Report for June 12, 2019**

Dear Fellow East Siders:

As we head towards the end of June, we also head towards the end of the City's current fiscal year. I know many of you are concerned about the City's budget for Fiscal Year ("FY") 2020, especially as it relates to the impact on your property taxes. In this Ward Report I discuss taxes and the City's budget as candidly and as fully as I can.

As you may recall, Mayor Elorza submitted his proposed budget to the City Council at the end of April. He proposed a \$773 million budget for FY 2020, which amounts to a 3 percent increase in spending over the current fiscal year. The Mayor's proposed budget would lower tax rates for property owners to account for an increase in property values resulting from the real estate property revaluation completed earlier this year. (The revaluation was the subject of my April 20, 2019 Ward Report and can be found [here](#).)

The new tax rates the Mayor's budget proposes are as follows:

- Owner Occupied Rate –\$15.35 per \$1,000 of valuation (\$3.45 lower than current rate of \$18.80 per \$1,000 of valuation)
- Non-Owner Occupied Rate – \$24.56 per \$1,000 of valuation (\$7.40 lower than current rate of \$31.96 per \$1,000 of valuation)
- Commercial and Tangible Tax Rate: Unchanged from current valuation

What does the Mayor's proposed change in tax rates mean for those of you in Ward 2 that own their homes? Here's an example:

- Last year, a house in Ward 2 valued at \$500,000 was taxed at the rate of \$18.80 per \$1,000 of valuation. That owner's tax bill would have been \$9,400 for FY 2019.
- Now, let's assume the value of this homeowner's house rose by 20 percent as the result of the recent revaluation, making its new assessed value \$600,000 rather than \$500,000.

- Using the Mayor's proposed tax rate of \$15.35 per \$1,000 of value, under the Mayor's proposed budget, the homeowner's annual property tax for FY 2020 is \$9,210, a savings of \$190 compared to the tax bill he received for FY 2019.

As this example illustrates, under the Mayor's proposed budget, at least in some cases Ward 2 property owners would receive a lower tax bill in FY 2020 than they received in FY 2019.

Unfortunately, the Mayor's proposed budget has not been wholeheartedly embraced by the City Council. Also, although the Council's Finance Committee has spent the past couple of months scrutinizing the budget of each City department in public hearings, it has never held a public hearing to review the Council's own budget. In my view this makes the Council look somewhat hypocritical, as the Council's own budget has grown disproportionately and would not withstand the same scrutiny the Finance Committee imposes on every other City department. What's good for the financial goose should be—but apparently, at least for some of my colleagues, is not—good for the financial gander.

I know some of you have read and heard in the media and/or on the East Side listserv that the City Council seeks to reject the Mayor's proposed FY 2020 tax rates in favor of rates that would impose more of the City's tax burden on Ward 2 for the upcoming fiscal year despite the unfairness to those who reside in our Ward. I can assure you that this is a recent development of which I received no warning until after the Council held a public hearing on the Mayor's budget last Wednesday night. Here's what happened:

Last Thursday, Councilman Igliazzi, Chair of the Finance Committee, told me and several other councilmembers that he would like to alter the Mayor's proposed tax structure as follows:

- Councilman Igliazzi would first eliminate the owner/non-owner occupied rates and replacing those rates with a single residential tax rate. In other words, he wants one tax rate that would apply to both those who live in the homes they own and those who own homes (or apartments in homes) that are rented out to others.
- Having done so, Councilman Igliazzi then wants to reinstate the homestead exemption, which would allow owners who occupy their homes to reduce their tax rate by a certain percentage. The difference between Councilman Igliazzi's proposal and the current way tax bills are calculated is that the Councilman's proposal would be graduated so that, as the assessed value of a home rose, its homestead exemption would drop. This would make the tax bill higher.
- The Councilman's proposal is in some ways analogous to what happens with federal income tax rates: Just as people with higher incomes fall into higher tax brackets than people with lower incomes, so too, under Councilman Igliazzi's

proposal, would people who own more expensive homes effectively get taxed at a higher rate than people whose homes are worth less.

- To illustrate: in the example I described above, under the Mayor's proposal, the tax bill for the \$500,000 house drops even after the house is revalued at \$600,000. By contrast, under Councilman Igliazzi's proposal, the owner of the \$500,000 house could well receive a *higher* tax bill if his property is revalued to \$600,000.

It shouldn't surprise you that I have some serious concerns about Councilman Igliazzi's proposal:

- It disproportionately affects the East Side, where home values are higher than in most other areas of the city.
- As you all know, the folks in this Ward already pay their fair share of the City's taxes. The purpose of a revaluation is not to "equalize" taxes across the City, yet a graduated homestead exemption would allow the City Council to do exactly that—each time a revaluation occurs.
- As a legal matter, Councilman Igliazzi's proposal raises red flags. It's not clear that state law will permit a "graduated" homestead exemption, yet the City Solicitor's office has not conducted a review or rendered an opinion stating that the Council can legally adopt a budget containing the graduated exemption. Without such a review, it's all the more likely that the adoption of a budget containing a graduated exemption could mire the City in expensive and protracted litigation in the near future.
- It appears some members of the City Council want to adopt this unheard-of version of a homestead exemption in the proverbial dead of night—at least certainly without the public hearing and airing of views by constituents that such a major change in tax structure deserves, if not in fact requires.

By now I hope you are concerned, because you should be. I also hope you are wondering what we can do about this, because that's exactly why I need your help. We—all of us in Ward 2 as well as the rest of the East Side--have to do something about this. Under the City Council's current leadership, major tax legislation has moved very quickly in and out of the Finance Committee before the public has had a chance to react. To defeat the graduated homestead exemption proposal, we therefore must be proactive. I urge each of you to call the Mayor's office and Council President Sabina Matos to express your opposition to Chairman Igliazzi's proposal. Their phone numbers are listed at the end of this letter.

Also, please stay tuned for more information. If there are public meetings on the budget next week, we need to pack the City Council chambers for each meeting. They say you can't fight City Hall. This time, at any rate, we need to prove they're wrong.

Mayor Elorza's Office – (401) 680-5000

City Council's Office – (401) 521-7477 (For Council President Matos)

Finally, I know there are some of you who may prefer to contact me by phone rather than email. Please feel free to call me at (401) 489-2470. And, as always, please visit [www.helenanthony.com](http://www.helenanthony.com) or email me at [helen@helenanthony.com](mailto:helen@helenanthony.com). Please know that even if I don't respond to your emails immediately, I do read them consistently. I appreciate your support and understanding.

Sincerely,

A handwritten signature in black ink that reads "Helen Anthony". The signature is written in a cursive, flowing style with a prominent loop at the end of the name.