

From: Richard Freedman  
Re: Overview of revaluation issues  
Date: February 24, 2023

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The revaluation numbers are complete and this memo will outline several interrelated decisions for the Boards of Finance and Representatives to make regarding its implementation. All data and calculations referenced are on the attached sheet titled “Revaluation Model Without Phase-In”.

## **1. Accurately measure the impact of revaluation on different property types**

Revaluation impact is measured by comparing the percentage increase for a particular property type to the increase of the entire grand list. However, we want to measure only the increase attributable to revaluation, and only increases to real property. So for an accurate measurement, we must exclude (1) organic growth in the real property grand list, and (2) the personal property and motor vehicle grand lists. The reval increases by real property type are in the column titled “Reval Grand List Change”.

A quick approximation of impact is to subtract the total increase from a property type increase. This was the formula provided in the revaluation notice and, using it, the average single-family homeowner had an increase of  $24.9\% - 19.1\% = 5.8\%$ . However, for decision-making purposes we need a precise calculation, not an approximation. That calculation is:

$$\text{Impact} = \frac{(1 + \% \text{ increase})}{1.191}$$

Using this formula, the average single-family homeowner had an increase of  $1.249/1.191 = 4.9\%$ , lower than the approximation of 5.8%. This means the average homeowner would see a tax increase of 4.9% due to revaluation, or about \$565. Note that this increase is *before* any increase related to the 2023-24 budget.

There are several ways to mitigate this impact:

## **2. Hold the motor vehicle mill rate constant**

Overall, revaluation is tax neutral and, not including any tax increase due to the 2023-24 budget, the mill rate should drop by about -16%. However, unlike real property, motor vehicles are reassessed every year. Car price increases moderated significantly in 2022 compared to 2021 and, as is typical, most motor vehicle assessments were flat or down. Consequently, with no change in the motor vehicle mill rate, most taxpayers will see their car taxes hold steady or decline slightly. Conversely, a reduction in the motor vehicle mill rate comparable to the reduction in the real property mill rate would lower nearly everyone’s car taxes by -16% or more but increase the tax burden on real property owners.

Holding the motor vehicle mill rate constant lowers the increase on the average single-family homeowner by -0.7%, or from 4.9% to 4.2%.

### **3. Hold the personal property mill rate constant**

Like motor vehicles, personal property is reassessed every year and assessments typically decline year-on-year unless a business owner purchases new property. So, also like motor vehicles, with no change in the personal property mill rate, most businesses will see their personal property taxes hold steady or decline slightly. However, unlike motor vehicles, by city ordinance the Board of Finance cannot set a separate mill rate for personal property; it must match the mill rate for District A. This means the personal property mill rate will drop along with the District A mill rate and most businesses will see their personal property taxes drop by -16% or more. Corporation Counsel has issued an opinion, attached, that the BOR may revise the ordinance to allow the BOF to set a separate personal property mill rate.

If the BOR changes the ordinance, holding the personal property mill rate constant lowers the increase on the average single-family homeowner by -1.0%, or from 4.2% to 3.2%.

### **4. Phase-in the revaluation**

The BOR may phase the revaluation in over a period not to exceed five years. A two-year phase-in, for example, would mean an increase on the average homeowner of about 1.6% each year, although the precise math backloads the increase slightly to the second year.

Consideration of a phase-in should include not just the impact on the average homeowner but also those homeowners whose assessments went up more than the average. The attached impact analysis from the assessor's office breaks down the impact by increase and neighborhood for single-family homes and condominiums. It assumes an average increase of 3.2%, meaning the personal property and motor vehicle mill rates are both held constant from last year.

**REVALUATION MODEL WITHOUT PHASE-IN**

Assumes Personal Property and Motor Vehicle mill rates held constant

2021				2022							Reval	Reval	
Total				Total			Tax Levy	Tax Levy	Tax Levy	Grand List	Tax		
Grand list 10/1/21	Mill Rate	Tax Levy	Reval	Organic Growth	Grand list 10/1/22	Mill Rate	Reval	Organic Growth	Total	Change	Change		
2 Family	763,918,690	26.98	20,612,794		1,017,951,360	2,365,010	1,020,316,370	22.30	22,702,490	52,745	22,755,235	33.3%	10.1%
3 Family	240,581,697	26.98	6,491,608		319,553,330	(82,940)	319,470,390	22.30	7,126,722	(1,850)	7,124,872	32.8%	9.8%
4 Family	83,137,693	26.98	2,243,302		127,660,260	89,220	127,749,480	22.30	2,847,097	1,990	2,849,086	53.6%	26.9%
Apartments	2,991,024,657	26.98	80,706,724		3,649,190,894	109,303,656	3,758,494,550	22.30	81,384,754	2,437,705	83,822,459	22.0%	0.8%
Commerical	4,432,247,664	26.98	119,595,199		4,666,841,291	57,556,439	4,724,397,730	22.30	104,080,532	1,283,632	105,364,164	5.3%	-13.0%
Condominium	2,462,845,363	26.98	66,454,879		2,798,811,301	12,774,821	2,811,586,122	22.30	62,419,472	284,906	62,704,378	13.6%	-6.1%
Farm Forest	532,780	26.98	14,376		119,780		119,780	22.30	2,671	-	2,671	-77.5%	-81.4%
Industrial	488,699,927	26.98	13,186,575		603,567,630	(2,794,120)	600,773,510	22.30	13,460,848	(62,315)	13,398,533	23.5%	2.1%
Public Utility	46,871,310	26.98	1,264,727		52,759,900		52,759,900	22.30	1,176,658	-	1,176,658	12.6%	-7.0%
Residential (single-family)	8,192,889,200	26.98	221,068,471		10,233,691,800	12,305,800	10,245,997,600	22.30	228,233,193	274,446	228,507,639	24.9%	3.2%
Vacant Land	406,451,180	26.98	10,967,259		480,566,570	21,043,360	501,609,930	22.30	10,717,661	469,312	11,186,973	18.2%	-2.3%
Total Real Property	20,109,200,161		542,605,915		23,950,714,116	212,561,246	24,163,275,362		534,152,099	4,740,570	538,892,669	19.1%	
Personal Property	1,256,866,468	26.22	32,955,039				1,311,777,650	26.22			34,394,810		
Motor Vehicle	1,345,248,786	27.25	36,658,029				1,428,679,050	27.25			38,931,504		
	22,711,315,415		612,218,983				26,903,732,062				612,218,983		

Average Real Property Mill Rate

26.98

22.30

## Residential Impact - Single family and Condominiums

Impact %	COVE	DOWN T	EAST S	GLENBR	N STAM	NEWFLD	RIDGWY	SHIPPN	SOUTH	SPNGD	WESTOV	WST SD	WTR SD	Total	% of Total
<-25%	10	9	20	3	3	1	39	5	23	14		1		128	0%
-25%-20%	1	157	64	4	3	1	162				4	9	1	406	1%
-20%-15%	12	171	30	24	5	31	69	55	7		56	3	12	475	2%
-15%-10%	104	221	17	39	35	33	124	113	1	74	5	101	141	1,008	3%
-10%-5%	368	712	1,147	1,459	94	250	1,538	613	5	869	43	621	80	7,799	25%
-5%-0	52	50	22	148	629	378	507	332		136	109	19	185	2,567	8%
0-5%	206	63	298	1,165	3,906	1,934	685	200	15	1,016	989	91	114	10,682	35%
5%-10%	676	185	244	475	436	1,181	1,040	68	54	866	336	183	181	5,925	19%
10%-15%	212	14	140	28	56	50	114	68	1	48	96	31	61	919	3%
15%-20%	92	1	316	11	28	8	5	53		67	12	78	10	681	2%
20%-25%	37		3	1	6	1	34	17	24		4	29	8	164	1%
>25%	11		5	2	27	5	20	56	2		4	8	23	163	1%
<b>Total</b>	<b>1,781</b>	<b>1,583</b>	<b>2,306</b>	<b>3,359</b>	<b>5,228</b>	<b>3,873</b>	<b>4,337</b>	<b>1,580</b>	<b>132</b>	<b>3,090</b>	<b>1,658</b>	<b>1,174</b>	<b>816</b>	<b>30,917</b>	<b>100%</b>