

To: Syracuse City Council
From: Chris Lechevet
Date: March 20, 2020
Re: Increasing Property Assessment Frequency

Introduction:

Syracuse has not done a citywide property reassessment since 1996, and I recommend that the city perform one now and henceforth complete one every three years if not annually. Syracuse should also partner with other assessing units and ideally form a countywide assessing district. Long gaps between reassessment lead to inequitable outcomes for residents of Syracuse, and this is true among other cities as well. The Syracuse Post-Standard has done excellent investigation into just how serious the lack of reassessment is for citizens. Those with low value homes are often overpaying while those with high value homes are underpaying. This means that the tax burden in Syracuse is not distributed appropriately or equitably. Full reassessment would update the basis for the property tax to be uniform and closer to the actual market value of homes. Implementing a triennial or annual assessment cycle would ensure that these values keep up with changes in home values across neighborhoods, preventing the current disparities from reemerging.

Current Issues from Infrequent Assessment:

Since the last citywide reassessment in 1996, property values throughout the city of Syracuse have fluctuated greatly. The market changes have not been reflected in the property tax payments of most city residents. Many of those in wealthier neighborhoods have had increasing home values while their property tax payments remained the same. The inverse is true for low-income homeowners, whose homes have decreased in value over time, yet their tax payment has not. This has created a scenario in which a large share of Syracuse's low income are paying more in property taxes each year than they should while those more fortunate are not paying their proper share. The Syracuse Post-Standard reports that over a three-year period, 87 percent of houses that sold for over \$140,000 sold for more than their assessed value. In fact, the average was 30 percent above the assessed value, showing that the owners had been undertaxed (Knauss 2019). Similar results were found for homes that sold for \$70,000 or less. Of these, 75 percent sold below their assessed value. The average was 20 percent below, meaning the homeowners were likely being overtaxed (Knauss 2019). Something must be done to rectify the improper burden distribution.

The Importance of Changing the Assessment Cycle:

Infrequent reassessment of property values leads to property tax exploitation, and this is what is happening in Syracuse. Even though the tax rate structure is set as uniform, the way the tax base is defined is not. Houses that were assessed at the same value in the 1996 assessment likely increased or decreased in value at varying rates, even though they are still assessed at the same 1996 value. Allowing this to happen will change the assessment ratio, and therefore change the effective tax rates of different homeowners (Heavey 1983). Evidence shows that this is the case with many homeowners in Syracuse. Since this has been going on for so long, homeowners in declining neighborhoods are now facing higher effective tax rates and thus shouldering a greater

share of the property tax burden than they should be. This is exploitative to Syracuse's low-income citizens, who likely already have enough of a hard time with their tax payments. This issue is magnified across racial lines due to historical discrimination in housing. In addition to redlining practices across the United States, Syracuse engaged in urban renewal and completely eliminated the 15th Ward, where seventy-five percent of the city's African American population lived. The city relocated them to other run down and old neighborhoods ("The Destruction of Syracuse's 15th Ward" 2018). Effectively, Syracuse is making its low-income residents subsidize the other areas of the city (Heavey 1983). This nullifies some of the intended effects of other city programs designed to help the poor, because the city is unfairly taxing that same group. Fixing this would improve the efficacy of city programs and rectify exploitative practices.

Challenges to Changing the Assessment Cycle:

Several challenges are present when seeking to increase assessment frequency after a long gap since the last citywide assessment. First, it is not appealing to residents to have their tax bill increase sharply in one year due to reassessment. Residents whose homes have significantly increased in value will face much higher property tax payments. To combat this, the city currently has an informal policy of limiting assessment hikes to 20 percent at a time. This removes some of the shock to homeowners, but technically does not correspond with state law requiring properties to be uniformly assessed based on current value (Knauss 2019). The city is correct that it would also be unfair to increase some assessments sharply and not others, so the only way to curb unfairness would be to do another citywide reassessment at 100 percent of market value and then continue every one to three years. Reassessment is also quite costly. It is estimated that a full reevaluation would cost \$2 million, with additional costs each subsequent year (Knauss 2019). This may seem like a large upfront cost, but it is worth it in order to make the tax system fair and accurate. Finally, reevaluation is fair to long term residents who are now being paid back in the form of lower taxes or made to pay past dues through higher taxes, but it is not fair to new residents without historical tax payment ties to Syracuse (Yinger 2020). The longer the city waits to do a full reevaluation, the worse the potential problem may become.

An Example of Nearby Success: Tompkins County:

To the west of Syracuse is Tompkins County, an example of an area of New York that partakes in yearly assessment at 100 percent market value. Tompkins County has consolidated its assessing districts to cover the whole county, something that Syracuse could petition for in Onondaga County. There is state aid available for equitable assessments, and Tompkins County has received over \$1.2 million over the last ten years. They have also received the Excellence in Equity Award from the Office of Real Property service every year since 1999 ("Tompkins County Department of Assessment" n.d.). Tompkins County also uses a set of databases to process all sorts of relational data for property taxes. This includes exemption applications, permit information, and valuation of commercial properties, as well as informal assessment review hearings ("Tompkins County Department of Assessment" n.d.). Syracuse is currently working on a similar database to track changes in property values in association with Johns Hopkins University and could take inspiration from functional systems such as the one in Tompkins County (Knauss 2019).

Syracuse's Steps to Reassessment:

In order to begin reassessment, Syracuse would likely need to either hire more assessors or contract with a third-party assessor. Since it has been so long since the previous assessment, information requests would need to be sent to property owners or physical appraisals may need to be done ("Reassessments" n.d.). This would increase the time and cost of reassessment. All residents of Syracuse would also need to be notified of reassessment. Syracuse could and should contact other municipalities to increase its capacity for annual reassessment (Brown et al. 2002). Through New York's Consolidation Incentive Aid program, Syracuse and joined assessing units can receive up to seven dollars per parcel in state aid. This is contingent on properties being assessed at a uniform percentage and assessment functions being merged. This would include effectively expanding the assessing unit of one municipality and keeping one assessor, establishing a coordinated assessment program with the same calendar, or forming a county assessing unit ("Consolidation Incentive Aid" n.d.). State aid could significantly lessen the cost of reassessment for the first year. I recommend that Syracuse merge with other assessing units and petition to form a county assessing unit for this reason.

Conclusion:

Syracuse has not completed a full property reassessment since 1996. Properties have greatly changed in value over time while still being assessed at levels from over two decades ago, leading to inequitable effective tax rates for citizens. Those whose homes have increased in value enjoy a tax break while homeowners whose property has decreased in value are faced with higher taxes than they should be paying. This is exploitative to Syracuse's low-income. Reassessing citywide as soon as possible and then maintaining a one to three-year assessment cycle going forward would eliminate this inequity. Syracuse should work to consolidate assessing districts in Onondaga County in order to lessen cost and receive state aid. While there are challenges to implementing this change, the consequences of maintaining the status quo are dire for a large group of Syracuse residents.

Bibliography:

Brown, Ifigenia T, John M Bacheller, Frank B Cernese, and Michael Joseph. 2002. "Guidelines for Annual Reassessment," May, 58.

"Consolidation Incentive Aid." n.d. Accessed April 25, 2020.
https://www.tax.ny.gov/research/property/assess/state_aid/consolidationincentiveaid.htm.

Heavey, Jerome F. 1983. "Patterns of Property Tax Exploitation Produced by Infrequent Assessments." *The American Journal of Economics and Sociology* 42 (4): 441-49.

- This research article by Jerome F. Heavey in the American Journal of Economics and Sociology presents empirical evidence that infrequent assessment produces inequitable tax burdens between areas. Heavey uses Pennsylvania school districts as a case study to determine whether the tax burden is higher on the lower-income core of the city than it should be when compared to the peripheral areas that had market values increasing at a faster rate. He found that this was indeed the case and suggests that this methodology can

be applied to neighborhoods within larger cities. This would certainly apply to Syracuse's current situation.

Knauss, Tim. 2019. "Syracuse's Property Tax System Is Unfair; Here's Who Wins and Loses, and How to Fix It (Exclusive)." Syracuse.Com. September 17, 2019.

<https://www.syracuse.com/news/2019/09/syracuses-unfair-property-tax-system-hurts-poor-the-most-heres-what-can-be-done-exclusive.html>.

- This Post-Standard investigative piece highlights the inadequacies in the city's assessing system. They analyzed hundreds of home sale values and assessment values over three years. Many high value homes are underassessed while low value homes are over-assessed. This means that many of Syracuse's poor are paying too much in property taxes while middle- and high-income homeowners don't pay enough. The city's poor homeowners effectively pay a higher tax rate than rich homeowners. It is hard to know exactly how long it has been since specific properties have been reassessed beyond the last citywide assessment in 1996 since there are no records before 2007.

"Reassessments." n.d. Accessed April 25, 2020.

<https://www.tax.ny.gov/pit/property/learn/reassess.htm>.

"The Destruction of Syracuse's 15th Ward." 2018. Onondaga Historical Association. February 6, 2018. <https://www.cnyhistory.org/2018/02/15th-ward/>.

"Tompkins County Department of Assessment." n.d. Tompkins County Department of Assessment. Accessed March 20, 2020.

<https://tompkinscountyny.gov/files2/assessment/brochure.pdf>.

- This is a brochure directly from Tompkins County Department of Assessment that gives insight into their assessment cycle. Since it is from the department, it may gloss over shortcomings that may or may not exist. Tompkins County has had countywide assessment since 1970 and reassess annually at market value. They consolidated to 5 full time assessors to reduce cost and increase efficiency. The department has received the Excellence in Equity Award from the Office of Real Property Services yearly. All their work is done in-house, and they serve as a leader in the field. Given that they are a nearby county to Syracuse, their methods may be an applicable template to base future assessments on.

Yinger, John. 2020. "Lecture 7: Property Tax Capitalization"