



### **Housing Task Force Punts on Appeals Policy**

Earlier this year the City of Pittsburgh withdrew over 1,000 appeals of property values that it planned to appeal for being too low. In announcing the decision, an April 18<sup>th</sup> press release from the Mayor's office stated "...the moratorium will remain in effect for the remainder of 2016, and a new policy will be implemented by the Administration as part of the Mayor's Affordable Housing Task Force."

The Task Force delivered its report at the end of May but provided no guidance on the issue of the City's policy regarding the appeal of property values. That is not to say the Task Force made no mention of property values or property taxes. Indeed, there were two notable suggestions. It recommended raising the value of the City's homestead exemption (currently \$15,000) as a way of lowering the tax burden and proposed reviving a relief program for longtime owner-occupants that existed in the 1990s and still is in the City Code of ordinances.

Note that neither of the recommendations addresses the Mayor's charge to develop an appeals policy. And, ironically, the second suggestion merely confuses the issue. Bear in mind that appeals by taxing bodies typically focus on recent sales of properties that have assessments well below their sales prices. Apparently the City believed successful appeals that significantly boosted assessments were harming affordability in some communities. But as we demonstrated at the time of the announcement the rationale for stopping appeals was seriously flawed (see *Policy Brief Volume 16, Number 18*).

Moreover, the relief program recommended by the Task Force fails to address the issue of appeals but rather focuses on protection for longtime owner-occupants against large assessment increases through countywide reassessment of their principal residence. But since these owners must stay and not sell in order to qualify for the program they would not get caught up in appeals based on sales price being much higher than assessment. Thus, the proposal to adopt the Longtime Owner Occupied Program (LOOP) essentially has no relevance to City appeals of property values.

Some background on LOOP. A 1984 state Constitutional amendment allowed counties of the first and second class (Philadelphia and Allegheny) to create property tax relief programs in designated areas for longtime owner-occupants where there was renovations

or new construction that resulted in boosts of market value. Act 146 of 1988 codified the Constitutional amendment's language and defined a longtime owner-occupant (occupying the same principal residence for ten continuous years, or five years if purchased under a government or non-profit housing program). This act preceded the tax relief programs currently in use in the City for senior citizens who are longtime owner-occupants below a certain income level (Act 77 of 1993) and for homestead property (Act 50 of 1998, which codified a 1997 Constitutional amendment).

The Task Force report notes, but does not provide a citation for, a court case in 1995 that struck down an Allegheny County ordinance establishing a longtime owner-occupant relief program. Exhaustive attempts to find the case involved searching listings of court cases of the Superior, Commonwealth and Supreme Courts as well as contacting the Planning Department (the Director of the Department co-chaired the Task Force) and the Finance Department. According to the Director of that Department, the case was part of the mid-1990s litigation over the County's property tax freeze and the ordinance was struck down because the areas of relief in the County were never properly designated. We have been unable to locate a copy of the decision. There was a case in 1997 that dealt with the freeze but, according to the Commonwealth Court ruling documents, there was no mention of the relief program.

Since the Constitution and Act 146 apply to first and second class counties, we examined the Philadelphia LOOP and spoke with an official in their Office of Property Assessment to see how the program works. It was enacted in 2013, right around the time the City reassessed property and moved to 100 percent market value. The entire City of Philadelphia is designated as the eligible area, so a longtime owner from any part of the City would qualify.

Based on the current guidelines, the home value would have had to increase by three times pre- to post-assessment for a home to be enrolled. In other words, if a home assessed at \$30,000 increased to \$110,000 because of market conditions, the LOOP would make the assessed value \$90,000 and millage rates would be applied to that value for the duration of the program (until 2023). The home could not qualify for other exemptions or abatements, so qualified owners have to decide whether taking a homestead exemption or participating in LOOP would be more beneficial. According to the official, Philadelphia plans to conduct frequent reassessments in the coming years.

Back to Pittsburgh: Currently, there is no talk of an update to the 2013 County reassessment, so most property owners in the City of Pittsburgh are not going to see any change to their assessments for some time. However, commercial and industrial properties and residential properties valued at more than \$500,000 are still subject to appeal by the School District as part of its policy (where there is an assessment lower than 85 percent of the sale price). It is almost certain that residential properties that were appealed by the City in the last few years were purchased within the last decade, which would disqualify them from being a longtime owner-occupant as defined by Act 146 and therefore not eligible for relief under the Task Force's proposal.

The comparison of Philadelphia to Allegheny County and Pittsburgh reveals the basic problem with using the LOOP program in Allegheny County. In Philadelphia, the City, County and schools are one combined taxing body. In Pittsburgh there are three taxing bodies and property assessment values are determined by the County. Thus, efforts by either taxing body to “protect” certain classes of property owners against assessment increases, if not adopted by the other taxing bodies, will lead to very confusing tax bills. Using exemptions and tax rates seem to offer better options than playing games with assessments. Note that the Philadelphia program is citywide and thus avoids the incredible complications associated with drawing boundary lines for eligibility to participate in a LOOP type policy. Besides if only one taxing body participates, it will not have a large effect on the total property taxes paid.

The City does not have to conduct appeals; it can simply wait for the County to reassess and update values or for the School District to appeal properties in the interim. However, as a Council resolution noted months ago, there is a governmental duty to ensure equity in taxation by keeping all assessments as accurate as possible (*see Policy Brief Volume 16, Number 18*).

The charge to the Task Force was to come up with a recommendation on what to do regarding appeals for 2017 and years beyond. However, since the Task Force has apparently disbanded with the release of its report, the Mayor’s request will go unanswered.

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