



December 2, 2020

Allegheny Institute Op-Ed

655 words

The continuing case for regular property reassessments

By Colin McNickle

The coronavirus pandemic should be teaching us many things about inappropriate government action. But it also should be teaching us about equally arbitrary and capricious government *inaction*, concludes a new analysis by the Allegheny Institute for Public Policy.

As the Pittsburgh think tank reminds (in *Policy Brief Vol. 20, No. 41*), the Allegheny County Board of Property Assessment Appeals and Review heard 7,941 appeals of assessed values in 2019. Most were for residential properties and most were brought by governing bodies, particularly school districts.

That, the institute long has contended, is a by-product of the county's lack of regular reassessments, the last of which, court-ordered, took place in 2013.

"There is an anticipation that there may be an uptick in appeals due to the economic effects of the coronavirus," says Eric Montarti, research director at the Allegheny Institute. "It's yet another reason to have predictable reassessment cycles."

The overall 2019 pre-appeal assessed value of the cases heard by review board was \$2.577 billion. After appeals were heard the value was increased on 5,243 properties, decreased on 1,394 properties or stayed the same on 1,304 properties.

"The result of residential appeals was a \$286.9 million net increase in value from pre- to current total value and for non-residential a net decrease of \$76.2 million in value," Montarti notes. "A hotel had its value reduced by \$14.7 million. That was the largest downward reduction last year."

School districts brought the bulk of the appeals in the governing body group (5,635). All but six of the 43 school districts in the county filed a governing body appeal in 2019. There were three municipalities that filed the remaining 10 governing body appeals.

"With a long period since the last reassessment, changes in market value as indicated by recent sales drive governing body appeals," Montarti says. "Of school district appeals on residential properties, nearly 60 percent ... had a pre-appeal assessed value of \$100,000 to \$299,999."

And the continuing coronavirus pandemic very well could exacerbate matters. County officials have raised the specter that owner-initiated appeals of large commercial properties due to the pandemic may have a significant impact on county finances, and, by extension, local finances in coming years.

Officials say there could be plenty of appeals from hotels and other commercial properties looking for relief. And “a longer-term concern could be appeals to tax valuations of commercial properties which have lost tenants and earning potential during the pandemic.”

And then there’s Class A office space Downtown. Its fourth quarter 2019 vacancy rate was 15.9 percent, a rate that could rise given the pandemic’s immediate and potential long-term effects on how we work.

Should the owner of a large non-residential property appeal an assessed value due to a downturn in business, loss of tenants, etc. and is successful, that means the adjusted assessed value will be in place for many years until the next reassessment is undertaken.

“It’s another reason we advocate for regular reassessments, preferably every three years,” Montarti reminds. “That would put Pennsylvania in the range of when most states require reassessments.”

But the county’s leadership has steadfastly refused to reassess, state leaders’ lethargy on the matter is legendary and appeals keep being filed.

The bottom line is that a predictable reassessment regimen would go a long way in not only restoring fairness to the property assessment process “but in minimizing what could be a significant coronavirus-fueled uptick in appeals not only in Allegheny County but in other counties ... with even older base-year assessments,” Montarti says.

“It is unconscionable that politicians continue to resist doing the right thing regarding assessments, a long overdue and necessary step to keep them as close to market value and as accurate as possible.”

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