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A textbook case for regular property reassessments

By Colin McNickle

The dominos of government nonfeasance have begun to fall in Pittsburgh and Allegheny County. And the economic fallout could be catastrophic, says a researcher at the Allegheny Institute for Public Policy.

"This situation underscores the importance of regular property assessments," says Frank Gamrat, executive director of the Pittsburgh think tank (in *Policy Brief Vol. 24, No. 3*).

"This situation" is three central business district (CBD) office towers in downtown Pittsburgh winning their multimillion-dollar appeals of property assessments that, largely due to the COVID-19 pandemic, saw their market value plummet.

To wit, The Tower on PNC Plaza, one of Downtown's newest office buildings, had its assessment cut from $147.2 million to $72.3 million. The U.S. Steel building assessment fell from $233.2 million to $141.5 million. And Three Gateway Center, the 1952 icon of the Pittsburgh "renaissance," saw its assessment drop from $62.7 million to $35.5 million.

But those reductions represent a small fraction of nearly three score buildings that have filed appeals. *En masse* appeals victories, Downtown and throughout the county, could gut county, municipal and school district budgets, especially considering the assessment adjustments will be retroactive to the 2022 and 2023 taxing year.

"The successful property assessment appeals of Pittsburgh's CBD office buildings will have far reaching impacts across the county as high vacancy rates and plummeting market values will prompt other building owners to file appeals of their own," Gamrat cautions.

"Taxing bodies, most notably school districts that rely so heavily on property tax revenues, could well suffer financial hardships if they are forced to issue refunds for inaccurate assessments in prior years.

“Could this force taxing bodies to raise millage rates to recoup those losses on the backs of residential property owners?” Gamrat asks. That, perhaps, should be considered a rhetorical question.

Gamrat reminds that prior to the pandemic, in the fourth quarter of 2019, the class A (trophy) building vacancy rate in Pittsburgh’s CBD was 15.9 percent.

By the first quarter of 2021 the rate climbed to 18.1 percent. It dropped slightly in 2022’s third quarter to 16.4 percent before rising to 21.5 percent in 2023’s third quarter and held reasonably steady at 21.1 percent in the fourth quarter.

The overall office vacancy rate for all classes of buildings in Pittsburgh’s CBD was 22.5 percent in the third quarter and 22.3 percent in the fourth.

“When office towers have vacant space, it reduces their rental income, which lowers their market value, which is the basis for property taxation,” Gamrat explains.

“Building owners will appeal assessments that do not reflect new updated, and lower, market values. And, absent a regular reassessment regimen, which the Allegheny Institute has long advocated, it will leave taxing bodies with a large and unexpected drop in revenues when the appeals inevitably favor the property owner.”

There has not been a property reassessment in Allegheny County in more than a decade. That one was court-ordered. And with property assessments now so out of whack – and jury-rigged, stop-gap measures being taken in the facetious name of restoring state constitutionally mandated equity to a now grossly inequitable assessment system – it soon might be a foregone conclusion that some state court inevitably will order a new reassessment.

“It would provide more certainty not only for taxing bodies, but property owners as well, and be more responsive to fluctuations in the economy and the real estate market,” Gamrat concludes.

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