



# Property Tax Compression with a Library Local Option Levy or District as an Example

*Adapted from a January 2010 presentation to the  
Charter Review Committee*

**Multnomah County Budget Office**

**June 14, 2012**

# Introduction

---

- Property Tax System Overview
  - ✓ Measure 5
  - ✓ Measures 47/50
  - ✓ AV vs. RMV
  - ✓ Compression
- Historical & Current Data
  - ✓ AV
  - ✓ RMV
  - ✓ Compression
- Library District vs. Local Option Levy
  - ✓ Assumptions
  - ✓ Results
  - ✓ Key Results & Issues



# Tax Measures

---

- Measure 5 – November 1990
  - ✓ Limited Property Taxes to 1.5% of ~~Assessed~~ Real Market Value
  - ✓ Created distinction between taxes for Education, General Government, and Debt
    - Education limited to \$5/\$1,000
    - General government limited to \$10/\$1,000
    - General Obligation bonds outside of limit



# Tax Measures

---

- Measure 47/50 – November 1996/May 1997
  - ✓ A “Cut and Cap” Measure
  - ✓ Measure 50 Implemented Measure 47 and overlaid on Measure 5
    - Rolled assessed values back to 90% of their 1995-96 levels
    - Assessed values limited to 3%/year growth plus new construction & additions
    - Established relationship between Real Market Value (RMV) and Assessed Value (AV)
    - Created Permanent Rates and Local Option Levies
    - Created a hierarchy of tax levies



# Property Tax Calculation

---

- How does this work in practice...
- A property owner pays the lower of:
  - ✓ Assessed value times the tax rate (M 50)
  - ✓ RMV times \$10/\$1,000 of RMV (in the case of General government) (M 5)
- For most properties during the last decade, the 3% limit on assessed value growth has caused AV times the tax rate to generate the lower tax bill.
- The 'Great Recession' and bursting of the housing bubble is changing this.
- When the Measure 5 limit of \$10/\$1,000 is the more limiting, compression occurs.



# Compression

---

- Compression is calculated on a property by property basis
  - ✓ It is essentially determining what jurisdiction loses property tax revenue to get under the Measure 5 cap
- Local options are the first to be compressed
  - ✓ Taxes are reduced proportionately among local options
- Permanent rates are next to be compressed
  - ✓ If reducing the local option rates does not fully accommodate compression, permanent rates are reduced proportionately
- “Pseudo” Debt levies are compressed last
  - ✓ Portland FPD&R
  - ✓ Urban Renewal Special Levies



# Tax Rates & Compression

- The table to the right shows the typical general government tax rates in Portland.
- The tax rates total \$13.2637 per \$1,000, which is greater than the \$10 per \$1,000 limit.
- Another way to think about this... If AV equaled = RMV, compression would occur on all properties in Portland...

## Measure 5 Governmental Tax Rates (Portland)

Taxing District	Tax Rate (per \$1,000)	Levy Type	Expire Date
Multnomah County	\$4.3434	Permanent	
City of Portland	\$4.5770	Permanent	
METRO	\$0.0966	Permanent	
Port of Portland	\$0.0701	Permanent	
West Multnomah Soil & Water	\$0.0732	Permanent	
Multnomah County - Library	\$0.8900	Local Option	6/30/2015
Multnomah County - Historical	\$0.0500	Local Option	6/30/2016
City of Portland - Children's Fund	\$0.4026	Local Option	6/30/2014
City of Portland - FPD&R	\$2.4682	Pension Obligations	
City of Portland - Urban Renewal	\$0.2926	UR Special Levy	
<b>Total General Government Rates</b>	<b>\$13.2637</b>		



# AV to RMV

- Until recently, AV was significantly below RMV and more restrictive (i.e., generates a lower tax bill)
- The table below shows the AV & RMV numbers for Multnomah County...
- Generally for Portland, when the ratio of AV to RMV is greater than 75%, compression starts
- RMV, AV & compression are calculated property by property – each property is like a snowflake

## Comparison of Real Market Value (RMV) to Assessed Value (AV)

*FY 2012 Certified Value; \$'s in Thousands*

Property Category	RMV	AV	AV/RMV	AV % of Tax Roll	FY 2010 AV/RMV
Residential	\$55,917,141	\$35,156,964	62.87%	61.10%	50.65%
Commercial/Industrial	\$24,900,739	\$11,809,664	47.43%	20.52%	43.45%
Personal Property	\$2,276,974	\$2,089,271	91.76%	3.63%	91.93%
Multi-Unit Housing	\$6,058,044	\$3,206,783	52.93%	5.57%	52.04%
Farm/Forest	\$968,114	\$711,292	73.47%	1.24%	63.23%
DOR Industrial	\$2,164,564	\$1,925,875	88.97%	3.35%	87.20%
DOR Utilities	\$3,068,852	\$2,641,653	86.08%	4.59%	88.75%
<b>Total All Categories</b>	<b>\$95,354,428</b>	<b>\$57,541,502</b>	<b>60.34%</b>	<b>100.00%</b>	<b>51.95%</b>

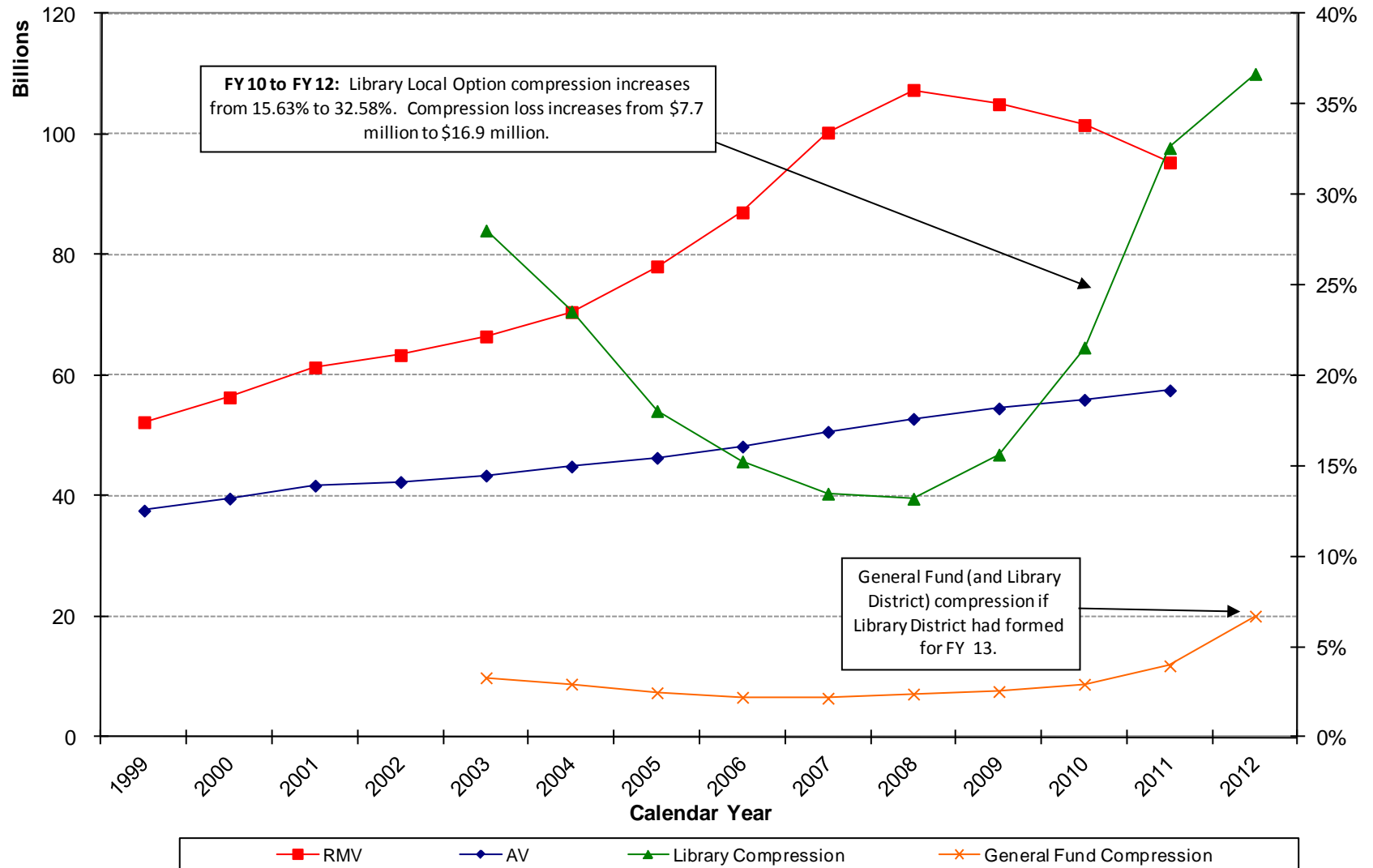
*Note: Median Residential AV/RMV equaled 68.2% in FY 2012.*





# Historical AV, RMV & Compression

Multnomah County AV, RMV, and Compression



# Current Compression

- The table below shows compression on general government tax levies for the current fiscal year (FY 2012).

**FY 2012 Compression on General Government Tax Levies**

Taxing District	Extended Tax	Compression Loss	Imposed Tax	% Lost to Compression	FY 2010 Compression Loss
Multnomah County	\$249,956,611	\$9,872,030	\$240,084,582	3.95%	\$6,003,072
City of Portland <i>(includes City of Portland FPD&amp;R, which is roughly one third)</i>	\$324,830,012	\$15,668,964	\$308,831,048	4.82%	\$9,943,163
METRO	\$5,515,006	\$221,005	\$5,294,001	4.01%	\$134,264
Port of Portland	\$4,059,529	\$160,594	\$3,898,935	3.96%	\$97,910
East Multnomah Soil & Water	\$4,049,562	\$146,205	\$3,903,357	3.61%	\$95,307
West Multnomah Soil & Water	\$1,260,909	\$59,517	\$1,201,392	4.72%	\$17,085
<b>Multnomah County - Library</b>	<b>\$51,738,966</b>	<b>\$16,858,495</b>	<b>\$34,880,470</b>	<b>32.58%</b>	<b>\$7,663,797</b>
Multnomah County - Historical	\$2,925,400	\$954,716	\$1,970,685	32.64%	n/a
<b>City of Portland - Children's Fund</b>	<b>\$18,725,772</b>	<b>\$7,617,572</b>	<b>\$11,108,199</b>	<b>40.68%</b>	<b>\$3,462,708</b>
City of Portland - Urban Renewal Special Levy	\$14,933,676	\$735,532	\$14,198,144	4.93%	\$472,720



# Library District vs. Local Option Levy

- Establishment of a new \$1.18/\$1,000 Permanent Rate to replace:
  - ✓ Existing Local option levy of \$0.89/\$1,000
  - ✓ General Fund Cash transfer of \$14.4 million
  - ✓ Provide sufficient funding through FY 2019-2020
- Modeling based on FY 2011-12 Certified Values & Rates
- Represents what tax collections would have looked like had there been a Library district in place today.
- These are representative estimates only! The future impacts will be influenced by changes in AV, RMV, other tax levies, etc.



# Library District vs. Local Option Levy

## Estimated Impact of a Permanent Rate for a Library District on Select Jurisdictions

Assumes Library Levies a Permanent Rate of \$1.18/\$1,000 and FY 11-12 Certified Values & Rates

	As is (Library with local option of \$0.89/\$1,000)				Library as a District (w/ permanent rate of \$1.18/\$1,000)				Change in Imposed Tax	% Change
	Extended Tax	Compression	Compression %	Imposed Tax	Extended Tax	Compression	Compression %	Imposed Tax		
CITY OF FAIRVIEW	2,057,937	219	0.01%	2,057,718	2,057,937	391	0.02%	2,057,546	(172)	-0.01%
CITY OF GRESHAM	24,250,272	697	0.00%	24,249,575	24,250,272	1,244	0.01%	24,249,028	(547)	0.00%
CITY OF MILWAUKIE	73,328	7,166	9.77%	66,162	73,328	13,532	18.45%	59,796	(6,366)	-9.62%
<b>CITY OF PORTLAND (w/ FPD&amp;R)</b>	<b>324,829,992</b>	<b>15,998,904</b>	<b>4.93%</b>	<b>308,831,088</b>	<b>324,886,118</b>	<b>25,563,643</b>	<b>7.87%</b>	<b>299,322,475</b>	<b>(9,508,613)</b>	<b>-3.08%</b>
<b>CITY OF PORTLAND CHILDREN'S LOC OPT</b>	<b>18,725,758</b>	<b>7,617,567</b>	<b>40.68%</b>	<b>11,108,192</b>	<b>18,730,885</b>	<b>8,595,513</b>	<b>45.89%</b>	<b>10,135,372</b>	<b>(972,820)</b>	<b>-8.76%</b>
CITY OF TROUTDALE	4,235,739	203	0.00%	4,235,536	4,235,739	1,430	0.03%	4,234,309	(1,227)	-0.03%
CLACKAMAS FIRE DIST #1 JT	80,470	4,226	5.25%	76,244	80,470	7,980	9.92%	72,490	(3,754)	-4.92%
CORBETT RURAL FIRE DIST #14	413,236	13	0.00%	413,224	413,236	299	0.07%	412,937	(286)	-0.07%
EAST MULT. SOIL & WATER	4,049,545	146,205	3.61%	3,903,341	4,049,546	226,205	5.59%	3,823,341	(80,000)	-2.05%
METRO	5,514,992	221,004	4.01%	5,293,988	5,514,992	353,330	6.41%	5,161,663	(132,326)	-2.50%
<b>MULTNOMAH COUNTY</b>	<b>249,956,593</b>	<b>9,872,003</b>	<b>3.95%</b>	<b>240,084,590</b>	<b>250,012,733</b>	<b>15,787,909</b>	<b>6.31%</b>	<b>234,224,824</b>	<b>(5,859,766)</b>	<b>-2.44%</b>
<b>MULTNOMAH COUNTY HIST SOCIETY LO</b>	<b>2,925,376</b>	<b>954,718</b>	<b>32.64%</b>	<b>1,970,658</b>	<b>2,925,376</b>	<b>1,115,979</b>	<b>38.15%</b>	<b>1,809,397</b>	<b>(161,261)</b>	<b>-8.18%</b>
<b>MULTNOMAH COUNTY LIBRARY LO/Dist</b>	<b>51,738,947</b>	<b>16,858,485</b>	<b>32.58%</b>	<b>34,880,462</b>	<b>67,938,588</b>	<b>4,290,463</b>	<b>6.32%</b>	<b>63,648,125</b>	<b>28,767,663</b>	<b>82.48%</b>
PORT OF PORTLAND	4,059,515	160,593	3.96%	3,898,921	4,059,515	256,755	6.32%	3,802,760	(96,162)	-2.47%
RIVERDALE FIRE DIST #11	637,945	1,207	0.19%	636,738	637,945	1,535	0.24%	636,409	(329)	-0.05%
WEST MULT. SOIL & WATER	1,260,905	59,517	4.72%	1,201,388	1,260,905	100,167	7.94%	1,160,738	(40,650)	-3.38%
GRESHAM REDEVELOPMENT COMMISSION	2,822,127	161	0.01%	2,821,966	3,039,872	298	0.01%	3,039,574	217,608	7.71%
<b>URB REN SPECIAL LEVY - PORTLAND</b>	<b>14,933,664</b>	<b>735,530</b>	<b>4.93%</b>	<b>14,198,135</b>	<b>14,933,664</b>	<b>1,175,049</b>	<b>7.87%</b>	<b>13,758,615</b>	<b>(439,519)</b>	<b>-3.10%</b>
<b>Total Urban Renewal in MultCo</b>	<b>106,362,428</b>	<b>9,780,618</b>	<b>9.20%</b>	<b>96,581,810</b>	<b>107,643,881</b>	<b>11,730,097</b>	<b>10.90%</b>	<b>95,913,784</b>	<b>(668,026)</b>	<b>-0.69%</b>
		<b>62,419,035</b>		<b>756,509,735</b>		<b>69,221,820</b>		<b>767,523,181</b>	<b>11,013,447</b>	<b>1.46%</b>

Note: Not adjusted for FPD&R rate changes. Adjusting FPD&R rate would reduce the impact to City of Portland by increasing imposed taxes; however, this would increase compression on both the City's and County's tax levy.



# Library District vs. Local Option Levy

- Permanent rate vs. periodic renewal
- More stable and predictable revenue
- Existing compression shifted to both permanent rates (1% to 3% points) and local options (5% to 6% points)
  - ✓ **Depends on existing level of compression**
- Focuses compression on remaining (or new) local option levies
- **Long-term impacts depended on RMV vs. AV 'gap'**
  - ✓ **Likely to be worse in short-term**
- Impact of FPD&R over long-term?
- Future local options?
- **These are estimates and will be wrong**
  - ✓ **Long-term RMV assumptions 'swamp' current year 'what if' impacts**

