



CITY OF HARTFORD TAX TASK FORCE

January 22, 2014

Mayor Pedro Segarra and City Council President Shawn Wooden
City of Hartford
550 Main Street
Hartford, CT 06103

Dear Mayor Segarra and Council President Wooden:

Prime Connecticut River waterfront, excellence in the arts, culture, historical intrigue, innovation, business, neighborhoods, and provenance make Hartford a great place to live, work and play. Those who live in our Capital City are true-believers, and the City's home owners are its most ardent evangelists. In my opinion, as Chair of the Tax Task Force, all the members and participants in this Tax Task Force have unequivocally demonstrated that they are passionate about our city. I think I can speak for us all when I say that we want nothing less than a full resurgence of Hartford's prominence in the hearts and minds of those who do, or may in the future, live, work, play and invest here. In that light, and pursuant to the resolution adopted by the Court of Common Council (Council) on June 24, 2013, we, the members of the Tax Task Force, respectfully submit this memorandum of recommendations for improvements to the Capital City's current property tax structure.

By your selection of members, we have been fortunate to deliberate from important variant perspectives and with the critical benefit of our members' valuable historical knowledge to frame our conversation. As a result of outstanding effort from all involved, we herein provide you with a useful, workable set of recommendations, upon which the Administration and Council can act immediately, with enough time to present any requisite legislative language to the Hartford Legislative Delegation (Delegation) for their up-coming session.

This task force has, within a short period of time, performed remarkably well to get its arms around a very complex property tax system. While we deliberated, we had some mutually agreed upon guiding objectives to help us arrive at our conclusions. Primary among these were six key objectives which we recommend that the City adopt as its own.

1. Grow the City's Grand List, understanding that our 74.2 mill rate is an impediment to investment in the Capital City. This is our primary dilemma.
2. Pursue fairness by taking into consideration taxpayers' ability to pay, while also considering the effect of any new policy on perceived fairness between the property classes.

3. Increase City revenues, using available tax and non-tax tools.
4. Support the retention, expansion and development of small businesses - the backbone of our local economy.
5. Support the retention, expansion and investment of large commercial properties – the tax foundation for the economy - and maintain an economic climate that attracts private capital to develop major vacant parcels
6. Support efforts to attract new and additional residential taxpayers by fostering sustainable initiatives that improve the quality of life in the Capital City, such as job creation and retention.

Hartford, by virtue of its Capital City status, is uniquely challenged in our state. More than 51% of its property value is tax-exempt (\$3.7 billion) and only 49% (\$1.8 billion) of that value is eligible for State PILOT payments. The predominant portion of this untaxed property value is State-owned, schools, or hospitals which are high-value properties which trust the City to provide, for them, all the same services it provides to tax-paying properties.

While it is true that worthy benefits do accrue to Hartford residents, by virtue of having these untaxed assets within its limits, those benefits are difficult to quantify and even harder to isolate from the benefits they provide to residents of other towns. Moreover, to persuade taxpayers that these benefits are more valuable to the city than taxes, one ought to be able to demonstrate that these benefits exceed those which affect the quality of life of Hartford residents by our tax-paying properties. Hartford's distinction as Connecticut's Capital City has a sharp double edge and creates contention, even in our group, when the subject leads to a conversation about increasing State contributions to offset the deficits of this challenge. However, it is less contentious that a 51% deficit in real property value statistically magnifies the effect on our grand list that has occurred as a result of a 30 year recession in large commercial property value. This, it should be understood, is a primary cause for Hartford's high mill rate and/or effective tax rate relative to other municipalities in the state, and not, as some may assert, simply as a result of wild City budget increases during that same 30 year period.

An understanding of the history of our property tax problem has been vital to our discussions. One point in particular was the focus of lengthy deliberations by this task force, i.e. the introduction of differential assessment ratios. Here, it is very important to understand what may have happened, had it not been for some very smart people having the foresight to protect our homeowners and small residential property owners from damaging increases in property tax. Many see this as a boon for residential owners, but a deeper look into the actual taxes that are paid by the various classes of property reveals that it is not so clear that residences have been so favored.

However, from that same, deeper perspective, it is clear that small commercial properties (small businesses), have been faced with greater tax increases than any other class, and, for this reason, we believe that significant effort must be made to correct a trend that sees some very important small businesses failing under the impact of the tax burden. It is also clear that something must be done to protect some commercial apartment properties, which are now fast approaching insolvency, as their differential assessment is expiring over a 5 year period.

Adopting the goals and recommendations that we have offered here will send a tangible signal to the small business sector and to commercial property developers and investors that the City is serious about attracting the significant private sector investment in both real and personal property that is necessary to grow the Grand List and lower the mill rate. Such a signal will complement the actions taken by the City to help implement the \$60 million investment that Governor Malloy and the Legislature have made through the Capital City Redevelopment Authority (CRDA) to construct additional residential property units in the city, as well the relocation of the UConn West Hartford Campus to the former Hartford Times Building.

Given the complexity and history of the current property tax structure and the City's responsibilities to its residents, visitors, and businesses, we have organized our recommendations into three sections: a) legislation to be introduced and passed in the upcoming Legislative Session, b) actions to be taken by the Council, and c) complementary actions to be pursued during 2014 by you, the Council, and the Delegation as part of a sustained effort to attack the structural challenges to the City's fiscal sustainability and to identify actions to absorb the cost of regional assets by a broader base.

In submitting these recommendations, we thank numerous people for their expertise and support during the three months since our initial meeting on October 15, 2013. Chief among these individuals are Linda Bayer who provided critical administrative support at and between each meeting and City Assessor John Phillip whose experience and knowledge were invaluable to our discussions and to shaping these recommendations. We also acknowledge Jason Klein, Barbara McGrath, Dan Masciello, and Jaime Welsh of the CT Urban Legal Initiative, Julio Concepcion and Spencer Cain of the MetroHartford Alliance, Steve Borla and Alex Demien, of the Hartford Community Loan Fund, and Olga Colon, Shelly Jackson, and Janice Flemming of Council staff.

A. Legislation to be introduced for passage in the 2014 State Legislative Session

We recommend that Section 12-62r (City of Hartford only) of the Connecticut State Statutes be amended to accomplish the vital objectives discussed above.

1. Change the methodology for calculating the increase in the Residential Assessment Ratio (RAR) from the current law to the following. For each of the twenty tax years following the adoption of State Legislation, the RAR for residential properties (one to three units) will increase by one point each year. For subsequent tax years, the RAR will increase by 2 points each year until the RAR equals 70. **Note:** The change in the RAR will, by definition, apply to CRDA assisted properties.
2. Enable the City to enter into tax fixing agreements with owners of apartment buildings of four units and more and commercial properties with an annual real property tax of less than \$50,000 and in which investments are being made. Ensure that all such tax fixing agreements are accompanied and supported by a) an economic benefit analysis that identifies the jobs and taxes that will be generated by the investment, and b) a

community benefit agreement between the owner and the constituencies in the neighborhood of the property.

3. Authorize the Tax Collector to negotiate settlements of automobile and personal property tax that are outstanding for more than 10 years.
4. Authorize the CT Department of Revenue Services to withhold, from State tax refunds, delinquent taxes owed to the City and to transmit such taxes to the City of Hartford.
5. Mandate that the City conduct property revaluations every three years. Grant the City the authority to increase the frequency of the same but include a prohibition against postponing the same.
6. Authorize monthly payments (without adverse impacts, such as interest or penalty charges or findings of delinquency) by commercial property owners whose annual aggregate property tax obligations are equal to or less than \$100,000.
7. Authorize monthly payments (without adverse impacts, such as interest or penalty charges or findings of delinquency) by elderly taxpayers.
8. Expand the anti-blight authority of the City to include commercial properties.

B. Actions to be implemented by the Mayor and the Council as part of the FY2014-15 Budget Process

1. Support the City Assessor in efforts to engage an investigative firm to ensure that motor vehicles garaged in Hartford are registered in the city and pay property taxes on such vehicles to the City.
2. Undertake a rigorous review of the Assessor's annual report on the number and trends of tax-exempt properties on the Grand List, the assessed value of such properties, and the amount of any payments received by the City in lieu of property taxes. Using this data, consider actions to prevent conversions of taxable property to tax-exempt property.
3. Ensure that any and all tax fixing agreements entered into by the City are accompanied and supported by: (a) an economic benefit analysis that identifies the jobs and taxes that will be generated by the investment, and (b) a community benefit agreement between the developer and the constituencies in the neighborhood of the property.

C. Additional actions to be pursued by the Mayor, the Council, and the Delegation

Many of the fiscal challenges and opportunities facing the City require sustained and coordinated efforts. To that end, the Mayor, the Council, and the Delegation should engage CRDA, the Capital Region Council of Governments, the MetroHartford Alliance, and the

unions representing the City's municipal public service and public education employees in efforts to pursue the initiatives described below.

1. Continue the efforts by the Mayor and the Council to control the pension and health care costs for City employees and retirees. Consider the recommendations submitted by the 2010 Fiscal Analysis Task Force and those soon to be submitted by the Healthcare & Pension Benefits Task Force which was established by the Council on June 24, 2013.
2. Review and pursue the Regional Asset District concept that was drafted and previously submitted to the Legislature for consideration. The legislation would have allocated a percentage of the rolling five year average of the sales tax to Councils of Governments (COGs) that volunteered to abide by the requirements set forth in the proposed legislation, i.e. funds received by the participating COG would be used to support the maintenance and capital costs of assets designated as Regional (e.g. riverfront parks).
3. Review and pursue the applicable recommendations of the Legislature's M.O.R.E. Commission (Municipal Opportunities & Regional Efficiencies) that could reduce the costs, for certain services provided by the City and its contiguous municipalities, through regional collaboration.
4. Continue the work initiated in 2012, by the Mayor in cooperation with the Alliance and in conversation with the owners of Hartford's largest tax exempt properties, regarding the cost of the services provided by the City to those properties and the contributions and benefits of those properties to the City and its residents.

We appreciate the opportunity to have served on the Task Force and welcome the opportunity to present and discuss these recommendations with you, the entire Court of Common Council, and the members of Hartford's State Legislative Delegation and to provide all appropriate assistance in their implementation.

Respectfully submitted,

The City of Hartford Tax Task Force
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