

# **Property Tax Compression & the Impacts of a Library District**

*Presentation to the Charter Review  
Committee*

**Multnomah County Budget Office**  
**January 14, 2010**

# Introduction

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



# Tax Measures

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- Measure 5 – November 1990
  - ✓ Limited Property Taxes to 1.5% of Assessed 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

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- 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

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



# Compression

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- 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 Levies



# Tax Rates & Compression

- The table to the right shows the typical general government tax rates in Portland.
- The tax rates total \$13.3906 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	\$0.0750	Permanent	
Multnomah County - Library	\$0.8900	Local Option	6/30/2012
City of Portland - Children's Fund	\$0.4026	Local Option	6/30/2014
City of Portland - FPD&R	\$2.6259	Pension Obligations	
City of Portland - Urban Renewal	\$0.3100	UR Special Levy	
<b>Total General Government Rates</b>	<b>\$13.3906</b>		



# AV to RMV

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- ... but AV is 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 snow flake

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

*FY 2010 Certified Value; \$'s in Thousands*

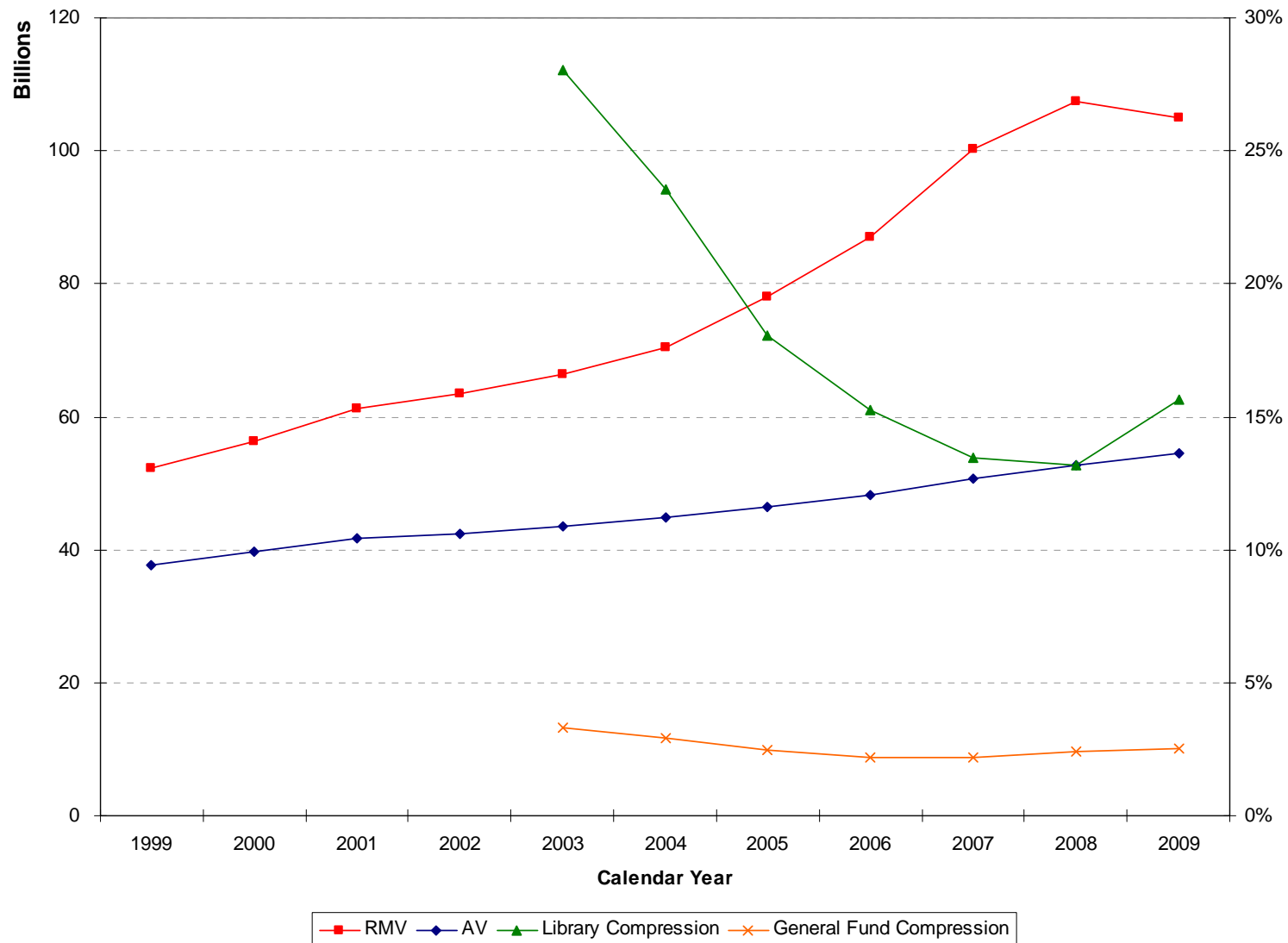
Property Category	RMV	AV	AV/RMV	AV % of Tax Roll
Residential	\$65,681,251	\$33,268,838	50.65%	60.99%
Commercial/Industrial	\$25,137,219	\$10,922,009	43.45%	20.02%
Personal Property	\$2,498,864	\$2,297,087	91.93%	4.21%
Multi-Unit Housing	\$5,467,112	\$2,845,105	52.04%	5.22%
Farm/Forest	\$1,073,770	\$678,978	63.23%	1.24%
DOR Industrial	\$2,283,659	\$1,991,321	87.20%	3.65%
DOR Utilities	\$2,868,835	\$2,545,964	88.75%	4.67%
<b>Total All Categories</b>	<b>\$105,010,710</b>	<b>\$54,549,303</b>	<b>51.95%</b>	<b>100.00%</b>





# Historical AV, RMV & Compression

Multnomah County AV, RMV, and Compression



# Current Compression

- The table below show compression on general government tax levies for the current fiscal year.

## FY 2010 Compression on General Government Tax Levies

Taxing District	Extended Tax	Compression Loss	Imposed Tax	% Lost to Compression
Multnomah County	\$236,960,641	\$6,003,072	\$230,957,568	2.53%
City of Portland	\$314,065,487	\$9,943,163	\$304,122,325	3.17%
<i>(includes City of Portland FPD&amp;R, which is roughly one third)</i>				
METRO	\$5,225,657	\$134,264	\$5,091,393	2.57%
Port of Portland	\$3,856,568	\$97,910	\$3,758,658	2.54%
East Multnomah Soil & Water	\$3,862,261	\$95,307	\$3,766,954	2.47%
West Multnomah Soil & Water	\$630,544	\$17,085	\$613,459	2.71%
<b>Multnomah County - Library</b>	<b>\$49,045,214</b>	<b>\$7,663,797</b>	<b>\$41,381,417</b>	<b>15.63%</b>
<b>City of Portland - Children's Fund</b>	<b>\$17,720,216</b>	<b>\$3,462,708</b>	<b>\$14,257,508</b>	<b>19.54%</b>
City of Portland - Urban Renewal Special Levy	\$14,931,433	\$472,720	\$14,458,713	3.17%



# Library District

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- Establishment of a new \$1.22/\$1,000 Permanent Rate to replace:
  - ✓ Existing Local option levy of \$0.89/\$1,000
  - ✓ General Fund Cash transfer of \$13.9 million
  - ✓ Provide sufficient funding through FY 2019-2020
- Modeling based on FY 2009-10 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

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

Assumes Library Levies a Permanent Rate of \$1.22/\$1,000 and FY 09-10 Certified Values & Rates

	As is (Library with local option of \$0.89/\$1,000)				Library as a District (w/ permanent rate of \$1.22/\$1,000)					
	Extended Tax	Compression	Compression %	Imposed Tax	Extended Tax	Compression	Compression %	Imposed Tax	Change in Imposed Tax	% Change
CITY OF FAIRVIEW	1,976,568	170	0.01%	1,976,399	1,976,568	198	0.01%	1,976,370	(28)	0.00%
CITY OF GRESHAM	23,476,446	628	0.00%	23,475,818	23,476,444	1,564	0.01%	23,474,881	(938)	0.00%
CITY OF MILWAUKIE	54,952	5,344	9.73%	49,608	54,952	10,266	18.68%	44,686	(4,922)	-9.92%
<b>CITY OF PORTLAND (w/ FPD&amp;R)</b>	<b>314,065,487</b>	<b>9,943,163</b>	<b>3.17%</b>	<b>304,122,325</b>	<b>314,065,475</b>	<b>14,304,393</b>	<b>4.55%</b>	<b>299,761,082</b>	<b>(4,361,243)</b>	<b>-1.43%</b>
<b>CITY OF PORTLAND CHILDREN'S LOC OPT</b>	<b>17,720,216</b>	<b>3,462,708</b>	<b>19.54%</b>	<b>14,257,508</b>	<b>17,720,197</b>	<b>4,127,291</b>	<b>23.29%</b>	<b>13,592,907</b>	<b>(664,601)</b>	<b>-4.66%</b>
CITY OF TROUTDALE	4,064,554	98	0.00%	4,064,456	4,064,554	401	0.01%	4,064,152	(303)	-0.01%
CLACKAMAS FIRE DIST #1 JT	42,337	3,156	7.45%	39,181	42,337	6,063	14.32%	36,275	(2,906)	-7.42%
CORBETT RURAL FIRE DIST #14	370,609	14	0.00%	370,595	370,609	107	0.03%	370,503	(93)	-0.02%
EAST MULT. SOIL & WATER	3,862,261	95,307	2.47%	3,766,954	3,862,247	135,044	3.50%	3,727,203	(39,751)	-1.06%
METRO	5,225,657	134,264	2.57%	5,091,393	5,225,646	193,257	3.70%	5,032,390	(59,004)	-1.16%
<b>MULTNOMAH COUNTY</b>	<b>236,960,641</b>	<b>6,003,072</b>	<b>2.53%</b>	<b>230,957,568</b>	<b>236,960,626</b>	<b>8,640,935</b>	<b>3.65%</b>	<b>228,319,691</b>	<b>(2,637,877)</b>	<b>-1.14%</b>
<b>MULTNOMAH COUNTY LIBRARY LOC OPT</b>	<b>49,045,214</b>	<b>7,663,797</b>	<b>15.63%</b>	<b>41,381,417</b>	<b>66,602,029</b>	<b>2,429,069</b>	<b>3.65%</b>	<b>64,172,960</b>	<b>22,791,543</b>	<b>55.08%</b>
PORT OF PORTLAND	3,856,568	97,910	2.54%	3,758,658	3,856,549	140,928	3.65%	3,715,620	(43,038)	-1.15%
RIVERDALE FIRE DIST #11J	606,589	924	0.15%	605,665	606,589	1,078	0.18%	605,511	(154)	-0.03%
WEST MULT. SOIL & WATER	630,544	17,085	2.71%	613,459	630,540	25,347	4.02%	605,193	(8,266)	-1.35%
<b>URB REN SPECIAL LEVY - PORTLAND</b>	<b>14,931,433</b>	<b>472,720</b>	<b>3.17%</b>	<b>14,458,713</b>	<b>14,931,419</b>	<b>680,065</b>	<b>4.55%</b>	<b>14,251,353</b>	<b>(207,360)</b>	<b>-1.43%</b>
<b>Total Urban Renewal in MultCo</b>	<b>99,316,675</b>	<b>4,651,818</b>	<b>4.68%</b>	<b>94,664,857</b>	<b>101,112,730</b>	<b>5,591,660</b>	<b>5.53%</b>	<b>95,521,073</b>	<b>856,216</b>	<b>0.90%</b>
				<b>743,654,574</b>				<b>759,271,849</b>	<b>15,617,275</b>	<b>2.10%</b>



# Library District – Key Results & Issues

- Permanent rate
- Assumptions re: County General Fund
  - ✓ Full levy or under levy?
  - ✓ Under levy would effectively have to be affirmed each year by Board
- Existing compression shifted to both permanent rates (1 to 2% points) and local options (5% points)
- 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

