



Unveiling and Addressing Property Tax Inequities in Middle Neighborhoods

The National Middle Neighborhoods Community of Practice

Middle Neighborhoods Initiative

A **National Initiative** focused on mobilizing attention to reverse the disappearance of middle neighborhoods through decline or gentrification. The initiative does this through

- A **Community of Practice** that facilitates peer-to-peer learning among middle neighborhood practitioners. The CoP connects more than 400 practitioners, policymakers and researchers to each other through webinars, events, case studies, newsletters, and virtual site visits.
- **Research** into topics relevant to middle neighborhood practitioners and policymakers.
- **Policy analysis and advocacy** around housing, lending and other community development issues.
- **Communications** strategies to advance awareness and technical knowledge among a wide variety of audiences.

The initiative is coordinated by the **National Community Stabilization Trust** and **NeighborWorks America** and is advised by a **Steering Committee** of 20 prominent researchers, practitioners, and policy makers.





Characteristics of Middle Neighborhoods

- Mostly single-family homes built for families with children.
- Still well more than 50% owner-occupied, but slowly eroding.
- Housing stock is aging, still in generally acceptable condition, but often lacks features and updates to compete well for today's homebuyers.
- More racially, ethnically and economically diverse.

Click [here](#) to learn more about defining Middle Neighborhoods

Refresh Your Map Zoom Questions or feedback? Type in location GO

Your Map

Map Satellite

Choose a 2014-2018 layer to display

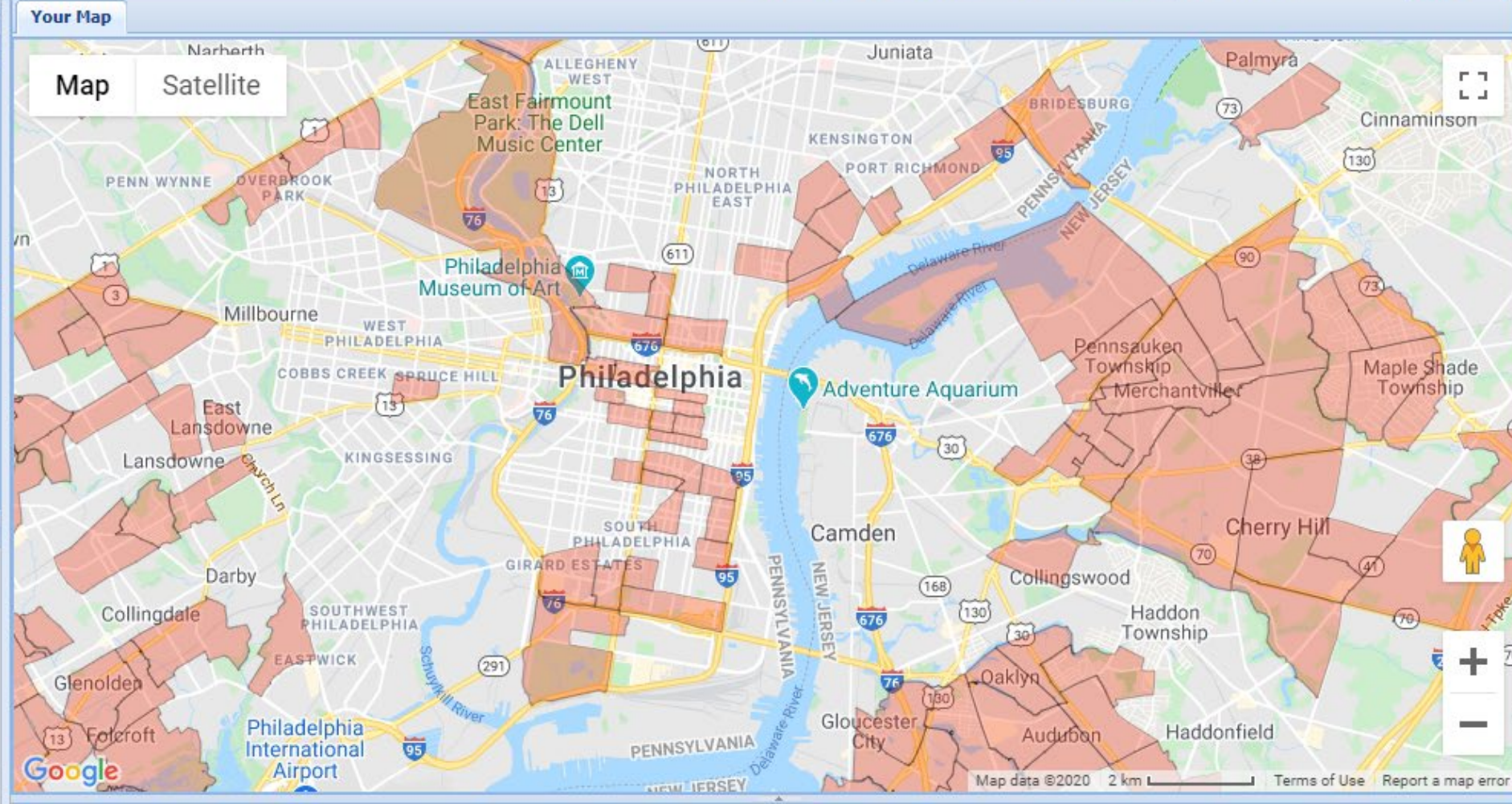
- 2018 City Test 1: 60-100% CMI
- 2018 City Test 2: 80-120% CMI
- 2018 National Test 1: 60-100% NMI
- 2018 National Test 2: 80-120% NMI
- 2018 Regional Test 1: 60-100% AMI
- 2018 Regional Test 2: 80-120% AMI
- 2018 Regional Test 3: 100-160% AMI

Choose a 2006-2010 layer to display

- 2010 City Test 1: 60-100% CMI
- 2010 City Test 2: 80-120% CMI
- 2010 National Test 1: 60-100% NMI
- 2010 National Test 2: 80-120% NMI
- 2010 Regional Test 1: 60-100% AMI
- 2010 Regional Test 2: 80-120% AMI
- 2010 Regional Test 3: 100-160% AMI

MSAs

- Panama City, FL Metro Area
- Parkersburg-Vienna, WV Metro Area
- Pensacola-Ferry Pass-Brent, FL Metro Area
- Peoria, IL Metro Area
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area
- Phoenix-Mesa-Scottsdale, AZ Metro Area
- Pine Bluff, AR Metro Area
- Pittsburgh, PA Metro Area
- Pittsfield, MA Metro Area



Displaying census tracts with median household incomes between 80 and 120 percent of regional/MSA median (\$69,465), or \$55,572 - \$83,358

Panelists

Christopher R. Berry

- William J. and Alicia Townsend Friedman Professor at the University of Chicago Harris School of Public Policy and the College
- Director of the Center for Municipal Finance, Chicago, IL

Tiffany Smith

- Associate Director of Southside Neighborhood Strategies & Operations at NHS of Chicago
- National Middle Neighborhoods Steering Committee Member

Bernadette Atuahene

- James E. Jones, Jr. Chair Professor of Law
- University of Wisconsin-Madison

Agenda
12:00 – 1:30 PM

- Welcome and Introductions
- Overview: Issues in Inequitable Property Taxation
- Policy and Practice Strategies in Chicago to Mitigate and Correct Property Tax Inequities
- Policy and Practice Strategies in Detroit to Mitigate and Correct Property Tax Inequities + Building a National Movement
- Audience Q&A
- Closing

Property Tax Fairness

Christopher Berry

William and Alicia Townsend Friedman Professor
Director, Mansueto Institute for Urban Innovation
Associate Director, Center for Municipal Finance
The University of Chicago
Harris School of Public Policy and the College

Mansueto Institute
for Urban Innovation



THE UNIVERSITY OF CHICAGO

**HARRIS SCHOOL
OF PUBLIC POLICY**

CENTER FOR MUNICIPAL FINANCE

Agenda

1. Background on property assessment
2. What is regressivity and how do you know it when you see it?
3. What are the consequences?
4. What are the causes?
5. How can it be fixed?

How Does Property Assessment Work?

- You pay property taxes based on the value of your home
- Unless your home has sold recently, we don't know the true value of your home
- The assessor's job is to figure out the value of your home
- The assessor estimates the value of your home using a statistical model
- When the estimates from the statistical model are inaccurate, you may end up paying too much or too little in property taxes



Levy =
\$1,500



- Actual value = \$100,000
- Accurate tax = \$500 (1/3 of levy)

● Regressive assessed value = \$125,000

● Regressive tax = \$682 (45% of levy)

● Tax shift = + \$182

- Actual value = \$200,000
- Accurate tax = \$1,000 (2/3 of levy)

● Regressive assessed value = 150,000

● Regressive tax = \$818 (55% of levy)

● Tax shift = -\$182



Levy =
\$1,500



- Actual value = \$100,000
- Accurate tax = \$500 (1/3 of levy)

- Regressive assessed value = \$90,000
- Regressive tax = \$562 (37.5% of levy)
- Tax shift = + \$62

- Actual value = \$200,000
- Accurate tax = \$1,000 (2/3 of levy)

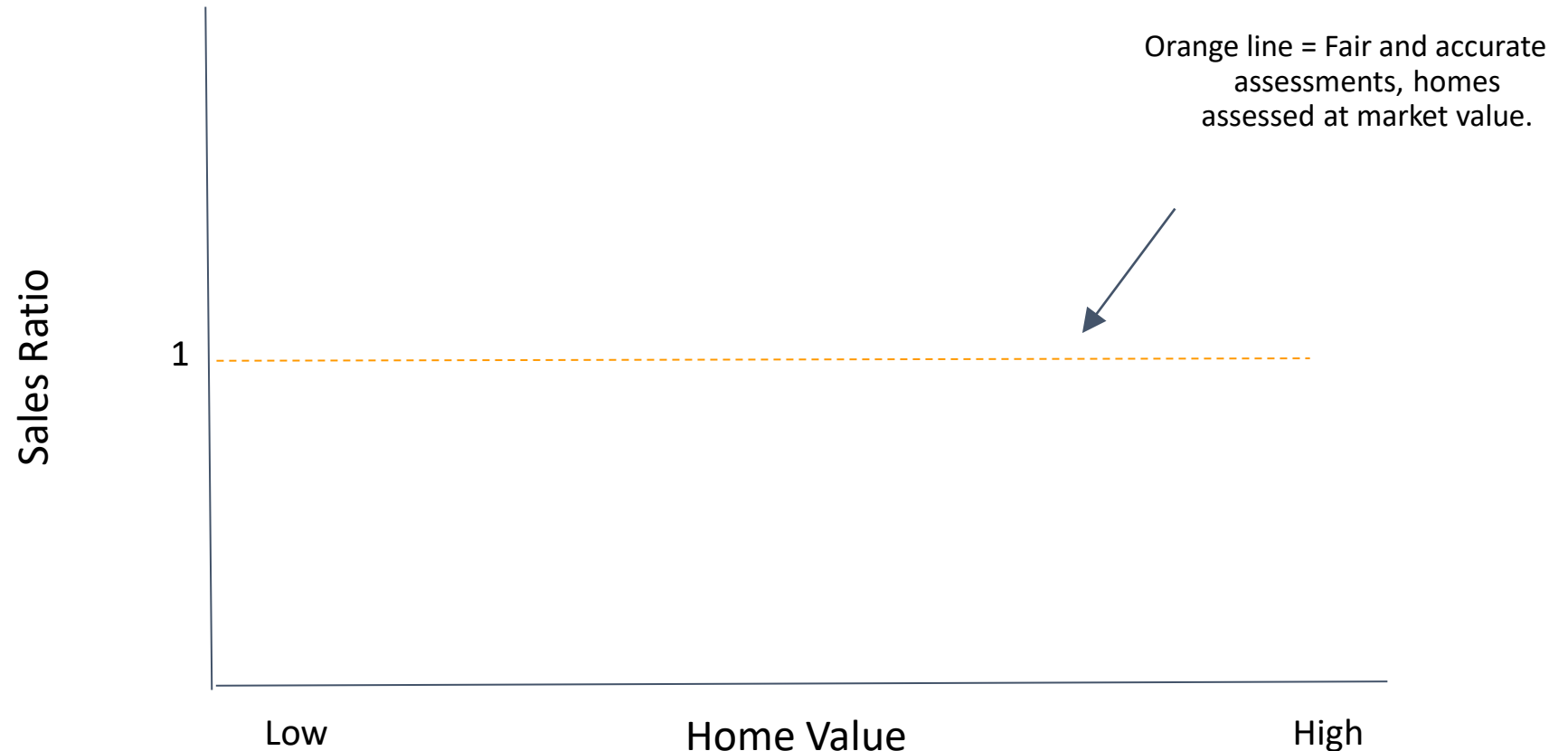
- Regressive assessed value = 150,000
- Regressive tax = \$938 (62.5% of levy)
- Tax shift = -\$62

What Does a Fair and Accurate System Look Like?

The **sales ratio** is the assessor's estimate of a property's value divided the property's sale price. If assessments are accurate, the sales ratio is equal to 1 for all homes.

If the sales ratio is greater than 1, a home is over-assessed. If the sales ratio is less than 1, a home is under-assessed. A system in which less expensive homes are assessed at higher ratios than more expensive homes is **regressive**.

When assessments are regressive, owners of more expensive homes pay less in property taxes than they should while owners of less expensive homes **pay too much**.



What is regressivity and why is it unfair?

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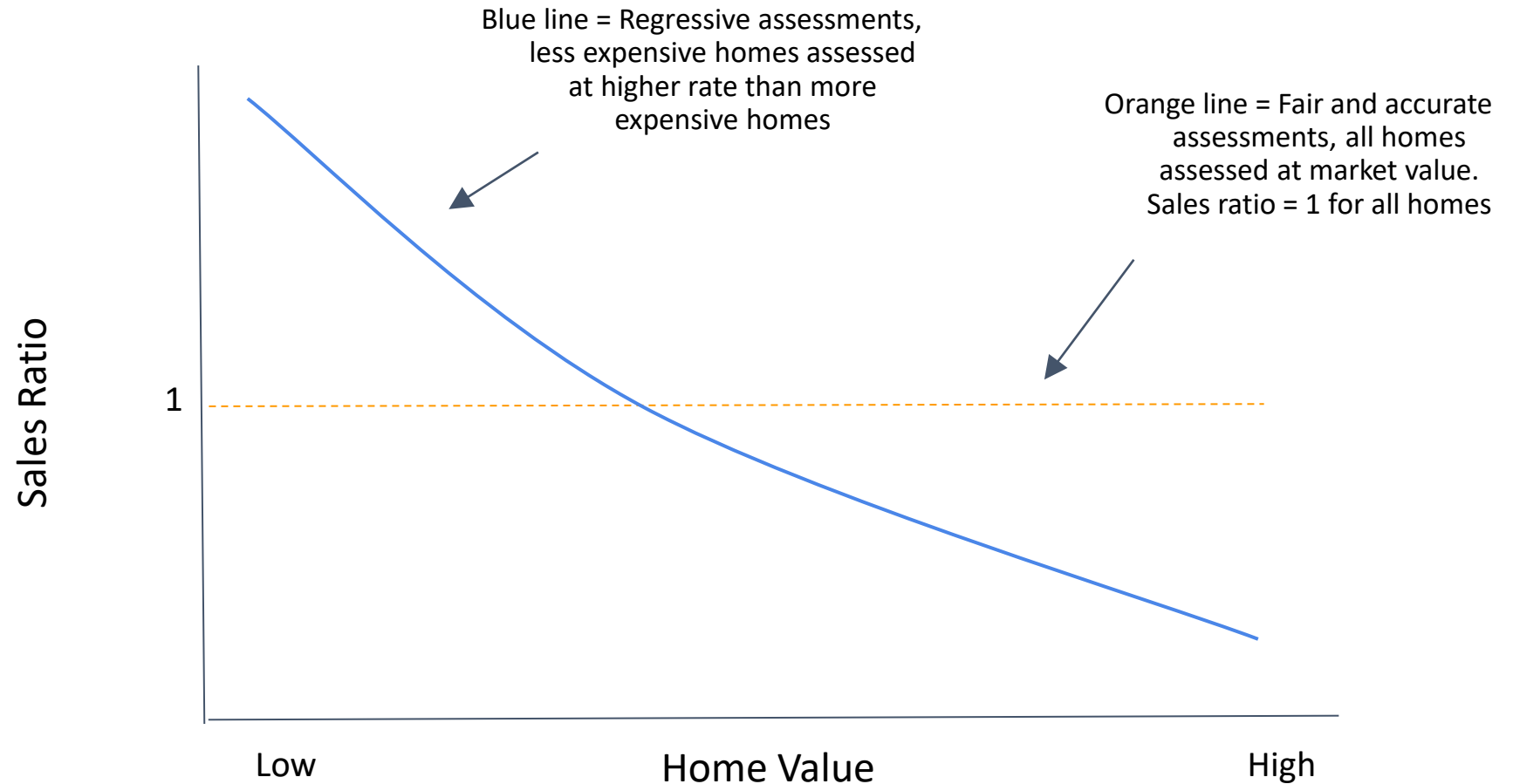
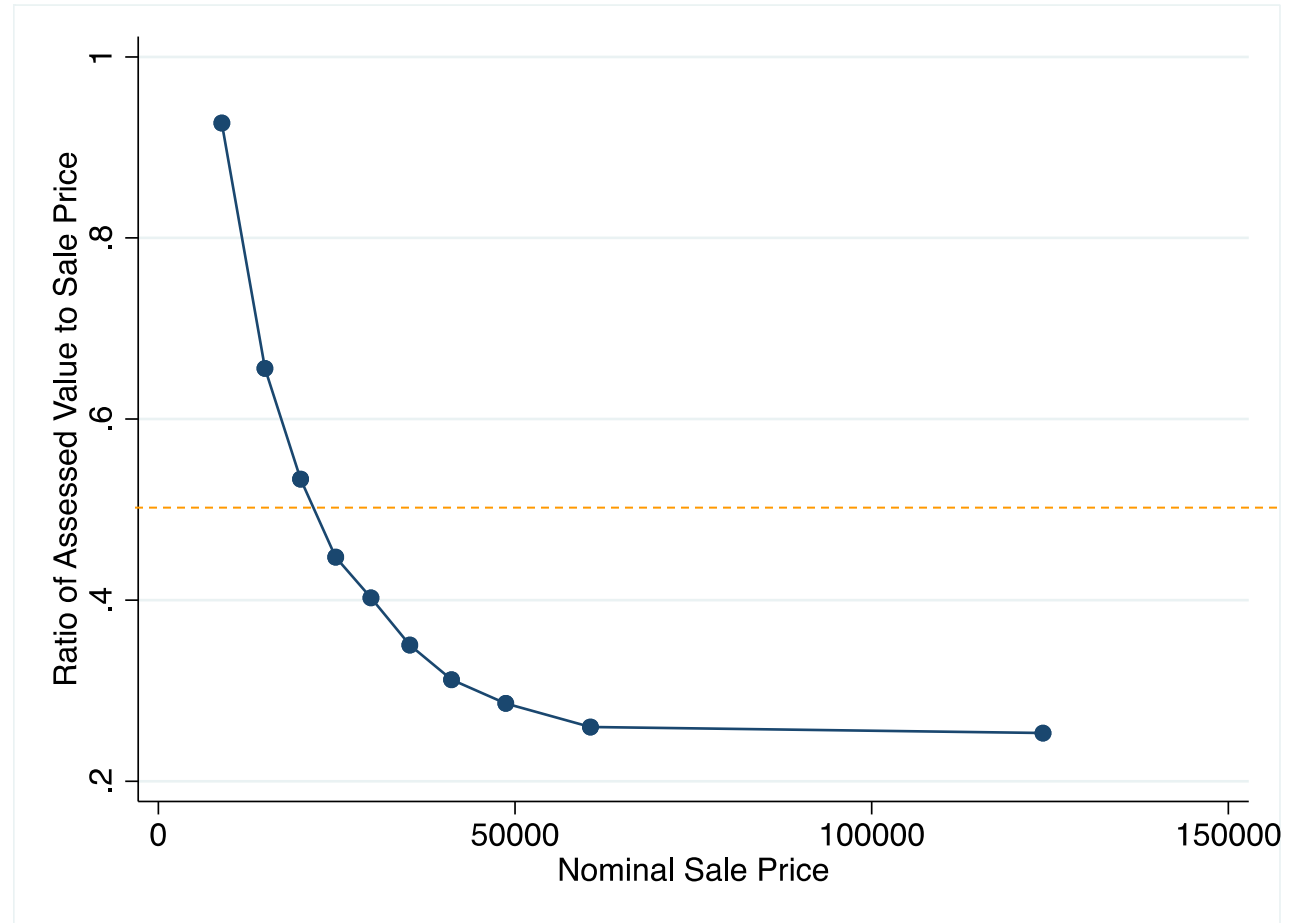


Illustration: Vertical Inequity in Detroit

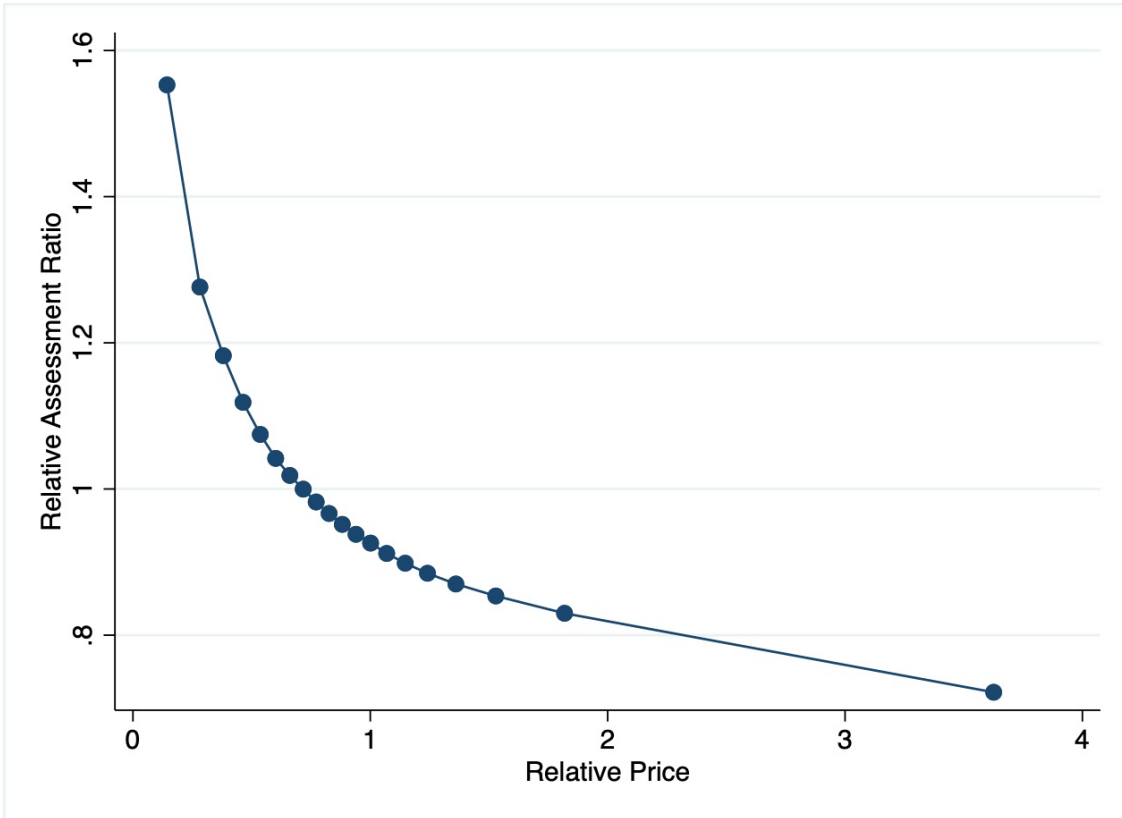
It is often informative to use a Binned Scatter Plot. Divide the data into groups (bins) of equal size according to sale price – in this case 10 bins, or deciles. Each dot shows the average sales ratio and average sale price in one of the bins.



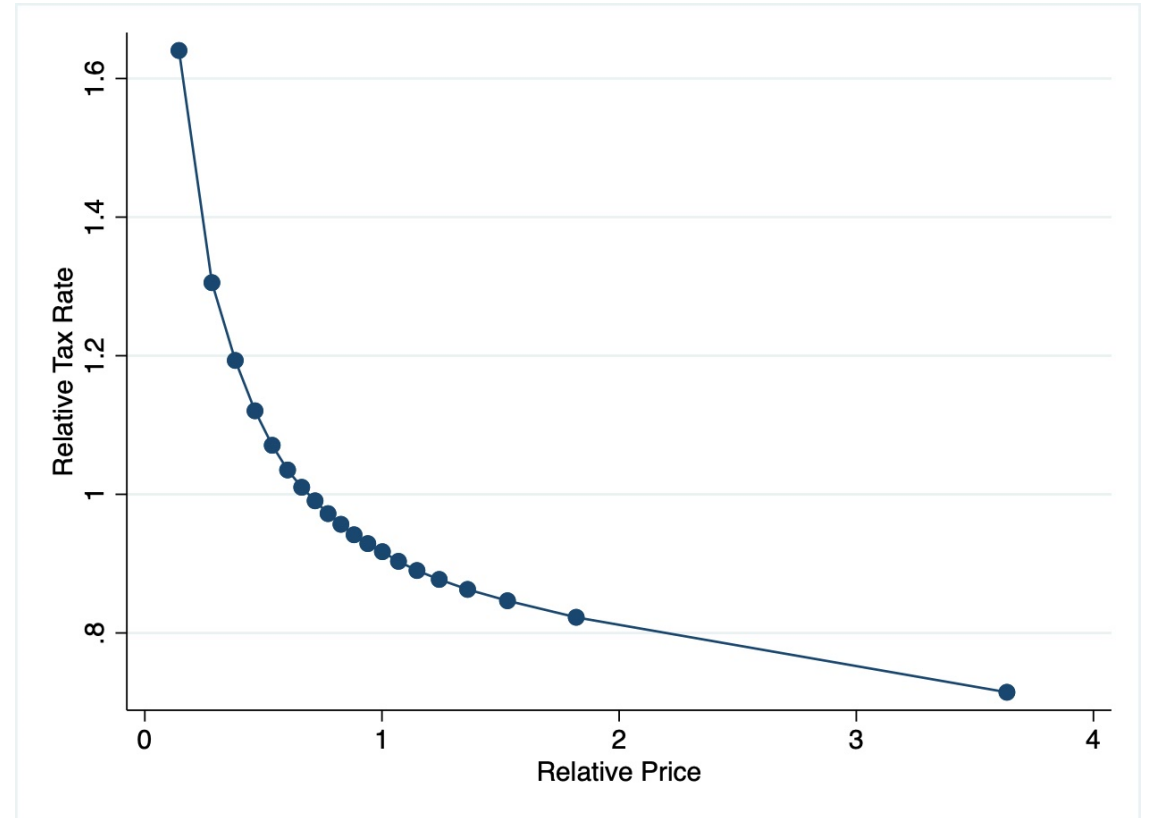
“Reassessing the Property Tax”

- Nationwide study of vertical equity
 - Based on data from Corelogic
- Finding vertical inequity in 90% + jurisdictions
 - Evident according to many different metrics
- Over and under assessment highly spatially clustered
- Resulting in neighborhood-level over and under-assessment
 - Predominantly African American neighborhoods substantially over-assessed, on average
 - The does **NOT** imply that assessors are racially motivated
 - Correlation between race and home value

Nationwide Study

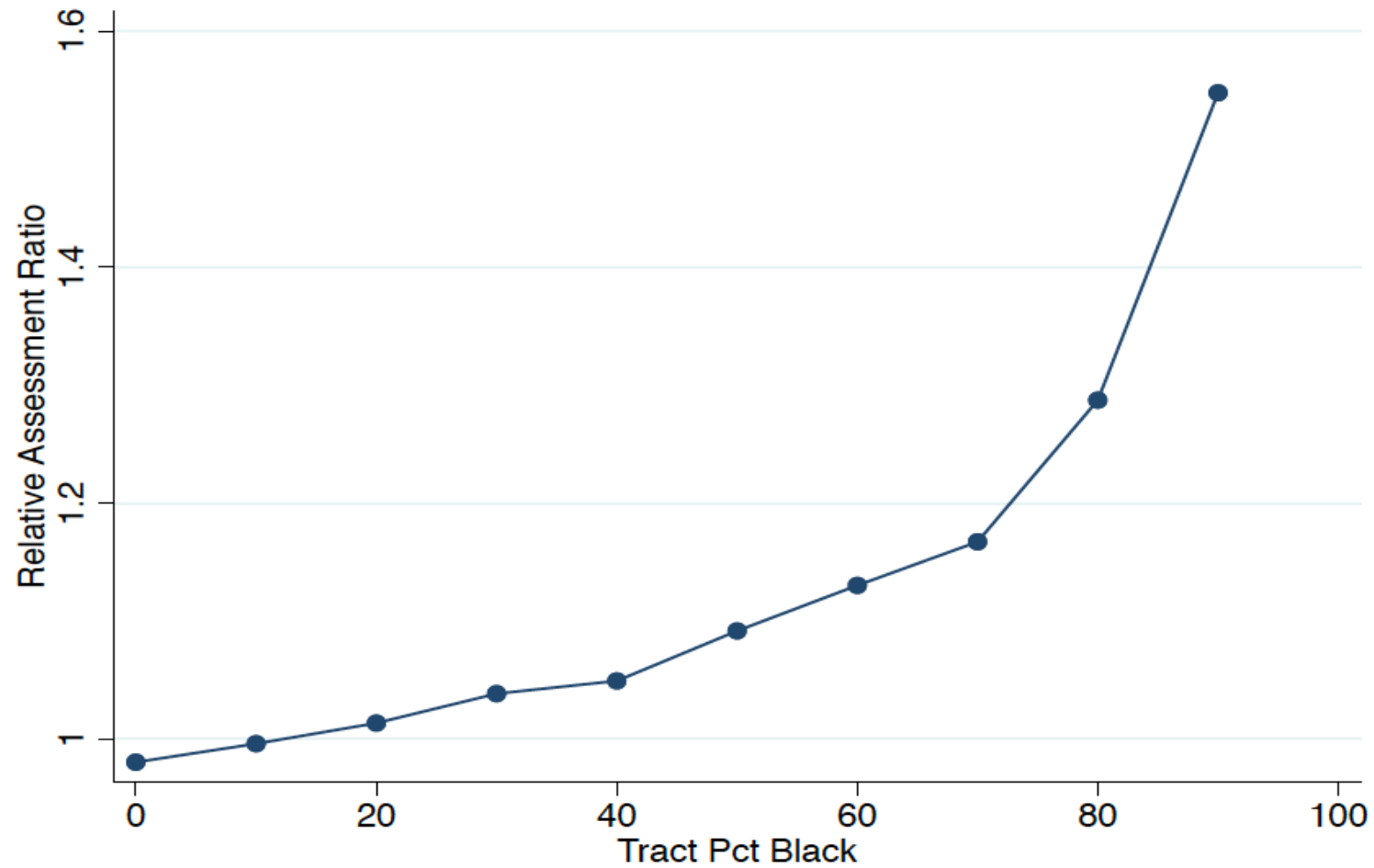


Nationwide Assessment
Regressivity



Nationwide Property Tax
Regressivity

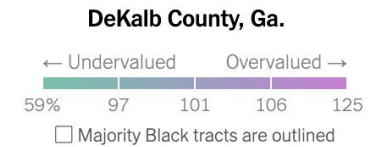
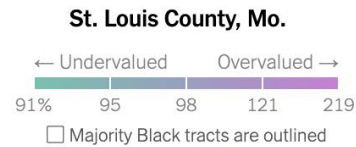
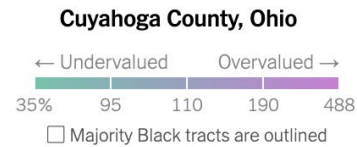
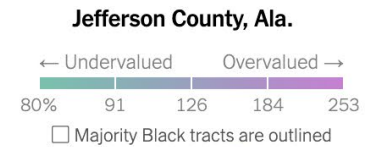
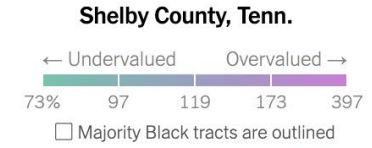
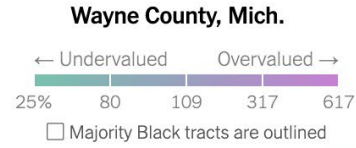
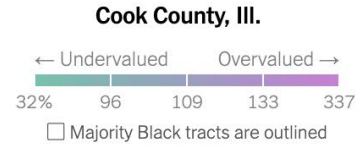
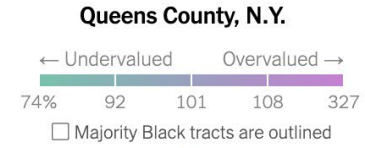
Results in Racial Tax Disparities



Race + Space = Concentrated Inequity

In many areas, property in predominantly Black neighborhoods is overvalued for tax purposes.

Average assessed value, compared with the sale price, by census tract





Property Tax Fairness

From the Center for Municipal Finance

INTERACTIVE REPORTS

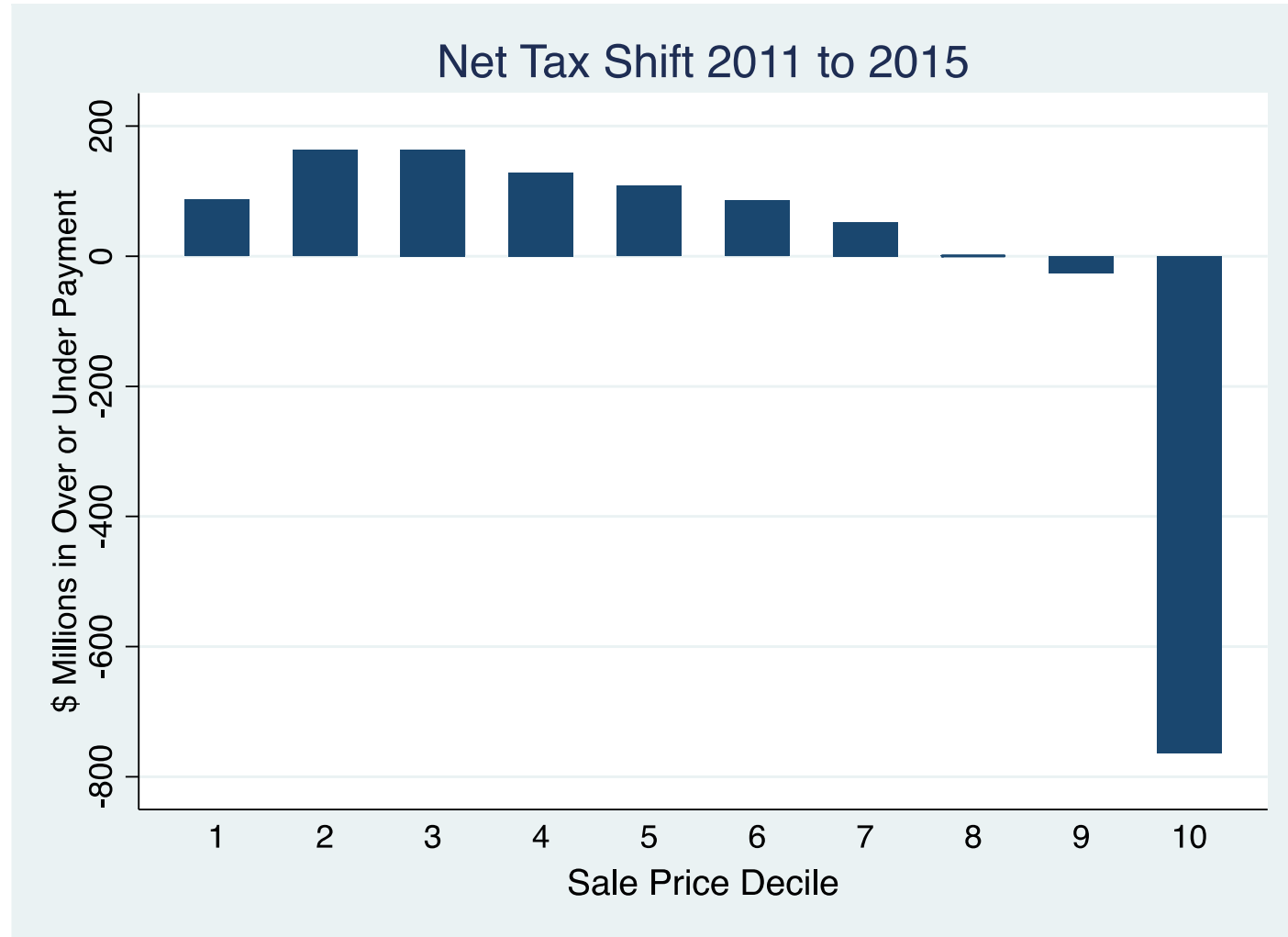
RELATED RESEARCH



Consequences

- Tax Shifting
 - \$Billions in Chicago and NYC alone
- Tax Delinquency and Foreclosure
 - 25% of all homes in Detroit tax foreclosed
 - Exploitative tax auctions, fines and fees
- Destruction of generational wealth
- Leaving revenue on the table via under-assessment?

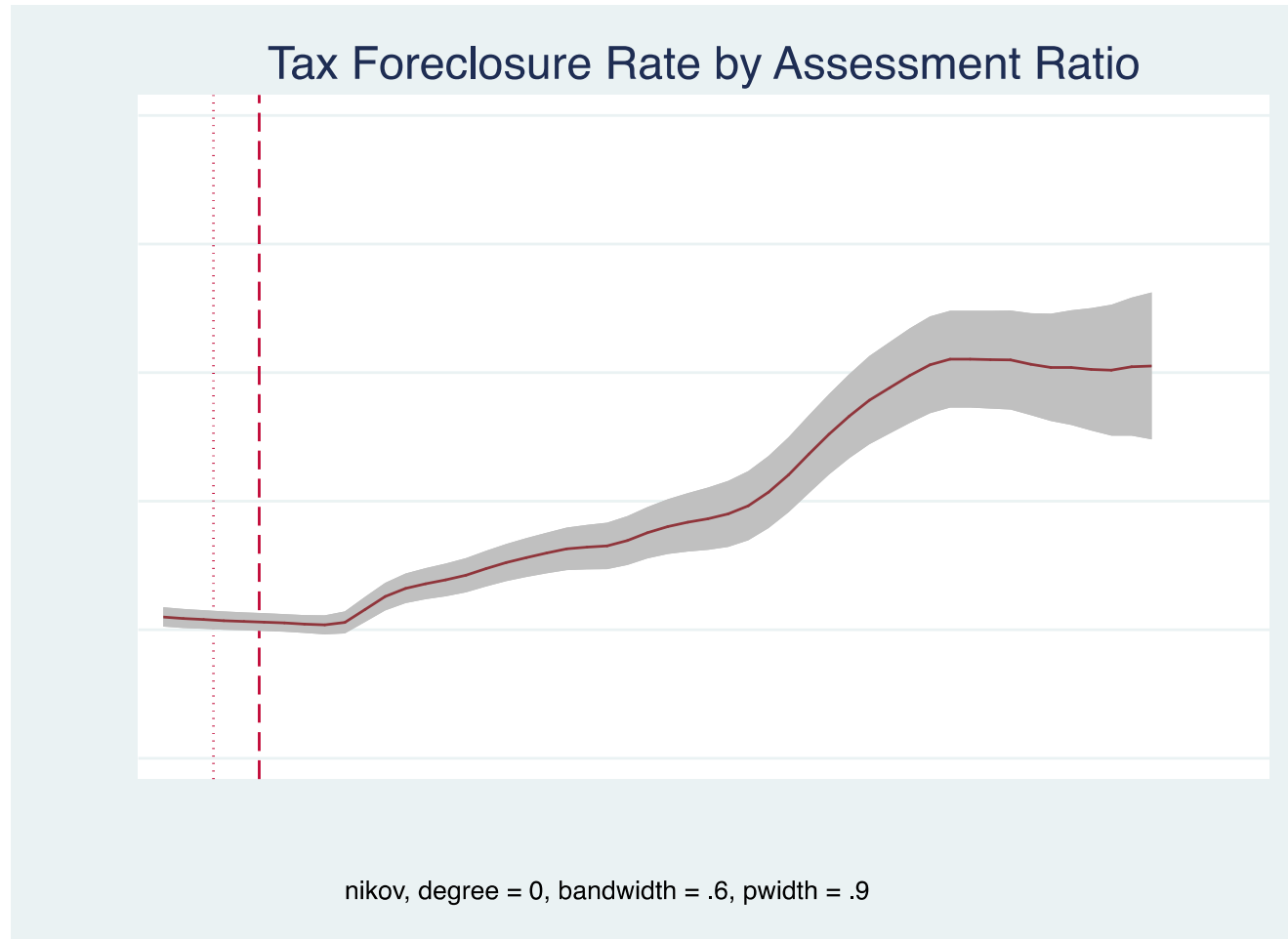
Tax Shifting in Chicago



Assessment Inequity and the Foreclosure Crisis

- Since 2011, 100,000 Detroit properties foreclosed for unpaid property taxes
 - 25% of all properties
 - 30% of residential properties with a structure
 - Foreclosure rate many times higher than other major cities
- Detroit is an extreme case, but regressive property taxation is common
 - Recent studies show similar problems in Ohio, Philadelphia, Chicago

Overassessment and Foreclosure in Detroit



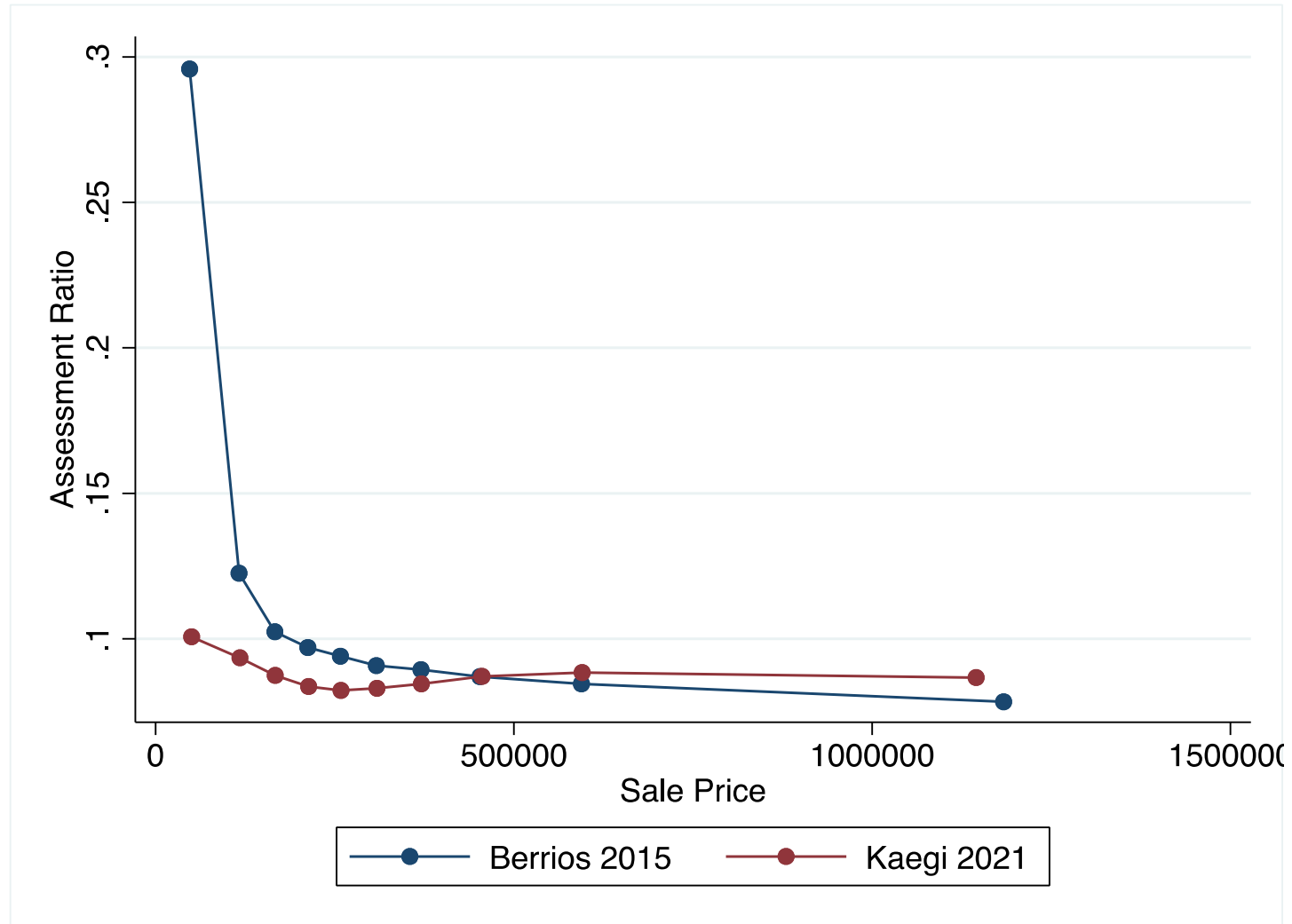
Are You Losing Revenue?

- Direct effect of inequitable assessments
 - No for levy-based system
 - Maybe for rate-based system
 - Do under-assessments at the top outweigh over-assessments at the bottom. Probably yes in most cases.
- Indirect effects (ie, politics) of inequitable assessments
 - Will there be more support for property taxes when assessments are fair?
 - Probably yes, since median voter is likely to be over-assessed in the current system

Why?

- **Assessor problems**
 - Omitted variables: Factors observable to buyers and sellers but unobservable to the assessor (often not the fault of the assessor)
 - Poor modeling of observable variables; e.g., location and time
- **Policy choices**
 - Assessment increase caps
 - Exemptions/abatements
 - Appeals

Reason for Optimism: Chicago Reforms



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THANK YOU!

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www.propertytaxproject.uchicago.edu



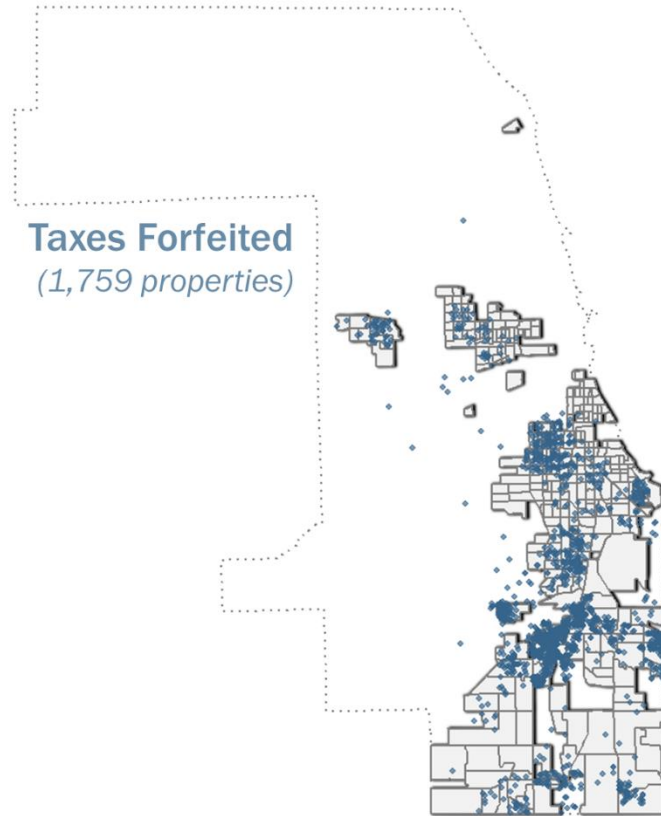
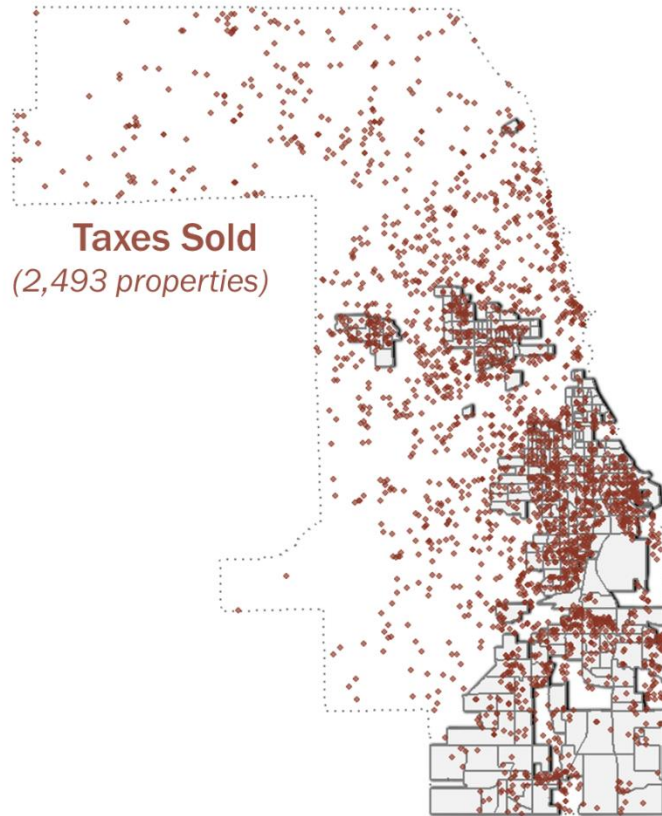
Property Tax Mitigation Tactics

Neighborhood Housing Services of Chicago

773.329.4111 nhschicago.org

Tax Sale Outcome

Data show homeowner-exempt properties from TY20. **Raised areas** show majority black census tracts.



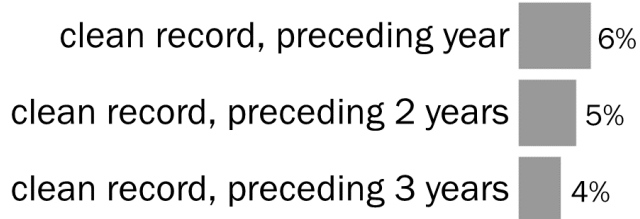
Recent Delinquency History, by Tax Sale Outcome

Data show homeowner-exempt properties from TY20. “Clean record” describes properties without a record of delinquency for tax years considered.

Taxes Sold (2,493 properties)



Taxes Forfeited (1,759 properties)



Homeowner Preservation Resources

- Group Education
 - Financial Self-Defense
 - Property Tax Appeals
- Property Tax Exemption Clinics
- PITIE Counseling
- Advocacy



Decreasing the Cost

Property Tax Exemptions for Homeowners

- Homeowners Exemption
- Seniors Exemption
- Seniors Assessment Freeze
- Longtime Homeowner's Exemption
- Disabled Veterans Exemption
- Returning Veterans Exemption



Homeowner Savings – What is PITIE?

Reducing *the* Cost of Homeownership

- Mortgage Loan – Principle and Interest
- Homeowners insurance
- Property Taxes
- Energy Costs: Gas and Electric
- Water Bills

The only person that watches over your money is you!



Advocacy

Homeownership Preservation

Pay and Stay and Improve the Experience

- Divert properties away from the annual tax sale
- Create a monthly payment plan
- Decrease the friction in the redemption journey

Upcoming Events

SEPT 19: Webinar (12:00 – 1:30 PM ET)

Retrofitting Middle Neighborhood Housing Stock for Energy Efficiency and Climate Resiliency

OCT 18: Engagement Chat (Noon, ET)

Finding Leaders in Your Community or Using AI to Engage with Residents (contact Ann with ideas)

Questions: anndipetta@gmail.com

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Thank you for
joining us!

Please email us if you have ideas for webinars, case studies, news stories, etc.

Tell us about your experience today!

JOIN US!
**The Middle Neighborhoods
Community of Practice
(CoP)**

The Middle Neighborhoods CoP is an informal, facilitated network of practitioners, researchers and policymakers engaged in revitalizing middle neighborhoods. CoP members share learnings through topical webinars, referrals, site visits, phone calls, and occasional larger group events.

There are currently more than 400 people in the CoP. Please join us!

middleneighborhoods.org

