

# HAMDEN HOMEOWNERS FOR TAX RELIEF

## *A non-partisan appeal for fiscal justice*

September 15, 2006

Curt Leng  
Chair, Finance Committee  
Legislative Council  
Town of Hamden, Connecticut

Dear Curt:

The Hamden Homeowners for Tax Relief feel compelled to ask the Legislative Council to reconsider the HHTR phase-in proposal in light of some extraordinary circumstances. Specifically, we want to make you aware of an important legislative development, and to inform you of the results of some research we've been conducting since the Legislative Council rejected phase-in on September 5.

### **I. Retroactivity of 2006 Phase-In Amendments.**

In the 2006 State legislative session the General Assembly made substantial changes to the phase-in laws. Among other things, the language describing the phase-in methodologies (Simple and Ratio) was simplified, and then consolidated into a single code section, C.G.S. § 12-62c(b). In addition, the maximum allowable term of a phase-in was extended from three to five years. C.G.S. § 12-62c(a). As you know, the longer a phase-in can run, the more aggregate relief it can provide.

We have not previously highlighted these 2006 legislative developments for you because, as initially enacted, the changes were given only prospective application, *i.e.* the legislature made them effective only for revaluations in 2006 and thereafter. However, the legislature has just recently changed this application. HB 5820 (House Amendment A) – “An Act Concerning The Revisor's Technical Corrections to the General Statutes . . .” states that the foregoing phase-in changes “shall take effect October 1, 2006, ***and be applicable to assessment years commencing on or after October 1, 2005.***”

Therefore, the Legislative Council can now enact a five-year phase-in that was unavailable under prior law. As a result of the additional two years now available for phase-in under the revised statutory scheme, a Simple Phase-In can provide twice the homeowner tax relief that was available under the old law - a minimum of \$19.4 million under a five-year phase-in, as opposed to the \$9.5 million minimum that we had previously estimated for a three-year phase-in. Please reference the attached Phase-In Analysis sheets.

## II. PILOT Payments.

As you know from my brief remarks to the Council on September 5, I strongly disagreed with the administration's position that a phase-in would reduce state PILOT payments. I stated then that PILOT payments are not tied to *assessments* alone, but rather to the *taxes* (mil rate  $\times$  assessment) that would be due on PILOT properties absent their exempt status. Therefore, under a Simple Phase-In, PILOT properties' hypothetical tax bills, and thus the PILOT payments based thereon, would decline only if, and to the extent that, those properties were phase-in "winners", *i.e.* if their hypothetical tax bills would decline under a phase-in. ***In other words, there would be no loss of PILOT funds unless the aggregate assessments of PILOT properties grew by more than 60% as a result of the 2005 Revaluation.***

With the assistance of the Assessor's records, I have now completed a review of the key PILOT properties in Hamden. That research indicates that due to their largely commercial nature, those properties experienced Revaluation assessment growth of only about 25% in the aggregate, and thus would be significant "losers" under a Simple Phase-In. ***In other words, in sharp distinction to the administration's claims, a Simple Phase-In will actually result in the Town receiving more PILOT funds from the State!***

Here are the specifics. The Town benefits from two major PILOT programs concerning tax-exempt real estate – (i) a PILOT program for State-owned property (C.G.S. § 12-19a); and (ii) a PILOT program for private college properties (C.G.S. § 12-20a).

### A. State-owned Property.

In this category, we analyzed the ten properties with the highest assessments.<sup>1</sup> The law governing this PILOT program provides that the State will pay the Town 45% of the "property taxes that would have been paid with respect to . . . state-owned real property . . . except for the exemption applicable to such property, on the assessment list in such town for the assessment date two years prior to the commencement of the state fiscal year in which such grant is payable." The current aggregate assessment of these ten properties is \$48,082,830, which represents a 41.3% increase as a result of Revaluation. In just the first year of a Simple Phase-In the Town would receive **\$45,667 more** in PILOT grants in connection with these ten properties.<sup>2</sup> ***In the aggregate, state PILOT payments tied to all phased in years would increase by \$87,011 as a direct result of the phase-in.***

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<sup>1</sup> These ten properties represent the vast majority of the total assessed value of state-owned properties. In the interest of prompt analysis, we deferred a specific calculation for number of small properties.

<sup>2</sup> Given the somewhat ambiguous two-year deferral language of the statute, it is not clear whether the additional amount would be due to the Town in the current year or two years hence.

## **B. Private College Property.**

In this category, we analyzed (i) all Yale University properties; (ii) all Albertus Magnus properties; and (iii) the ten Quinnipiac University properties with the highest assessments.<sup>3</sup> The law governing this PILOT program provides that the Town will be paid 77% of the “property taxes which, except for any exemption applicable to any . . . institution of higher education . . . , would have been paid with respect to such exempt real property on the assessment list . . . for the assessment date two years prior to the commencement of the state fiscal year in which such grant is payable.” The current aggregate assessment of these properties is \$102,021,500, which represents an 18.6% increase as a result of Revaluation. With respect to just the first year of a Simple Phase-In the Town would receive **\$500,604 more** in PILOT grants in connection with these properties.<sup>4</sup> ***In the aggregate, state PILOT payments tied to all phased-in years would increase by \$1,078,876 as a direct result of a phase-in.***

The HHTR has noted your efforts to develop new non-tax revenue sources. Well here’s a big one that was sitting right under our noses – the Simple Phase-In. Can you imagine a better public policy initiative than one that can provide over \$1 million in non-tax revenue AND at the same time remedy a tax burden inequity by providing nearly \$20 million in homeowner tax relief? If ever there was a “win-win” municipal proposal, this is surely it.

This analysis confirms our initial conclusion upon reading the Mayor’s August 31 letter. By simply telephoning a yet-unnamed “undersecretary” at OPM, and asking a presumably leading and ambiguous question, the administration got the PILOT answer it wanted, and took no further action. Where was the independent analysis that this important issue deserved? Did anyone bother to read the relevant PILOT statutes (Town Attorney), find the data (Assessor), or crunch the numbers (Finance Director)? Unfortunately, this level of politically-driven recklessness only confirms the taxpayers’ worst instincts concerning this administration and its Legislative Council enablers.

By this letter the HHTR is requesting that you promptly place a five-year phase-in on the Finance Committee and/or full Council agenda for reconsideration of such tax relief in light of the foregoing development and information. Since a clear majority of Council members stated philosophical support for the phase-in, yet cited the alleged PILOT “problem” as a principal reason for their “No” vote, it seems likely that the outcome could be different at this time given that the PILOT “problem” is actually a benefit, and recent legislative developments allow for even more effective tax relief via

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<sup>3</sup> These ten properties represent the vast majority of the total assessed value of Quinnipiac-owned properties. In the interest of prompt analysis, we deferred a specific calculation for a number of relatively small properties.

<sup>4</sup> Given the somewhat ambiguous two-year deferral language of the statute, it is not clear whether the additional amount would be due to the Town in the current year or two years hence.

phase-in.

Kindly provide me with the courtesy of your thoughts at your earliest possible convenience.

Respectfully,

Mark D.G. Sanders