

March 20, 2024

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

202400897

Subject: Cincinnati Property Tax Relief

REFERENCE DOCUMENT #202400736

On March 13, 2024, the Council referred the following for a report:

MOTION, submitted by Councilmember Jeffreys, **WE MOVE** that a task force be created to make short, medium and long-term policy recommendations on how the City can provide relief to residents that are tax burdened by the recent spike in property taxes. **WE FURTHER MOVE** that this task force include members from HOME, LISC, the Realists, Legal Aid, the Urban League, the National Appraiser Bias Task Force, the Greater Cincinnati Northern Kentucky Apartment Association, Community Action Agency, the City of Cincinnati, and the Hamilton County Auditor & Treasurer as well as effected homeowners and other subject matter experts. **WE FURTHER MOVE** that the Administration continue to hold the \$50 million in reserves that is being held in the event the Schaad v. Alder case is overturned. These funds should be held until this task force can make recommendations for property tax relief. If Schaad v. Alder is overturned, then those reserves should be leveraged for their original intent.

The purpose of this report is to respond to Councilmember Jeffreys' motion regarding the proposed creation of a task force to produce policy recommendations relating to increased property taxes.

As a threshold matter, reference is made to the report previously produced by the Administration capturing the recommendations and responses to the extensive work of the Property Tax Working Group on this issue. The report was issued in September 2021 and is available as Item 202102393.

The motion indicates an interest in policy recommendations related to the recent spike in property taxes. The effective tax rate for residential properties in fact dropped significantly from 2023 to 2024 (76.87 mills for taxes paid in 2023 to 69.30 mills for taxes paid in 2024). A similar decrease in tax rate occurred for commercial properties (90.56 mills for taxes paid in 2023 to 82.07 mills for taxes paid in 2024). Therefore, the majority of any tax increase recently experienced by a property owner was likely due to increased property valuations resulting from the 2023 reappraisal process, a state-required process completed by the

Hamilton County Auditor. Therefore, the Administration recommends that policy research focus on the driving factors behind valuation increases.

The motion further discusses the potential utilization of up to \$50 million of the City's financial reserves to provide property tax relief. This suggestion raises grave concerns for the Administration. First, the \$50 million is part of the City's overall cumulative financial reserves—a critical factor in maintaining the City's credit rating. Though the identified portion of the reserves was part of planning for an unfavorable outcome in the *Schaad v. Alder* case, those funds are still an important part of the City's overall reserve levels and financial health. That is true regardless of the outcome of the litigation. Further, though a favorable decision was recently issued in that litigation, the appeal window for that decision has not yet expired. Finally, though temporarily supported by American Rescue Plan funds, the City is still experiencing an operating deficit, has overall high debt levels, and has an unfunded pension obligation of over \$700 million. Any discussion on this issue, whether relating to utilization of reserves or changes to the City's property tax rate, must incorporate the context of the City's overall financial health and operational impacts.

The task force, as proposed, will be considered a public body and subject to associated legal requirements under state law, including open meetings requirements. The Administration does not have the capacity at this time to oversee and manage such a project, so if pursued by Council this task force will need to be overseen by one or more Councilmembers and their staff. We recommend tight coordination with the Law Department to ensure that all legal requirements are followed.

cc: William Weber, Assistant City Manager