

Memorandum

Date: March 31, 2016

To: Members, West Linn City Council

From: Don Otterman, Interim City Manager

Subject: Miscellaneous Items

1. Schedule

- March 31 is the City Manager Candidates Reception at the Adult Community Center. City Council will have a private reception from 4:00 to 5:00 pm followed by a public reception for the citizens to meet the candidates from 5:00 pm to 7:00 pm.
- April 1 Council, the Directors, Regional Managers, and selected citizens will be conducting interviews for the City Manager position.
- April 4 Council has a Planning Commission interview at 5:15 pm, an executive session at 5:30 pm, and a joint meeting with the Planning Commission and the Committee for Citizen Involvement.

2. Homestead Exemption

- Per Council's request, Chief Financial Officer Richard Seals conducted research regarding a possible homestead exemption. His memo is attached.

3. Citizen Engagement Coordinator

- The City of West Linn has hired a new citizen engagement coordinator, Courtney Flynn. Her first day is Monday, April 4. Please feel free to stop by and welcome her.

Memorandum

Date: March 29, 2016

To: Don Otterman, Interim City Manager

From: Richard Seals, Chief Financial Officer

Subject: Informational Report on Possible Homestead Tax Exemption Program

Purpose

To provide information regarding the possible development of a city homestead property tax exemption program to a select group of West Linn citizens.

Question(s) for Council

Should the City Council offer a homestead property tax exemption program?

Background & Discussion

In a personal bankruptcy situation, a homestead exemption can protect some of your home's equity. In Oregon, you can protect up to \$40,000 of equity in your home (\$50,000 for married couples). The question has arisen as to whether the city should offer a similar program with regards to city property taxes that elderly, low-income and/or long-time residents can get some relief from.

Low Income Utility Assistance Program Discussion

The City currently has a Low Income Utility Assistance Program which provides a 50 percent reduction in a resident's utility bill if they meet certain federal poverty income thresholds. In West Linn, we currently have 111 homes on this program representing about 1.2 percent of total homes estimated at 9,000. At roughly \$43 reduction in monthly utility bill, this program costs approximately \$57,000 per year in utility revenues for these 111 home owners. The application to enroll into the Low Income Utility Assistance program is attached hereto for your review because something similar could be developed for a homestead property tax exemption.

Homestead Property Tax Information

The possible program could be developed several ways. It could include an age threshold such as over 65 years of age, it could include a low income threshold in conjunction with the Low Income Utility Assistance Program, it could include a long-time resident criteria such as over 20 years as a city resident or any combination of these.

As the County assesses and collects property taxes, such a program would fall onto the city to manage. This could be handled in a similar way to the Low Income Utility Assistance Program as some sort of refund program say every December after the applicants completes an application form meeting the program criteria and then requesting a partial refund of city property taxes based upon the developed homestead program guidelines.

Possible Homestead Refund Calculations

Option #1 – Low Income Option

Piggy back off of the Low Income Utility Assistance program by adding an additional section for an age threshold and/or long-time resident threshold. Hence if we assume that 50 percent of our current 111 low income applicants also meet an age or long-time resident threshold, then this would cost the city as follows:

- 111 times 50% = 56 would qualify
- 56 times 2.12 city property tax rate per \$1,000
- times \$50,000 homestead exemption value = \$6,000 per year

The city receives \$7 million in property taxes, so \$6,000 refunded represents 0.09 percent

Option #2 – Not Low Income, just Over 65 and/or Over 20 years Resident

The city does not track citizen ages, but our utility software shows 2,381 accounts out of 9,000 (or 26%) set up with the same owners for over twenty years. If we assume that 50 percent of these also meet an over 65 age threshold, then this would cost the city as follows:

- 2,381 times 50% = 1,191 would qualify
- 1,191 times 2.12 city property tax rate per \$1,000
- times \$50,000 homestead exemption value = \$126,000 per year

The city receives \$7 million in property taxes, so \$126,000 refunded represents 1.8 percent. Note that processing 1,200 refund checks every year would be an administrative task to consider.

Option #3 – Any other combination of criteria or choosing a different homestead value

Discussion about Permanent Tax Rate and exclusion of the Bonded Debt Rate

Note: the previous sample option calculations use the City's permanent tax rate of \$2.12 because the revenues received from this rate go towards general city operations and the rate cannot be increased. On the other hand, the City's bonded debt tax rate of \$0.42 is not included in these examples because this rate raises a pre-determined fixed amount of taxes to cover our existing general obligation bond debt service payments. If bonded debt tax rate was included in this type of program, then we would need to raise the tax rate slightly higher for those not in the program to make up the revenue needed to cover our debt service payments. For this reason, I have excluded the bonded debt rate in these examples.

Discussion about Property Tax Limitations in the State of Oregon

The citizens of the State of Oregon approved the first property tax limitation in 1990 – Measure 5. This limitation divides property taxes into an education category and a non-education category. The tax rate in the education category was limited to \$5 per thousand of real market value for fiscal year 1995-96 and thereafter. The non-education category was limited to \$10 per thousand of real market value. Although all non-education taxes to the City currently do not exceed the \$10 per thousand of property real market value limitation; this limitation may affect the availability of future tax revenues for the City.

A second property tax limitation was approved in November 1996 and later modified in May 1997 – Measures 47 and 50, respectively. This limitation set a maximum permanent tax rate for the City exclusive of bonded debt at \$2.12 per thousand of assessed value. Assessed values can only grow by a maximum of 3 percent per year, exclusive of new construction and annexations.

History of City's Low Permanent Property Tax Rate

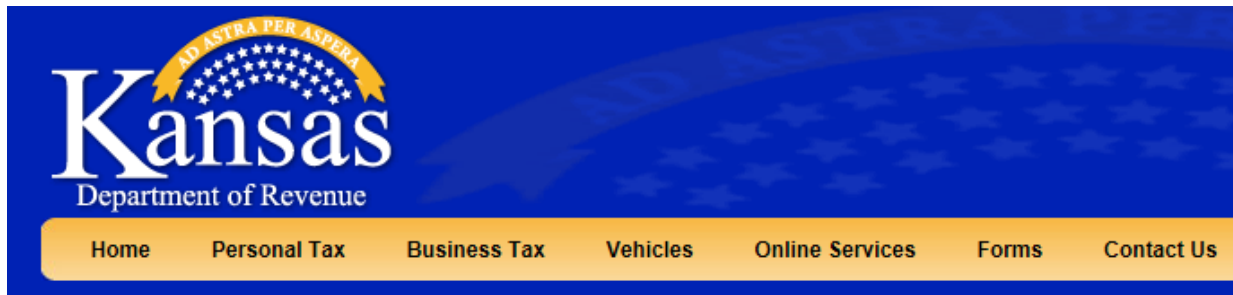
Two serial levies were in place for the City of West Linn in fiscal years 1994-95, 1995-96 and 1996-97. Both of these serial levies expired before the Measure 50 permanent property tax rates were established. Hence, neither of these two serial levies rolled into the permanent rate for the City of West Linn. In March 1997, West Linn voters approved two local option levies which replaced the two serial levies; however, this election was too late for the permanent rate calculation which occurred in late 1996. Today, the permanent property tax rate for the City of West Linn is at \$2.12 per thousand of assessed value, the lowest property tax rate for cities in the surrounding area.

Caveat about Proceeding

Considering the complexities of property taxes in the State of Oregon, if Council wishes to proceed with a homestead program for West Linn, we would want to have a legal analysis performed ensuring that a homestead property tax exemption program does not impact Measures 5, 47 and 50 or any rules surrounding refunding of permanent tax rate levies to the citizens of West Linn.

Other State Examples of Homestead Programs

Initial research shows that there are some states that have passed homestead programs. Each of these programs use different methodologies and different thresholds. For example, the State of Kansas is tied to low-income and carries a maximum of \$700:



Homestead Refund

The Homestead Refund is a rebate program for the property taxes paid by homeowners. The refund is based on a portion of the property tax paid on a Kansas resident's home. The maximum refund is \$700.

To qualify you must be a Kansas resident, living in Kansas the entire year. Your total household income must be \$34,000 or less.

You must also meet one of the following requirements:

- You were born before Jan. 1, 1960; OR
- You must have been totally and permanently disabled or blind during the entire year, regardless of your age; OR
- You must have had a dependent child living with you all of last year who was born before Jan. 1, 2015, and was under the age of 18 the entire year.

SAFE SENIOR - Kansas Property Tax Relief for Low Income Seniors

SAFE SENIOR is a property tax refund program administered under the provisions of the Kansas Homestead Act (property tax refund). SAFE SENIOR is also referred to as, "Kansas Property Tax Relief for Low Income Seniors".

The refund is 75% of the 2015 general property tax paid or to be paid - as shown of the 2015 real estate tax statement for the residence in which the claimant lived in 2015. The 2015 property tax consists of the 1st half which is due Dec. 20, 2015 and the 2nd half which is due May 10, 2016. The 2015 property tax is the total of both the 1st and 2nd half taxes.

A claimant may receive either a Homestead or a SAFE SENIOR refund but not both.

You must meet all the following requirements for the SAFE SENIOR refund -

- Kansas resident all of 2015,
- Owned a home in Kansas during 2015,
- Aged 65 years or older for all of 2015 (born before Jan. 1, 1950) and
- "Household income" of \$19,100 or less in 2015.

Other City Examples of Homestead Programs

Initial research shows that there are some larger cities that have passed homestead programs. As with the State programs, each of these programs use different methodologies and different thresholds. For example, the city of Philadelphia does not seem to have a low-income criteria, but uses an exemption amount of \$30,000:

The screenshot shows the website for the Office of Property Assessment, City of Philadelphia. The page is titled "Homestead Exemption" and is part of the "Abatements & Exemptions" section. A banner at the top of the page states: "Homestead Exemption applications are now being accepted for Tax Year 2016." Below this, there are two main sections: "What is the Homestead Exemption?" and "Who is eligible?".

What is the Homestead Exemption?

- The Homestead Exemption offers Real Estate Tax savings to all Philadelphia homeowners by reducing the taxable portion of their property assessment by \$30,000.

Who is eligible?

- You must simply own the property and live in it as your primary residence. There are no other requirements.
 - **Note:** Effective Tax Year 2015, properties with 10-year residential abatements are no longer eligible to receive the Homestead Exemption.

The left sidebar contains a list of "Abatements & Exemptions" with "Homestead Exemption" selected.

While I have not located any smaller cities similar to West Linn with homestead tax exemption programs, but there very well may be some out there.

Budget Impact

- To be determined, based upon if the Council wants to proceed and criteria selected

Council Options

- Information only at this time

Attachment

- Low Income Utility Assistance Program as an example



City of West Linn

22500 Salamo Road
West Linn, Oregon 97068

LOW INCOME UTILITY ASSISTANCE PROGRAM

Section 1:

Application for Reduced Water, Sewer, Surface Water, Street and Park Maintenance Charges

Date: _____ Utility Account Number: _____

Name: _____

Address: _____

Telephone: (____) _____ Email: _____@_____

Number of persons in household: _____

Section 2:

Must attach copies of the following:

1. Most recent tax return, tax forms, and other supporting documentation indicating that all sources of income are considered for testing against the HHS Poverty Guidelines
2. Copy of primary resident's identification

Section 3:

Requirements to Qualify for Reduced Water, Sewer, Surface Water, Street and Parks Maintenance Charges

Yes	No	
		Applicant is the principal resident at the above address and receives bill in their name for utility services.
		The maximum household income from all sources from all persons in the household does not exceed the poverty guidelines. <i>See Attachment A.</i>

Section 4:

Signature, Certification, and Pledge

I/we certify that the above is true and correct and should the above conditions change in any manner, I/we will immediately notify the City Utility Billing Department. I/we understand that once this application is approved, annual renewal will be required. Each year a renewal application will be mailed to the applicant. In order to continue receiving the reduced billing rates for the next year, I/we must return the completed application to the City of West Linn by July 1.

Signature of applicant

Signature of co-applicant, if applicable

Date

Date

Office Use Only

Approved by: _____

Date: _____

Attachment A

Department of Health and Human Services Poverty Guidelines

<http://aspe.hhs.gov/poverty/15poverty.cfm>

“The poverty guidelines are the other version of the federal poverty measure. They are issued each year in the Federal Register by the Department of Health and Human Services (HHS). The guidelines are a simplification of the poverty thresholds for use for administrative purposes — for instance, determining financial eligibility for certain federal programs. The [Federal Register notice of the 2015 poverty guidelines](#) is available.”

**City of West Linn Municipal Code
Chapter 4, Section 4.155, Subsection 2**

“(e) On July 1st of each year, the qualifying income limits shall be set at one hundred eighty-five percent (185%) of the most recently published poverty guidelines in the Federal Register by the U.S. Department of Health and Human Resources under authority of 42 U.S.C.9902(2), and shall remain in force until the next July 1st. The qualifying income limit for a single person household shall be based on the federal poverty guidelines for a one-person household. The qualifying income limit for a family shall be based on the poverty guidelines for a two-person household.”

HHS Poverty Guidelines		
Persons in Family or Household	HHS Data: 48 Contiguous States & DC	185% of HHS Guidelines
1	\$11,770	\$21,775
2	\$15,930	\$29,471

Maximum household income can not exceed these amounts.

SOURCE: *Federal Register*, Vol. 80, No. 14, January 22, 2015, pp. 3236-3237

City of West Linn Policy for Reduced Utility Charges for Low Income Citizens

Reduced Utility Charges for Low Income Citizens:

Monthly water service charges for water service to the principal residence of low income citizens as defined in this section shall be as follows: for 5/8- inch or ¾ -inch water meter; the customer service and capacity charges shall be charged at one half the regular rate, the first 700 cubic feet of water use shall be charged at one-half the regular consumption rate; water used in excess of the first 700 cubic feet of water used shall be charged at the regular consumption rate. There shall be no reduced water service charge for water meters in excess of those described above.

Premises to be eligible for the low income citizens water service charge include the home to which water service is requested is the principal residence of a person(s) having an annual income(s) that does not exceed the federal poverty low income guidelines (as established for both single and multiple person household, by the Federal Office of Community Action), and as adopted by administrative policy for setting the city’s low income dollar amounts in effect for one-year as of July 1 of each year.