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Property Tax and Assessment News from Around the World

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Authorities step up enforcement against businesses over business rates

A number of local authorities are starting to turn the heat up on businesses that have not paid their business rates bills during the period of the Covid-19 pandemic and Lockdown- and are applying for enforcement actions via the courts.

According to business rates experts at international property consultancy Colliers International, an increasing number of their clients are receiving letters demanding payment and/or a court summons.

As John Webber, Head of Business Rates at Colliers International said, “It is ironic that the Government is preventing private landlords from taking recovery action against tenants not paying rent while at the same time turning a blind eye to Billing Authorities acting on recovery action as if COVID 19 didn’t exist!”

Unlike those in the retail and leisure sectors, office occupiers were not granted a business rates holiday during Lockdown, despite the Government announcing on 20 March that staff in office-based businesses should not assemble together, nor to travel on public transport unless they were essential workers- but should work from home- effectively “prohibiting the use” of such offices- leading to many business owners leaving their offices and work locations empty.

And as the initial Lockdown started to lift, many offices remained empty or only became partly occupied, particularly as the Government insisted on social distancing rules, limiting numbers and discouraging workers from using public transport. Now as we experience a second Lockdown, even these offices have been emptying again.

The impact on many businesses has been dramatic, with many suffering a high financial disruption throughout the period. This is shown by the number of companies that have begun to appeal their business rates assessments on the grounds of an MCC (Material Change of Circumstance) to their business operations as a result of Covid-19 and Lockdown. Latest CCA (appeals) figures announced last week show that over 183,000 businesses made a Check and so began the appeal process in the 6 months period 1 April to 30 September, 2020, averaging according to Colliers over 1,000 appeals per day- an unprecedented number, and putting us, according to John Webber, Head of Business Rates at Colliers International, on a “wartime footing” .

Webber said, “We appealed to the Government to introduce a business rates holiday for the period of Lockdown and to introduce some reliefs for the disruption to businesses seen since. As we endure a second period of Lockdown, this is more important than ever.

“In the meantime, we have been negotiating on our client’s behalf with local billing authorities requesting them to show leniency to businesses that are struggling to pay their bills. We are finding that attitudes vary greatly depending on where businesses are based and the attitudes of the individual billing authority. There is a total lack of consistency- some clients for example with properties across boundaries find they are granted reliefs for some of their properties by certain local billing authorities but not from others”

“And recently there has certainly been a step up of enforcement activity via the Courts. It’s ironic that whilst many businesses have been forced to “empty “their offices for a second Lockdown, the courts are being kept open in this period to deal with the backlog of cases. As a result, we believe we'll see more court summonses and enforcements as we go forward."

Colliers cites the following examples of enforcement activity it is seeing in some parts of the country:

One local authority in Hampshire issued Final Notices to businesses in June whilst the country was still in lockdown and didn't offer Colliers the chance to re-calculate its client's instalments and "didn't see" the email sent requesting they do so.
This local authority is currently saying that the client can either reinstate instalments by making a catch-up payment with costs included or just pay the year's liability upfront – but those are the only ways in which they will remove the summons.

One West London local authority has summonsed a Money Exchange shop where the business did not get a grant and was also not entitled to rates relief. It is now being chased for payment through the courts.

One Midlands client gained reliefs on some offsite facilities from one billing authority and presented these facts to another where it hadn't. However, the stock response was that it is all down to local interpretation of the government's guidelines.

The client is now being chased for non-payment via the courts.

As Webber, concludes, "It is outrageous that not enough is being done to help thousands of businesses who, due to a Government led policy, are struggling to pay their rate bills and keep afloat, during this difficult time. Instead of receiving help, many are receiving threats of court summonses and it's a postcode lottery as to where this is occurring.

"Many of our clients have been badly impacted by Covid-19 but have received little or no assistance, unlike some other sectors of the economy. Such businesses are vital if the economy is to rejuvenate.

"We urge the Government to offer reliefs for the lockdown periods and to instruct Local Billing Authorities to show flexibility and support to business rather than stepping up the heavy-handed court summons."

CALIFORNIA

California Voters Narrowly Reject Split-Roll Initiative, but Approve Changes to Property Tax Exemptions

On November 3, 2020, voters across the State of California were asked to consider various state and local ballot measures. The hardest fought campaign, Proposition 15, asked voters whether to rescind property-tax rules applicable to commercial and industrial property that generally require counties to assess property at its acquisition value, which rules were implemented in 1978 by Proposition 13. As of November 12, 2020, with roughly 91% of the votes tallied, the Associated Press has announced that voters rejected that initiative, but approved another property tax initiative, Proposition 19. Proposition 19 is a complex initiative that provides certain increased property tax benefits to certain California residents when they move their primary residence, and reduces certain property tax benefits for intergenerational real property transfers.

Proposition 15

The current property tax regime generally provides that real property is taxed at one percent of its assessed value. Unless a property undergoes a change of ownership or there is new construction on the property, the property's assessed value equals the property's "base value" (i.e., the property's value at the time of purchase), plus an inflation factor that cannot exceed two percent per year. Under the current property tax regime, a property's base value can be lower than its current fair market value, which in turn can reduce the amount of property tax that might otherwise be owed, but provides the owner with some certainty as to what the owner's expected tax liability will be with respect to the ownership of such property.

Proposition 15 was an attempt to create a "split roll." Under the proposed split roll, commercial and industrial property with a fair market value in excess of $3 million would be reassessed at its current fair market value at least every three years. For properties that had not undergone a change in ownership for a long period of time, it likely would have had the effect of increasing the property tax burden significantly for those owners. In an attempt to garner the support needed, Proposition 15 excluded both residential (both single-family and multi-family) and agricultural property.

Voters narrowly rejected Proposition 15 and for now, all real property in California will remain subject to the current property tax regime. Because of the way the current property tax regime was created in California, any significant changes must be approved by a majority of California voters.

Proposition 19

Under the property tax rules discussed above, when property changes ownership, it is reassessed and the property's base value is reset to its then-current fair market value. Current California law provides that the transfer of a principal residence from a parent to child (and in certain cases, from a grandparent to grandchild), may be exempt from reassessment regardless of the current fair market value of the property, and regardless of whether the transferred property is subsequently used by the child as the child's principal residence, or for some other purpose, such as a rental property. Additionally, current law provides that the first $1 million of the assessed value (not market value) of any property that is not the parent's principal residence (i.e. vacation homes, and rental/investment properties) may be transferred from parent to child without triggering a property tax reassessment. Those exemptions are generally referred to collectively as the "parent/child exemption."

Proposition 19 severely limits the "parent/child exemption." More specifically, Proposition 19 provides that the parent/child exemption will be limited to transfers of a principal residence provided that (i) the child uses the transferred property as his or her principal residence and (ii) the difference between the assessed value and current market value of the transferred property does not exceed $1 million. If the difference between the assessed value and current market value of the transferred property exceeds $1 million, a partial reassessment will be triggered. Additionally, the ability to transfer an additional $1 million of assessed value without causing a reassessment will be eliminated. Voters have narrowly approved Proposition 19, and the updates to the "parent/child exemption" will apply to transfers made on or after February 16, 2021.

Proposition 19 also increases certain property tax benefits. It provides that homeowners over the age of 55, those that have severe disabilities, or those that are victims of natural disasters may transfer their assessed value for property tax purposes to a different primary residence anywhere in the state, up to three times. If the new primary residence is more valuable than the prior primary residence, the assessed value only increases by that difference. This will be a change from current law, which provides that such individuals may transfer their assessed value only if the replacement home is of equal or lesser value, and located in the same county or in a county that accepts inter-county transfers, and may do so only once. These updated provisions will apply to transfers made on or after April 1, 2021.

California's 40-Year-Old Tax Revolt Survives a Counterattack

Voters rejected a bid to modify Proposition 13, a landmark 1978 measure, to remove a tax shield from commercial properties.

For 40 years, the legacy of Proposition 13, a landmark California law that limits property tax increases, has shaped state politics. The measure weathered various legislative and legal challenges, including a trip to the Supreme Court, and came to be considered untouchable.

Now the law has survived perhaps its biggest test after California voters rejected a ballot initiative that would have undone a portion of Proposition 13. The new law, Proposition 15, would have removed commercial properties like office buildings and industrial parks from Proposition 13's limits, and it would have given labor and progressive groups a long-sought victory to increase funding for education and local services.

The Associated Press called the result of the Nov. 3 vote on the measure on Tuesday night, when the count was 51.8 percent to 48.2 percent against it.

"This is an important moment in California political history — the biggest attempt to reform Proposition 13," said Manuel Pastor, an author and sociology professor at the University of Southern California. "Given that this is the third rail of California politics, it actually came pretty close with very significant headwinds including a recession, and the limits the pandemic placed on door-knocking and other high-touch voter contact."

Proposition 15 would have raised $6.5 billion to $11.5 billion a year for public schools, community colleges and city and county governments, according to a nonpartisan state agency. Proponents had promoted the measure as a needed investment in public services when the economy and budgets are under stress. The measure had won prominent endorsements, including those of Gov. Gavin Newsom, President-elect Joseph R. Biden Jr. and Vice President-elect Kamala Harris, a Californian. The campaign was also backed by several public employees' unions and the Chan Zuckerberg Initiative, the philanthropic organization founded by Mark Zuckerberg, the Facebook chief executive, and his wife, Priscilla Chan.

Opponents, including business associations and large property owners like the Blackstone Group, said the measure would hurt small businesses and open the door to raising taxes on residential properties as well.

California Voters Rejected Prop 15. What Now For Property Tax Reform?

Proposition 15 came close, but it failed to win enough support from California voters to carry out an ambitious overhaul of the state's commercial property tax system.

The measure is currently trailing, 51.8% to 48.2%. Votes are still being counted, but the Associated Press called the race on Tuesday.

As a result of Prop 15's defeat, businesses will continue to pay property taxes based on rules laid out under Proposition 13, the historic tax-cutting measure passed in 1978.

Prop 13 has been popular for decades, but it's also been a target for progressive reformers for just as long. Despite this loss, some say the results show that millions of California voters favor changes to create a more equitable property tax system.

"[Prop 15] touched the third rail of California politics, and came closer than anybody ever has before — perhaps closer than a lot of political figures could have predicted," said USC sociology professor Manuel Pastor.

But for business groups that opposed the initiative, the result is a resounding defeat for reform efforts.

Prop 15's defeat "should send a clear message to the proponents and warn all politicians that voters will continue to reject attempts to dismantle Prop 13," California Business Roundtable president Rob Lapsley said in a statement.

PROP 15 WOULD HAVE RAISED BILLIONS IN NEW REVENUE

Under Prop 13, property tax bills are generally based on what businesses originally paid for their properties — not on the current market value of those properties. These rules give lucrative tax advantages to long-term property owners. Beneficiaries include legacy companies like Disney, Intel and the owners of the high-end Orange County shopping mall South Coast Plaza.

Prop 15 would have instead taxed commercial and industrial properties on their current market value, with some exemptions for small businesses. That change could have raised an estimated $6.5 to $11.5 billion a year in new tax revenue for public schools and local governments.

The Yes on 15 campaign's big funders included public sector labor unions and Facebook CEO Mark Zuckerberg's Chan Zuckerberg Initiative. Major donors to the No on 15 effort included private equity giant Blackstone and large office landlords such as Douglas Emmett Properties.

BAD TIMING COULD HAVE PLAYED A ROLE

The measure performed better locally, with about 53% support among L.A. County voters.

"California's challenges are not going anywhere, and this election result has shown that there is strong public demand for closing the corporate tax loopholes which cost our local communities billions every year," Yes on 15 campaign spokesperson Alex Stack said in a statement.

Tax policy experts said Prop 13 protections remain popular with many voters. For others, bad timing may have been a factor. The measure would not have taken effect until 2022, but some voters may have been turned off by the idea of raising taxes during a pandemic-induced recession.

"This was probably viewed as a big sweeping change to Prop 13, and it triggered risk aversion in a certain component of the electorate," said UCLA tax law professor Kirk Stark. "Rarely do people, in the face of uncertainty, embrace change."

With the state facing revenue shortfalls for some time to come, USC's Pastor said state legislators may have to consider raising marginal income tax rates for California's wealthiest residents (who already face the highest state income taxes in the nation) or introducing new sales taxes, which would fall more heavily on lower-income residents.

Or, Pastor said, "The state legislature itself may go back and start to take a look at what it can do with regard to property taxes."

Proposition 19 Passes: California Voters Give Property Tax Breaks A Makeover

Vote count updates Wednesday showed Proposition 19 was approved with 51% support. The measure allows homeowners 55 and older, the disabled and wildfire victims to carry low property tax rates with them when they move.

But it also strips property tax breaks from people who inherit property.

It is a big victory for the California Association of Realtors, which made major changes to a similar initiative in 2018 that voters rejected by 20 percentage points.

The revamped proposal generated broad bipartisan support and only token organized opposition.

Under 1978 rules established under the landmark Proposition 13, property taxes are set at 1.1% of the sales price and increase no more than 2% a year for inflation until a property is sold, a system that can create huge savings for people whose homes greatly appreciate.

The newly approved Proposition 19 allows people 55 and older, the disabled and wildfire victims to carry their low property tax assessments with them when they move. The exemption is expected to fuel home sales by encouraging people who were reluctant to move because their tax bills would rise sharply.

Unlike two years ago, the 2020 version prohibits people from keeping their low assessments when they inherit properties and don't live in them, using them instead for rental income.

The exemption for older homeowners and others will cut into property tax revenue but that will be more than offset by gains from ending breaks on inherited property, yielding a net gain that the state Legislative Analyst's Office estimates could reach hundreds of millions of dollars a year each for schools and local governments over time. Most of the new money would go to fire protection.

A vote of more than two-thirds of both houses in the state Legislature placed the measure on the ballot this year. In 2018, the Realtors Association got on the ballot by gathering voter signatures.

Labor unions became allies. The California Professional Firefighters union spent money to defeat the 2018 measure and became a co-sponsor of the 2020 version.

Advertising saturated airwaves with a message on how the money would aid in fighting wildfires.

Josh Pulliam, consultant for the Yes on 19 campaign, said the 2020 version had "much broader appeal" and resulted from backers of the 2018 measure taking into account changes that other groups wanted to the 1978 tax-setting rules, which are enshrined in the state constitution.

"It was about finding common ground, so you ultimately have a better result," he said.

Supporters raised $63.8 million, including $58.6 million from the California Association of Realtors and $4.9 million from the National Association of Realtors. Opponents raised less than $50,000.

In 2018, the brokers group raised far less money, a signal of how much more confident it was this time around.

The measure competed for attention with another proposition that would have partially dismantled the 1978 rules by reassessing commercial and industrial property every three years, instead of tying it to the sales price. Voters narrowly rejected Proposition 15.

Proposition 15, California's sweeping property tax reform, defeated

Proposition 15, California's biggest real estate tax proposal in more than four decades, was narrowly defeated in the latest setback for progressives in the high-turnout presidential election.

The measure, which would have removed the landmark Proposition 13's property tax protections for commercial properties, was rejected by 51.8% of the voters as of Tuesday. More than 8 million Californians voted against the measure. As of Tuesday, fewer than 7.5 million had voted in favor, far less than the more than 10 million in the state who voted for President-elect Joe Biden, who ran on a platform that included higher taxes on wealthy Americans and corporations and supported Prop. 15.

Supporters of Prop. 15 similarly characterized the measure as a tax increase that would largely affect large corporations and make them pay their fair share, but voters appeared to be reluctant to raise taxes during an economic meltdown caused by the coronavirus pandemic.

With some 1.48 million mail-in and provisional votes left to count, Prop. 15 would need to win more than two-thirds of the remaining votes to close its current deficit. But the measure has consistently fallen behind in the vote, and its deficit has been almost unchanged in the past week of vote counting.

The rejection of the measure, along with the defeat of other progressive-backed propositions like Proposition 16's restoration of affirmative action and Proposition 21's expansion of rent control, was evidence that California's economic and social liberalism is tempered by voters who are more moderate and conservative. Republicans also won back at least one House seat held by a Democrat and were poised to flip more.

Prop. 15 would have generated an estimated $6.5 billion to $11.5 billion annually for local governments and schools, according to the state's nonpartisan Legislative Analyst's Office, making it one of the largest tax proposals in state history. Opponents, which were largely business groups and the real estate industry, said the tax increase would be passed down to tenants and consumers, hurting the economy.

It would have required buildings to be reassessed for tax purposes at least once every three years starting in 2022, rather than only when they are sold or after new construction. Annual property tax increases in California are capped at 2% because of 1978's Prop. 13. As a result, some buildings that have not been sold in decades pay far less in annual taxes than neighbors that were sold more recently.

The measure was supported by major labor unions, who have sought to undo parts of Prop. 13 for years. Gov. Gavin Newsom also supported the measure.

The defeat of Prop. 15 means that the legacy of Prop. 13, passed amid a tax revolt that helped Ronald Reagan win the presidency two years later, remains intact.

Golden State Voters Strike Down Proposed Property Tax

A referendum to change how California enacts property taxes, which some argued would address California's housing affordability issues, was defeated by the state's voters. Proposition 15 was designed to create a split-roll property tax system in California, with commercial properties being reassessed to market price every three years while residential property would continue to be taxed under the rules of the 1978 Proposition 13, which restricts increases on assessments to no more than 2%. Owners with less than $3 million in total commercial property would be exempt from the initiative, which was scheduled to go into effect in 2020.

While a final tally has yet to be announced, Capital Public Radio in Sacramento is forecasting a voter rejection of Proposition 15 by a 52% to 48% margin.

Supporters of Proposition 15 argued that increasing property taxes on commercial real estate would encourage the conversion of these properties into residential developments, thus alleviating the state's chronic housing affordability problems. Research by the Urban Institute determined that many commercial parcels in four major markets—Berkeley, Chula Vista, Fresno, and Los Angeles—were eligible to be converted from commercial or industrial use into homes.

The Urban Institute study, lead-authored by Sarah Strochak, a research analyst in the Urban Institute's Housing Finance Policy Center, concluded that "long-term incentives for owners and developers to build/convert to residential uses are much stronger than for municipalities to rezone under medium and high price appreciation scenarios."

Furthermore, supporters of Proposition 15 argued that higher commercial property taxes could be used to help fund public services, raising between $10.3 billion to $12.6 billion annually. The trade journal EdSource predicted that 40% of those funds would be used to finance operations at K-12 schools and California's community colleges.

California Gov. Gavin Newsom and presumptive President-Elect Joe Biden supported Proposition 15 and the Chan Zuckerberg Initiative, the philanthropic organization funded by Facebook CEO Mark Zuckerberg and his wife, Dr. Priscilla Chan, donated $7.1 million to the campaign that promoted the referendum.

However, commercial property owners were opposed to Proposition 15, arguing that it would force businesses to leave California while companies that remained would be forced pay higher leases and other real estate-related costs including insurance and maintenance fees. The San Francisco Examiner reported opponents to the measure raised $30 million to sway voters.

"It would punish everybody that owns real estate and every tenant that has to occupy real estate," said John Kilroy, CEO of Kilroy Realty Corp. in Los Angeles, at a trade conference in September. "It would be one of the most insidious taxes, particularly at a time of great economic uncertainty and recession."

Calif. Holds Property Tax Protections for Commercial Real Estate

Proposition to overturn defeated by less than 52 percent of the vote

The California Schools and Local Community Funding Act of 2020, was set to eliminate rules on property taxes established from the famous Proposition 13 from 42 years ago.

California will maintain its limit on annual property tax increases for commercial properties after about 51.7 percent of voters rejected the changes involved in the "split-roll" ballot measure.

Proposition 15 would have amended existing rules so that commercial and industrial property taxes for real estate worth more than $3 million would be assessed on a regular basis and at their market value, rather than at the time of the latest sale. They are currently taxed at 1 percent of a property's assessed value at the time it's acquired, plus the rate of inflation, and existing laws don't allow changes to the assessed value until the property changes hands.

The measure, called the California Schools and Local Community Funding Act of 2020, was set to eliminate rules on property taxes established from the famous Proposition 13 from 42 years ago. Currently, buildings that have maintained ownership since 1980, for example, are still taxed at the same value they were assessed at that year.

Fundraising from both sides reached $139.24 million, the Los Angeles Times reported earlier this week. Opposition included almost $39 million from the California Business Roundtable — which was backed by Kilroy Realty and Blackstone Group — the California Business Properties Association, and other developers like Boston Properties, which directly infused $1.5 million into the effort against Prop 15.

The additional tax revenue would have been a boon for schools, as well as police, fire and emergency responders, by raising an estimated $7.5 billion to $12.5 billion per year, according to the Legislative Analyst's Office. But opponents argued small businesses and their employees would be the hardest hit, and the increased tax burden would be passed down from landlords to tenants and potentially consumers.

They also argued that it wouldn't reach its intended goal. Mike Tingus with Lee & Associates told Commercial Observer that proponents were hoping to raise money to address massive shortfalls in public education, but that these gaps are so large that the estimated $4 billion they would have received from Prop. 15's implementation would have been a "drop in the bucket."

"It's not the cure," he said. "It's not even a Band-Aid."

He said in the last month before the election he started to hear from an increasing number of clients and users of space against the proposition.

"If you're an investor, and you've owned your building for 20 or 30 years, and you're a good steward of your real estate, you'd basically be penalized for not being a dealer and a merchant type of builder," Tingus said. "It's the wrong way to go about raising money for schools. … To go after a select type of real estate, to basically subsidize less than 20 percent of the annual amount needed to address the current shortfall in schools, it doesn't fly."

COLORADO

Property taxation starts with establishing value

In a letter reflecting the newly formed Constitution and its permanency, Ben Franklin wrote, among other things, that "in this world nothing can be said to be certain, except death and taxes." You've no doubt heard that ditty before, but it is certainly befitting during an election year. While most people wouldn't argue the importance of taxes to support our nation's infrastructure, the rate, sources, and uses of these tax revenues have been disputed for centuries.

In Colorado, property taxes have received a lot of press lately. Property taxes impact every property owner and in turn every tenant. In our current market, real estate taxes are having a profound impact on the affordability of commercial property in particular and also commercial leasing rates. It's important to understand where these rates are coming from, and how they are calculated.

Businesses pay property taxes on real estate the same way individuals pay taxes for their homes, depending on the assessed value of that owned property. So, how does the county calculate the value of the property? Will property taxes be affected by the current conditions of the market? These are all questions that have been on business and property owners' minds.

Colorado property tax law requires assessors to conduct countywide reappraisals on all real property on a two-year cycle in the odd years with the appraisal date being six months earlier. Properties are assessed according to their condition as of Jan. 1 of each year. The value assigned to properties in 2021 will be based on the market values as of Jan. 1, 2019, to June 30, 2020. The Larimer County Assessor is required to gather information and confirm sales within 18-months ending on June 30 of the year prior.

When assessing property values, Colorado statutes require the assessor to use the cost, market, and income approaches to value.

Three approaches to value:

Sales Comparison Approach (Market Data Approach) compares the subject property to similar properties within a designated time. The comparable sales are then adjusted to match the subject property for time (date of sale), location, square footage and other differences in physical characteristics between the sold property (comparable) and subject property.

The Cost Approach is based on the principle of substitution. This approach consists of five stages, (1) estimate the value of the land, (2) estimate the current cost of construction and improvements, (3) estimate the amount of accrued depreciation (loss in value for any reason), (4) deduct accrued depreciation from the construction cost, (5) add the estimated land value to the depreciation cost. Complete all five steps to arrive at the total property value.

Income Approach to value is based on the present value of the right to future income. This approach assumes that the income generated by the property will determine the property's value. The income approach is not used for residential properties but instead commonly used for income generating properties such as an apartment complex or office building.

What does all of this mean for 2021 valuations? In early 2021, Colorado assessors will be working hard to complete the 2021 reappraisal. Assessors are bound by state law to consider the income capitalization approach to valuing commercial property. The law established June 30, 2020, as the date for the reappraisal and specifies that 2019-2020 real estate rent levels, vacancy levels, operating expenses and capitalization rates be used in determining the value. The assessors need your help in collecting this data so that 2021 property values are indicative of the market.

Has the pandemic caused enough disaster to trigger a relief on property taxes? Although COVID has not caused any physical damage to real estate, the impact of COVID on future income has been dramatically affected. If restaurants are at 60% capacity limits and their sales are 60% of what they were, pre-COVID, you had better bet that this will impact future income for property owners. I encourage you to reach out to your assessor and provide the data needed to understand the impact of the pandemic on commercial real estate.

ILLINOIS

U.S. Supreme Court Denies Petition to Review Cook County Property Tax Assessment Litigation

As reported in Education Week, the U.S. Supreme Court has denied a petition to hear an appeal brought by the Cook County Treasurer's Office, the Cook County Assessor's Office and others challenging a 7th Circuit decision allowing Illinois federal courts to hear property tax disputes. Franczek P.C., along with other law firms, filed an amicus brief in support of the petition on behalf of several school district clients, the Illinois Association of School Boards, and the Illinois Association of School Business Officials urging the Supreme Court to consider this important issue.

The plaintiffs in this case, a group of seven Cook County property tax payers sued in the Northern District of Illinois alleging that between 2000 and 2008 their constitutional rights were violated when county officials assessed their properties at the level set in County ordinance but assessed residential property substantially below the level set in County ordinance. The taxpayers' complaint asks for refunds of $27.8 million plus interest. In defense of these claims, and to keep property tax matters in state court, the County defendants argued that the Tax Injunction Act prohibits federal courts from interfering with the state collection of revenue where a "plain, speedy, and efficient remedy" exists in state court. The District Court ruled in favor of the County defendants, but the 7th Circuit reversed, finding no "plain, efficient, and speedy" remedy existed for the taxpayers' constitutional claims in state court. The case will now proceed in the trial court for a determination on the merits of the claims.

The amicus brief argued that school districts and other taxing agencies are the real parties of interest since it is their revenue that will be lost if taxpayers prevail. It went on to set forth all the potential harms that would be imposed on them if litigation continues in federal court. Finally, the amicus brief argued that the issue should be referred to the Illinois Supreme Court since the 7th Circuit's decision hinged on a question of state law.

The denial of the petition means that the 7th Circuit decision holding that Cook County property owners may sue in federal court will stand. School districts, who often intervene in lawsuits challenging property tax assessments will now potentially have to litigate in federal court as well as face significant refunds. Franczek P.C. will continue to monitor this litigation and keep our readers apprised of how this issue develops and the effects it may have. Please contact your Franczek attorney with any questions or concerns.

Cook County Assessor Issues Letters About Pandemic-Related Property Tax Break, But It Isn't Good News For Everyone

In what seems like a gift from the tax collector, Chicago and north suburban homeowners have been getting letters in the mail notifying them of a pandemic-related tax break.

But as CBS 2 Political Investigator Dana Kozlov reported Tuesday, it is not good news for everyone – and it may not translate into substantial savings either.

The letter might look like money in the mail to hundreds of thousands of Cook County homeowners. It is from the county Assessor, telling them their property value assessments have been adjusted down because of COVID-19.

Lower assessments mean a lower tax bill, right?

“In almost each instance, someone will get some sort of reduction,” said property tax attorney Gary H. Smith.

But Smith said it may not be much of a reduction for many people, because the assessment decrease percentage does not translate to an equal percentage in dollars saved. Blame the property tax formula for that.

“A reduction of 8 percent in assessment does not translate to 8 or 12 percent reduction in tax,” Smith said.

Smith acknowledged for those seeing any savings, something is better than nothing during these tough times. According to the Cook County Assessor’s office, there are several factors going into who gets what size COVID adjustment.

One of them is the anticipated unemployment rate in certain areas. An Assessor’s office map reflects that parallel between unemployment and the size of property value adjustment.

And some rental properties will likely get bigger decreases than single-family homes because of lost rental income too.

“There will be some winners and some losers in this,” Smith said.

That is because while rates may change, the total number of property tax dollars needed by taxing bodies will not. Some other property owners have to make up the difference.

So the losers in this, at least right now, will be local businesses.

“More significantly, commercial properties are getting no decrease in this scenario,” Smith said.

The adjustment is for this tax year, but you will not see the change until you get your property tax bill in the summer of 2021.

Homeowners in the south and west Cook County suburbs south of North Avenue will not be getting notices, because they are being reassessed right now. The COVID adjustment will be automatically included in their 2021 bill.

As to how hard commercial property owners will be hit, it is not clear at this point. An Assessor’s office representative said they are reviewing that right now.

NEW YORK

City Tax Collectors Seek Flying Drone Army to Assess Your Home

City tax collectors are looking to the sky for more revenue — proposing the use of flying drones to do property assessments with an eye on setting up their own pilot certification program.

But experts say New York City needs to modernize its drone laws before the plan can take off.

Municipalities around the country have used drones for inspections and public safety for years. But New York City is notoriously restrictive in allowing drone flights, thanks to a seven-decade-plus law limiting takeoffs and landings of aircraft to approved airports.

A bill to study drone usage for facade inspections passed this fall. And now the City Council looks to expand its overview of drone regulations with a full task force.

Tax Inspectors See Future in Air

The Department of Finance's property division released a request for information last week to look into the use of "Unmanned Aircraft Systems" — otherwise known as drones — for tasks such as surveying tax lots, geographic information system (GIS) mapping and aerial photography.

Jaqueline Gold, assistant commissioner of external affairs for the Department of Finance, said the aerial move was not in response to any actions by the City Council.

"We are always looking at new technologies that can improve our data collection," she wrote in an email to THE CITY. "The real estate industry, as well as other jurisdictions, have been using drones for assessment purposes for years."

The Department of Finance wrote in its solicitation that "inspections conducted by UAS would provide assessors with a more detailed look at properties enabling greater accuracy in valuation."

The department's property division is responsible for "assigning fair market values for over one million properties totaling $1.3 trillion, generating an estimated $27 billion in revenues," according to the announcement.

Eventually, the RFI states, the Department of Finance wants to set up its own drone program, with the ability to train and certify pilots.

Gold wrote that inspections performed with drones will be conducted alongside property department personnel.

"It will still be necessary for DOF Assessors to value any proven drone capture, similarly to how they currently do with our aerial and frontal photography captures," Gold wrote.

When asked how the department viewed the city's lack of regulations for drone usage, Gold replied that "we do have some concerns," but offered no further clarification.

Department of Finance property-tax photos from the 1940s and 1980s, documenting every lot in the city, are preserved in the city's Municipal Archives. Civic coders have deployed them in time-traveling tours of the city past.

Old Law Keeps Drones Grounded

The 1948 law — Administrative Code 10-126, known informally as the navigation statute — prohibits the take off or landing of any aircraft from an area not designated by the city Department of Transportation or Port Authority. The city's 311 site urges those who spot a drone to call 911.

Brendan Schulman, a lawyer for drone industry giant DJI, says that while nobody has ever been convicted under the statute, the lack of clear drone regulation in New York City causes confusion.

While most of the city falls under the FAA's tight Class B airspace restrictions because of the proximity to multiple large airports, the local law still technically prohibits drone usage, even if it is outside of the controlled federal airspaces.

"There's no other city in America that I'm aware of that has relied on the decades-old law to say that drones are illegal," said Schulman.

He noted that the NYPD already deploys drones, though its quarterly reports show limited use.

"What we need is a general framework for the reasonable, safe use of drones in New York City," Schulman said.

Ready for Takeoff

Councilmember Paul Vallone also wants to see more drones in city government.

The Queens Democrat has been at the forefront of many drone initiatives, including the recently passed bill calling for a study of their use in facade inspections. He argues using drones would not only cut down on scaffolding use, but costs as well.

"For my district, I have many, many co-ops spending millions on inspections of the outside of the premises that can be done with a drone," he told THE CITY.

Now Vallone is calling for a new task force to look at other uses for drones — commercial, municipal or otherwise.

The goal of the task force is to "look at all the different ways drones can be implemented within the city, or because they're coming one way or another," Vallone told THE CITY.

Adam Lisberg, communications director for DJI, called the Department of Finance proposal exciting and said the potential of municipal drone usage could be endless.

"If you have a neon sign in Times Square, and you need to inspect the pixels," Lisberg said as an example, "of course you want to be able to use a drone to fly up and do that work."

City assessors fear that drones will be the latest technology used to cull their ranks.

"We are already bare bones," said a veteran assessor who asked to remain anonymous for fear of retaliation on the job.

The DOF currently has about 15-20 assessor vacancies, forcing those on staff to work overtime to prepare the proposed tax roll due Jan. 5, records show.

The department already has a $13 million contract with CycloMedia, which takes pictures of city properties and uploads them into the Department of Finance’s internal database.

Due to the pandemic, in September city assessors began virtual tours with property owners showing them around on a cell phone or computer video feed. Those checks are helpful but can also miss spots if the owner, for instance, claims a light is put in a certain area.

“The future seems to be technology but you still need people to go out there and look at the properties,” the assessor added.

The head of the city’s largest municipal civilian union, which also represents tax assessors, called the move a “gimmick” and predicted it would fail.

“We’ve seen this kind of gimmick before,” said Henry Garrido, executive director of District Council 37. He noted the Bloomberg administration looked into buying helicopters with infrared cameras and said the better solution is more flesh-and-blood assessors.

“You need an actual human eye to look at each property to assess the income coming in,” he added. “No drone will be able to do that.”

'This Will Be A Battle’: Landlords Prepare For Property Tax Fights As Values Slide

Owners of New York City real estate, whose taxes make up a sizable portion of the city’s revenue, are gearing up for a possible fight with the Tax Commission next year as the impact of the pandemic continues to wreak havoc on the local economy.

Real estate-related taxes made up 53% of total New York City tax revenue last fiscal year, according to the Real Estate Board of New York, and property taxes make up the lion’s share of the payments. But with many property owners now dealing with commercial and residential vacancies, low leasing volume and tenants unable to pay their bills, some landlords say their ability to meet their tax obligations is imperiled.

Attorneys and accountants are preparing for a spike in the numbers of owners who will fight the city in the next fiscal year, potentially further jeopardizing the city's cash flow amid the health and economic crisis.

“I think we are going to have to fight very hard, we may have to take many matters in front of a judge and go to trial,” said Joel Marcus, an attorney at Marcus & Pollack who specializes in tax certiorari, a term which refers to the process in which owners appeal their property assessments.

“I don’t think it’s going to be pretty, what the property owner is justified in demanding and what the city is prepared to offer is a big gap, in my estimate ... even if there were significant reductions, they might just raise the tax rate and collections.”

Property taxes are based on values as of Jan. 5 and paid half July 1 and again on Jan. 1, Marcus said. Each year, thousands of owners petition to have their values lowered, as a matter of course. What is different this year is that the real estate community is paying taxes based on values before the coronavirus hit the city.

Marcus said he has some clients now claiming properties are worth around 50% less than before — and while most have accepted there will be no ability to shift this year's payments, Marcus expects many will be arguing to pay less tax next year.

"I think it's going to be a very challenging year, because the values have significantly decreased in every sector," he said. "Property owners are looking for very significant tax reductions, but balanced against that, the city of New York has greater need than ever for revenues."

"This will be a battle," he added.

Rosenberg & Estis Property Tax Department Leader Benjamin Williams said he hasn't seen a plan from the city about how the crisis will be dealt with.

"People got offers this year from the Tax Commission, and it was like COVID never happened," he said. "But I'm not surprised because the Tax Commission never indicated they would give reductions because of COVID. There is a disconnect between expectations and legal reality."

He said many of his clients are instead trying to work out deals with their lenders to conserve cash. Still, he expects if the city's Department of Finance doesn't cut assessments next fiscal year, the Tax Commission will be inundated with protests.

On July 1, the city reported a 6% increase in property tax collections, Crain's New York Business reported. Some $15.2B in taxes was into the city as of Oct. 15. However, analysis by the publication found the delinquency rate in the commercial property sector is now at 4% — double the rate from last year.

Overall, the city is preparing for a $13.5B budget shortfall over the next two years, and both the city and state are being hit with a $1.4B tax revenue loss from last year, thanks to a 34% drop in residential and investment sales volume, per REBNY data released Thursday.

Across the board, real estate players are pinning their hope on a federal bailout. But GFP Real Estate co-CEO Eric Gural is hoping for local action and more understanding from the city.

"No one pays sales tax on things that are free, but some of the owners are feeling, 'Well, I've lost a tenant and I'm being taxed as if I haven't,'" he said.

GFP's portfolio of approximately 11M SF of commercial space in the city had a 1% vacancy at the start of January, but Gural said his company is only collecting 70% of its expected rent.

He said he was hoping the city would give him a break on his taxes this year, considering the unprecedented nature of the crisis, as he has been offering relief to tenants wherever possible.

"I don't want to put anyone out of business," he said. "At the same time, I don't want them to collectively put me out of business."

He thinks landlords to industries that haven't suffered as significantly in the city — notably the owners of buildings leased to Amazon, Facebook and Google — should be helping out more, as property owners did in the 1970s when they prepaid their taxes.

"Everyone is in dire straits, and some people are worse off than others," he said.

Multiple calls to representatives for the New York City Department of Finance were not returned.

Citizens Budget Commission Director of City Studies Ana Champeny said the city's expectation is that payments in the new year won't drop off significantly and that July 1 payments were encouraging. Still, she said, a looming potential decrease in valuations — and how badly the city's real estate values are hit — is a concern for the city long-term.

"While there may be some decrease in collections and an increase in delinquency rate, the major problem, generally, is commercial real estate values going forward," she said. "You could have a drag on property tax revenue for a few years."

She noted that the city has built in a cushion to prepare for any non-payments, but Jan. 1 tax payments could be worse than July 1, as many businesses are no longer benefiting from the Paycheck Protection Program and people out of work are no longer receiving federal unemployment.

Anchin, Block & Anchin Real Estate Group co-Chair Robert Gilman said some of his clients haven't put aside enough to cover the Jan. 1 payment, and he expects there will be more owners fighting real estate tax assessment than ever before.

"The last thing we want to do is not make the payment … some landlords are trying to refinance debts or restructure existing debt, some have a low loan-to-value ratio," he said. "But there are some real estate companies out there that are not sure what they are going to do."

Stabilizing property taxes is essential to Rome businesses

A statement from the Rome Area Chamber of Commerce Statement on the Proposed 2021 City of Rome Budget:

"For years the Board of Directors of the Rome Area Chamber of Commerce has been an advocate for property tax stabilization. We acknowledge that the proposed City of Rome Budget, for the fourth consecutive year, does not include a property tax increase. This is excellent news, particularly in light of the severe city-wide impact of the coronavirus and harmful economic effects the closings have had and are having on local businesses, workers, organizations, families, and individuals.

Business men and women who are considering Rome as a place to start their businesses look at many factors, such as public safety, access to health care, quality education, available real estate, various recreational and cultural activities, and more.

They also know the importance of the availability of a qualified work force, access to capital, and community involvement. Highest on the list is their potential to make a profit. Nothing else will matter if they cannot operate a financially successful business.

When they do their research and consider Rome, the Chamber firmly believes that a trend toward the continued stabilization of property taxes will be a strong incentive for them to locate in our city and add to our tax base.

The Chamber has continually resolved that an essential way to make Rome more conducive for doing business and more favorable for attracting and maintaining residents is to stabilize property taxes. The City has been successful in this regard. We acknowledge the leadership of Mayor (Jacqueline) Izzo, her steadfast goal to hold the line on spending and to make doing business and living in Rome affordable while maintaining essential services.

We also acknowledge the support from the Common Council and City of Rome employees, and the important role we all play in providing for an economically viable community."

William K. Guglielmo, president Rome Area Chamber of Commerce

Commercial property tax delinquencies jump 50%

Property taxes account for more than 40% of NYC's tax revenue

Delinquency rates on commercial property taxes have increased by about 50 percent since last year, according to an analysis by Crain's.

Commercial properties — including retail spaces, offices and factories — were the most behind on their tax bills, with a 3.6 percent nonpayment rate on the first tax deadline in July. As of Oct. 15, the number of properties in arrears rose to 4 percent, according to Crain's.

Property taxes account for more than 40 percent of the city's tax revenues, with real estate taxes accounting for more than half of that amount, according to Crain's. A drop in property tax collections could strain the city's budget, which has already been battered by the pandemic.

Properties with an assessed value of more than $250,000 have to pay taxes every January and July. Experts are closely watching the Jan. 1 tax deadline to gauge the health of the commercial property market, according to Crain's.

After commercial property taxes have become past due for about three years, they are eligible to be sold at an auction with the money from the sale going to the city.

This year, however, the tax lien sale has been rescheduled three times due to the pandemic. Mayor Bill de Blasio initially pushed it to September, and Gov. Andrew Cuomo subsequently signed an executive order barring any liens from auction until October. He later postponed the sale until Nov. 3.

TEXAS

Those darn property taxes! Insights from Texas tax protests

Everyone loves to complain that their taxes are too high. Yet few people actually take the time to formally protest them.

A recent deep-dive into property tax appeals in Texas offers new insights on what motivates people to protest or accept their tax obligations.

"Historically, the study of people's support for taxation was limited to survey data, asking people whether they prefer higher or lower taxes," says Berkeley Haas Assoc. Prof. Ricardo Perez-Truglia says. "However, some individuals may say that they want higher taxes but, when the stakes are real, they may not put their money where their mouths are."

In his National Bureau of Economic Research working paper, Perez-Truglia worked with Brad Nathan and Alejandro Zentner from the University of Texas at Dallas on unique field experiments that measured how different types of information affected people's propensity to protest their taxes. Through this first-hand look at how people actually behave when it comes to protesting taxes, they found that people are generally motivated by self-interest—but that can be dampened when they find out they're paying less than their neighbors. They also found substantial differences between Democrats and Republicans.

Dallas County tax protests

The researchers conducted their experiments in Dallas County—the second largest county in Texas, with a population of about 2.6 million. Given that the state has no income tax, property taxes provide a large source of revenue. The average household currently pays about 2% of their home's market value annually, or about $6,000. Yet local rules allow residents to appeal their tax bills. This year, 8.4% of households filed a protest on their own, and an additional 8.4% filed a protest with the help of an agent. The researchers estimated that around half of all protests were successful; those who prevailed got a $600 tax-bill reduction, on average.

Perez-Truglia and his co-authors were interested in why people make the decision to protest or not. They first examined whether higher tax rates led to more protests, which would support the idea that homeowners act in their own self-interest. Due to a rule in the Texas property code that lets homeowners apply for "homestead" status, which caps increases in the appraised value of their primary residence at 10% per year, the researchers were able to compare homes that fell under that cap with those that didn't. That allowed them to calculate that the probability of protesting does increase by about 3.7 percentage points per a 0.1 percentage point increase in the tax rate cap.

Hassle costs

Next, they looked at what prevents people from filing protests. There's no fee requirement, but it does take time to learn how to submit an appeal. To examine these hassle costs, the researchers randomly sent letters to certain homeowners with information on how to file a protest. Some people received letters with a step-by-step guide on how to file an appeal, while others got additional information on how to argue for why their property taxes should be reduced. The letters were customized with the homeowners' name, a suggested argument that the property was worth less than the assessed value, and a mention of websites like Zillow and Redfin, where people can look up prices of comparable properties. (The letters were labeled as coming from a University of Texas research study and included a url where people could find more information.)

Among those households which didn't receive any letter, about 9% filed protests on their own. The group that received the basic information on how to appeal increased their probability of protesting by about 1.8 percentage points. Meanwhile, the group that received more details on how to form an argument filed protests at a rate 3.5 percentage points higher than the control group—which represented a 40% increase. This implied that a large reason for why homeowners did not file protests was due to the extra work it took to figure out how to file. Using these results, the researchers calculated that the hassle costs were about $226 on average. Given that only about half of appeals are successful—making the average benefit under $300—this suggests that the costs of filing likely outweighs the benefits.

But what do the neighbors pay?

The researchers also examined whether people considered how their decisions related to broader social goals. In letters sent to an additional group of homeowners, they included information on the county's average tax rate. They did this to explore whether people are willing to accept their assessed tax rate if they know others are facing even higher burdens—a phenomenon that economists call conditional cooperation. Indeed, they found that giving people additional information on what other residents pay decreased the likelihood that they would file a protest. In sum, they estimated that a 0.1 percentage point increase in the tax rate would increase the likelihood that an individual household would file a protest by almost 10 percentage points. But if taxes were raised countywide by 0.1 percentage point, then the household's likelihood of protesting would only increase by about 6.4 percentage points.

Finally, the researchers also analyzed differences by whether people were registered as Democrats (about 55% of the county's homeowners) or Republicans (about 45% of homeowners). Both voter groups responded to information about the benefits and costs of protesting, but Republicans were more likely than Democrats to increase their rate of protests after receiving the detailed letter. However, Perez-Truglia noted that the differences were not as great as our political rhetoric suggests.

Survey data shows that Republicans and Democrats are worlds apart in their support for taxation, but our preliminary findings suggest that those differences are more modest when you look at their behavior. —Ricardo Perez-Truglia

"Survey data shows that Republicans and Democrats are worlds apart in their support for taxation, but our preliminary findings suggest that those differences are more modest when you look at their behavior," Perez-Truglia says. "I see this finding as good news: there may be a lot more room for agreement than what the survey data (and the media) may suggest."

Office Trends Raise Property Tax Concerns in Texas

With property taxes comprising a significant portion of the real estate operating budget at most companies, both tenants and landlords need to understand how trends sparked by COVID-19 can impact their property tax valuations.

The pandemic has spurred governments to impose unprecedented restrictions on office capacity and fueled widespread uncertainty among companies that own or lease office space. Organizations are asking if, when and how they will use their offices in the months ahead and are scrutinizing expenses to reduce costs.

Many businesses are reevaluating their space requirements after adopting work-from-home initiatives, while greater familiarity with Zoom and other applications that support remote training and online collaboration has firms reconsidering their ongoing need for conference or meeting space. It is essential for real estate decision makers to monitor the effects of such trends on taxable property values.

Office Demand Evolves

In the early 1990s, it was common for companies to occupy 350 square feet of office space per person. This requirement changed as some businesses sought to maximize density and encourage collaboration.

In a COVID-19 world where social distancing precludes density, many companies are limiting the number of employees returning to the workplace. Some companies have adopted permanent work-from-home policies. If this trend continues, office tenants may renegotiate leases to occupy smaller spaces, or decline to renew.

Taxpayers working with assessors need to understand renewal probability, which measures the likelihood of a tenant renewing its lease during the holding period. Before the pandemic, renewal probability in a given market may have been 80 to 90 percent, while a post-COVID renewal probability could well be 50 percent or less.

Because assessors typically value property annually, they seldom consider renewal probabilities. Given the uncertainty of a pandemic, however, property owners need to discuss renewal plans with any tenants that have leases expiring within the next twelve months, and then share that information with assessors.

If there are a significant number of tenants at risk of vacating — and this is a trend that is being observed in the market — the assessor may need to adjust the capitalization rate used in the income approach to value the property.

Adjust Assumptions

Owners of office buildings operating at stabilized occupancy levels for their markets must work with assessors to evaluate and analyze their vacancy risks. Buildings that lack stable occupancy rates as of valuation dates will face additional challenges as the pandemic continues.

When working with assessors, owners must properly forecast an appropriate absorption period for their vacant office spaces, in addition to projecting appropriate costs to build out spaces for occupancy. With the volume of office space offered for sublease increasing at a record pace across the nation, and often at below-market rental rates, taxpayers and assessors must consider an additional layer of competition that could create downward pressure on rental rates for direct office space. An office building that may have reached stable occupancy in 12 months in a healthy real estate market could now require 24 to 36 months to stabilize.

COVID-19 has also ushered in new health and safety measures that office owners and operators may be required to address when building out office space. Touchless entry systems, improved HVAC and filtration, and antimicrobial construction materials are just a few build-out responses companies are evaluating to bring workers back into the office safely.

If these additional costs become standard, they must be considered in a lease-up analysis. Furthermore, these calculations must include any additional time needed to complete build outs at a time when construction crews across the nation are operating under their own COVID policies.

Office protocols will likely continue to evolve into 2021. That makes it important for users of office space to save all documentation that may have a bearing on the property’s net operating income. This includes rent relief agreements, renewal information, relocation requests, lease terminations, build out costs and other records to help ensure the assessor can properly consider all factors affecting the valuation for the upcoming tax year.

For the next few years, office space will remain at risk for declining values at least until a vaccine can be developed and properly administered across the nation. In this challenging period, it will be critical to ensure that assessors appropriately weigh all relevant documentation when selecting metrics in property tax valuation models.

Tax Austin Voters Overwhelmingly Approve 20% City Property Hike for Project Connect

Austin voters overwhelmingly approved the massive city tax increase, cementing an 8.75-cent bump in the tax rate.

By a 16 percent margin, Austin voters approved an 8.75-cent property tax hike to partially fund a $7.1 billion light rail transit plan on Tuesday night.

The plan, dubbed Project Connect, entails the construction of new light rail lines and a downtown underground rail station. City officials plan to finance 55 percent of the project, expecting the rest to come from federal funding.

Another $460 million proposition also passed overwhelmingly to fund bicycle lane expansion.

With the new tax, the city will raise $175 million in additional taxes — on top of the 3.5 percent city increase allowed by the state without voter approval. At that rate, it will take 22 years to pay off the $3.85 billion cost — and that's only if the city can secure the estimated federal funding.

In 2014, a similar but less extensive transit proposal was rejected by a 14-point margin, showing a wide swing in six years.

The Texan Mug

City officials separated the two increases and together they represent a roughly 24 percent increase in property taxes.

An Austin median homeowner can expect to pay $450 more in this year's tax bill.

Proponents of the plan say the expenditure will pay off in the long run, projecting increasingly higher numbers of commuters to move from automobile transport to public transit.

As of August, the one rail line already in operation is drastically underperforming expectations, having transported only 2.4 percent of its 2025 benchmark of 17,000 daily riders.

Austin Mayor Steve Adler reacted to the news, stating, "I'm proud to live in a city that is looking to its future — one not satisfied with the status quo. Austin is pushing to be more sustainable, equitable, and affordable in new and innovative ways."

"The community has spoken and it demands transformative change to traffic, climate and to achieve fundamental fairness and justice for all. Thank you to the broad and deep coalition that worked so hard. Record numbers of voters, especially those young and new, showed up to make 'change' the winner tonight," he concluded.

Travis County Commissioner Gerald Daugherty (R-Pct. 2), who was outspoken against the measure, told The Texan, "I accept the will of the voter's but remain to be very skeptical of how the City of Austin and Capital Metro will carry this plan to fruition without additional huge taxpayer money."

The tax hike comes at a time of economic strife caused directly by government-mandated closures out of coronavirus apprehension. A 20 percent increase, while only on one portion of the tax bill, is nothing to sneeze at.

Last month, Austin business leaders convened to oppose the measure, specifically citing the escalated tax burden at a time when signs of increased revenues are few and far between.

The original plan was an 11-cent increase, but the Austin City Council revised it after the pandemic and self-inflicted economic pressures proved unavoidable.

All the while, the City of Austin still faces a substantial and persistent homeless problem that continues to grow.

The cost of real estate in Austin has swelled 193 percent over the last 20 years and spending decisions such as this will only further beget that. Proponents of Prop A expect such initiatives to further increase the utility Austinites and those hoping to move here experience.

But the old adage about writing a check one cannot cash applies, perhaps now more than ever.