

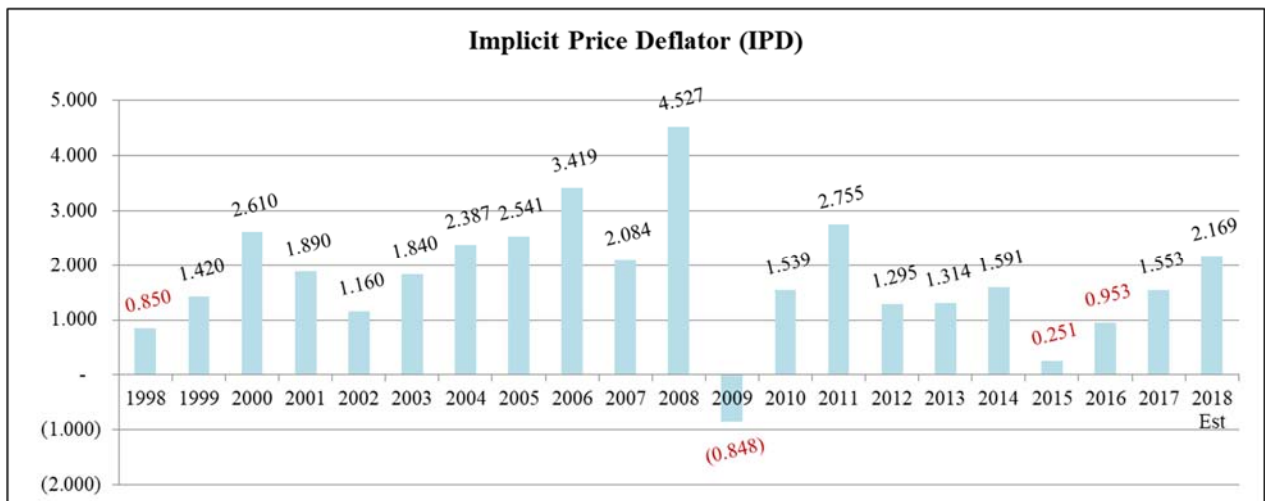


To: Mayor and City Councilmembers
From: Tho Kraus, Assistant City Manager/Administrative Services
Through: John J. Caulfield, City Manager *John J. Caulfield*
Date: September 24, 2018
Subject: 2019 Property Tax Levy

INTRODUCTION

Washington state law requires cities to hold a public hearing on possible increases in the property tax revenues to be held prior to the time the city levies the taxes. The hearing must be held in November in order to provide the County with the information by November 30. A public hearing has been scheduled for November 5 for this purpose. Adoption of the property tax levy ordinance is also scheduled for November 19.

Per state statute, the City is authorized to increase its property tax annually up to the lesser of Implicit Price Deflator (IPD) or one percent (1%). The unofficial inflation rate for 2017-2018 (as of August 29, 2018) is 2.169%. This number will not be official until September 25, 2018 under RCW 84.55.005 but the August data release is the last one anticipated before the deadline.



ANALYSIS

The following tables below provides a summary comparison of assessed value, city levy rate and city property tax levy and detailed calculation used for the City's 2019 property tax levy amounts being considered for collection in 2019.

	2018	2019 Estimate (1% Increase)	Change	
			\$	%
Assessed Value	\$6,002,783,089	\$6,847,412,733	\$844,629,644	14.1%
City Levy Rate	\$1.1521	\$1.0384	-\$0.1137	-9.9%
City Property Tax Levy *	\$6,915,523	\$7,110,039	\$194,516	2.8%

* The City Property Tax Levy increase of 2.8% includes the 1% increase plus new construction, administrative refunds and increase in state-assessed property.

According to the Pierce County Assessor-Treasurer's office, the City's total assessed value for 2019 property tax collection is estimated to be \$6,847,412,733, which represents a 14.1% or \$844,629,644 increase from the City's total assessed value for 2018 property tax collection of \$6,002,783,089.

Tax Calculation Factor	Tax Levy
Base Levy Amount (Highest Lawful Regular Tax)	\$6,880,272
1% Increase	\$68,803
New Construction Estimate	\$92,124
Administrative Refunds	\$20,328
Subtotal	\$7,061,527
Increase from State-Assessed Property (2019 Estimate Based on 2018 Actual)	\$48,513
Total Preliminary 2019 Levy	\$7,110,039
2018 Preliminary Assessed Value for 2019 Levy	\$6,847,412,733
2019 Preliminary Levy Rate (Assumes 1% Increase)	\$1.0384
Levy Rate Calculation:	
2018 Preliminary Assessed Value	\$6,847,412,733
Divide by \$1,000	\$1,000
2018 AV Per \$1,000	\$6,847,413
2019 Preliminary Levy	\$7,110,039
Divide by 2018 AV Per \$1,000	\$6,847,413
2019 Preliminary Levy Rate per \$1,000 (Assumes 1% Increase)	\$1.0384

The following below illustrates the impact of no increase and 1% increase to the average homeowner. The 2017 assessed valuation of the average single family residential home for 2018 property tax collection of \$285,483 increased by 12.4% to \$320,940.

	2018	2019 Est	Change from 2018		2019 Est	Change from 2018	
	1% Increase	No Increase	\$	%	1% Increase	\$	%
AV Average Home	\$285,483	\$320,940	\$35,457	12.4%	\$320,940	\$35,457	12.4%
City Levy Rate	\$1.1521	\$1.0283	-\$0.1237	-10.7%	\$1.0384	-\$0.1137	-9.9%
City Property Tax Paid	\$328.89	\$330.02	\$1.13	0.3%	\$333.25	\$4.36	1.3%
Additional property tax paid by average homeowner with 1% increase compared to 0% increase =						\$3.22	

- Compared to 2018, under the no increase scenario, the property tax levy rate of \$1.0283 results in an additional \$1.13 property tax paid to the City, which is an increase of 0.3%.

- Compared to 2018, applying the 1% increase property tax levy rate of \$1.0384 results in an additional \$4.36 property tax paid to the City, which is an increase of 1.3%.
 - The additional property tax paid by the average homeowner with a 1% increase compared to 0% increase is \$3.22.

CITY COUNCIL OPTIONS & CONSIDERATIONS

The options the City Council may take regarding the 2019 property tax levy are:

- Option 1: Levy the property taxes without any increase.
- Option 2: Increase the property tax levy by 1% commensurate with the 2019/2020 biennial budget estimates. - RECOMMENDED

The City’s 2019 proposed budget includes an annual property tax increase of 1% as authorized by state statute. A 1% increase in property tax levy generates approximately \$68,803 in additional revenue for city services, or an additional \$3.22 per average homeowner in 2019 compared to 0% increase.

The preliminary 2019 property tax revenue estimate is \$7,110,039 and is based on the preliminary figures provided by Pierce County (plus 2018 increase in state-assessed property of \$48,513 used for 2019 estimate since 2019 figures is currently not available).

Since 2006, the City has enacted the 1% increase as authorized by state statute. The cumulative impact of not taking the 1% increase in 2019 over the 6-year period (2019 - 2024) is approximately \$423,000.

The details of options 1 and 2 are provided below.

Factors	2018	2019 - Option 1 (no increase)	2019 - Option 2 (1.00%)
Base Levy Amount (Highest Lawful Regular Tax)	\$6,696,881	\$6,880,272	\$6,880,272
Increase	\$66,969	\$0	\$68,803
New Construction Estimate	\$67,909	\$92,124	\$92,124
Administrative Refunds	\$35,251	\$20,328	\$20,328
Increase from State-Assessed Property (2019 Estimate Based on 2018 Actual)	\$48,513	\$48,513	\$48,513
Total Property Tax Levy	\$6,915,523	\$7,041,237	\$7,110,039
Total Property Tax Levy % Increase from Base Levy Amount	3.26%	2.34%	3.34%
Assessed Value	\$6,002,783,089	\$6,847,412,733	\$6,847,412,733
Levy Rate Per \$1,000 AV	\$1.1521	\$1.0283	\$1.0384
City Tax Paid by Average Home Owner			
2017 Single Family Residential Home Value for 2017 Property Tax = \$285,483			
2018 Single Family Residential Home Value for 2019 Property Tax = \$320,940	\$328.89	\$330.02	\$333.25
City Tax Paid by Average Home Owner, Change from 2018 - \$	n/a	\$1.13	\$4.36
City Tax Paid by Average Home Owner, Change from 2018 - %	n/a	0.3%	1.3%

NEXT STEPS

- Public Hearing on November 5, 2018
- Adoption on November 19, 2018

The City will have the opportunity to modify its levy certification in December once it receives the dollar amount of the administrative refunds from the County.

ATTACHMENTS

- Additional Information – Administrative Refunds
- Additional Information – State Assessed Property
- Pierce County Assessor-Treasurer Information on Preliminary 2018 Assessed Values
- Pierce County Assessor-Treasurer Information on Preliminary Tax Levy Limit 2018 for 2019
- Taxable Values – Commercial & Residential Taxable Values and Ley Rates
(updated 2018 values and 2019 data not available, submitted public records request to obtain information)
- New Construction & Added Improvements

ADDITIONAL INFORMATION – ADMINISTRATIVE REFUNDS

Administrative refunds are taxes that had been levied in previous years on properties that have had their taxes abated or cancelled. The following is an outline defining administrative refunds and what they consist of – there are 16 of them:

1. Paid more than once.
2. Paid as a result of manifest error in description.
3. Paid as a result of a clerical error in extending the tax rolls.
4. Paid as a result of other clerical errors in listing property.
5. Paid with respect to improvements which did not exist on assessment date.
6. Paid under levies or statutes adjudicated to be illegal or unconstitutional.
7. Paid as a result of mistake, inadvertence, or lack of knowledge by any person exempted or partially exempted from paying real property taxes.
8. Paid or overpaid as a result of mistake, inadvertence, or lack of knowledge by either a public official or employee or by any person paying the same with respect to real property in which the person paying the same has no legal interest.
9. Paid on the basis of an assessed valuation which was appealed to the county board of equalization and ordered reduced by the board.
10. Paid on the basis of an assessed valuation which was appealed to the state board of tax appeals and ordered reduced by the board. PROVIDED, That the amount refunded under subsections (9) and (10) shall only be for the difference between the tax paid on the basis of the appealed valuation and the tax payable on the valuation adjusted in accordance with the board's order.
11. Paid as a state property tax levied upon property, the assessed value of which has been established by the state board of tax appeals for the year of such levy: PROVIDED, HOWEVER, That the amount refunded shall only be for the difference between the state property tax paid and the amount of state property tax that would, when added to all other property taxes within the 1 percent limitation of the state constitution equal 1 percent of the assessed value established by the board.
12. Paid on the basis of an assessed valuation which was adjudicated to be unlawful or excessive: PROVIDED, That the amount refunded shall be for the difference between the amount of tax payable on the basis of the assessed valuation determined as a result of the preceding.
13. Paid on property acquired under a tax lien. (RCW 84.69.020)
14. Paid on the basis of an assessed valuation that was reduced under RCW 84.48.065.
15. Paid on the basis of an assessed valuation that was reduced under RCW 84.40.039.
16. Abated under RCW 84.70.010

ADDITIONAL INFORMATION – STATE ASSESSED PROPERTY

Utility and transportation companies that are defined in RCW 84.12 whose operations are in more than one county or state are assessed by the Department of Revenues' (DOR) Property Tax Division. These companies include airlines, railroads, electric companies who produce or distribute electricity on the retail or wholesale market, gas pipeline companies who distribute or sell gas on the retail or wholesale market, and telecommunications companies including landline local and long distance phone and wireless companies. Telecommunications also includes cable companies who have assets in Washington that are used for providing telephone service in more than one county or state. In addition to these companies, DOR also assessed private railcars. These private railcars are most often owned by companies who are not a railroad that pay the railroad companies to transport their cars from place to place, including chemical companies, grain import and export companies, and several companies who are in the business to lease railcars to railroads and others.

The appraised value of state assessed property is, by law, valued at 100% of market value. State, and in part, federal law require state assessed utilities be valued at the same level of assessment as other property in the same taxing jurisdiction. As a result, it is an equalized value of state assessed utilities that is allocated (apportioned) to all the taxing districts in the state; this includes real and personal property. The real and personal property ratio of each county is applied to the respective real and personal property appraised value of each company that is state assessed, and those values are apportioned to each county by tax code area (TCA).

Utility property appraisal is based on the unit method, property is valued as one thing. As a result, there is no specific value determined for any specific asset that makes up the operating unit. Hence, apportioned value does not directly relate to the value of assets in the TCA to which the assets value has been set. Apportionment is a process of assigning value based on certain metrics which generally consist of historical or original cost, length and size of pipes, miles of rail, etc., tied to the actual location of company assets. If one percent of a company's historical cost, length of pipe, or miles of main railroad track, then 1% is apportioned to all the TCAs in which the company has assets.



Pierce County

Mike Lonergan, Assessor-Treasurer

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www.piercecountywa.org/atr

September 14, 2018

OFFICIAL NOTIFICATION TO: **LAKWOOD**

RE: 2018 PRELIMINARY ASSESSED VALUES

FOR REGULAR LEVY

Total Taxable Regular Value (includes prior yrs. State assessed utility value)	6,847,412,733
Highest lawful regular levy amount since 1985	6,880,271.83
Last year's actual levy amount (including refunds)	6,915,522.77
Additional revenue from current year's NC&I	92,124.03
Additional revenue from annexations (RCW 84.55)	0.00
Additional revenue from administrative refunds (RCW 84.69)	20,327.98
<i>No additional revenue from administrative refunds will be allowed if you are limited by your statutory rate limit.</i>	
Last year's additional revenue from increase in state-assessed property	48,512.78

FOR EXCESS LEVY

Taxable Value (includes prior yrs. State assessed utility value)	6,781,327,532
Timber Assessed Value	-
Total Taxable Excess Value	6,781,327,532
2018 New Construction and Improvement Value	79,965,112

*If you need assistance or have any questions regarding this information, please contact Kim Fleshman
253.798.7114 kfleshm@co.pierce.wa.us.*



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TAX LEVY LIMIT 2018 FOR 2019

LAKEWOOD

> 10,000

REGULAR TAX LEVY LIMIT:

2017

A. <u>Highest regular tax which could have been lawfully levied beginning with the 1985 levy</u> [refund levy not included] times limit factor (as defined in RCW 84.55.005).	6,880,271.83
	1.01
	6,949,074.55
B. Current year's assessed value of new construction, improvements and wind turbines in original districts before annexation occurred times last year's levy rate (if an error occurred or an error correction was made in the previous year, use the rate that would have been levied had no error occurred).	79,965,112
	1.152052750777
	92,124.03
C. Current year's state assessed property value in original district if annexed less last year's state assessed property value. The remainder to be multiplied by last year's regular levy rate (or the rate that should have been levied).	103,531,596
	103,531,596
	0.00
	1.152052750777
	0.00
D. REGULAR PROPERTY TAX LIMIT (A + B + C)	7,041,198.58

ADDITIONAL LEVY LIMIT DUE TO ANNEXATIONS:

E. To find rate to be used in F, take the levy limit as shown in Line D above and divide it by the current assessed value of the district, excluding the annexed area.	7,041,198.58
	6,847,412,733
	1.028300593246
F. Annexed area's current assessed value including new construction and improvements times rate found in E above.	0.00
	1.028300593246
	0.00
G. NEW LEVY LIMIT FOR ANNEXATION (D + F)	7,041,198.58

LEVY FOR REFUNDS:

H. RCW 84.55.070 provides that the levy limit will not apply to the levy for taxes refunded or to be refunded pursuant to Chapters 84.68 or 84.69 RCW. (D or G + refund if any)	7,041,198.58
	20,327.98
	7,061,526.56
I. TOTAL ALLOWABLE LEVY AS CONTROLLED BY THE LEVY LIMIT (D,G,or H)	7,061,526.56
J. Amount of levy under statutory rate limitation.	6,847,412,733
	1.600000000000
	10,955,860.37

K. LESSER OF I OR J

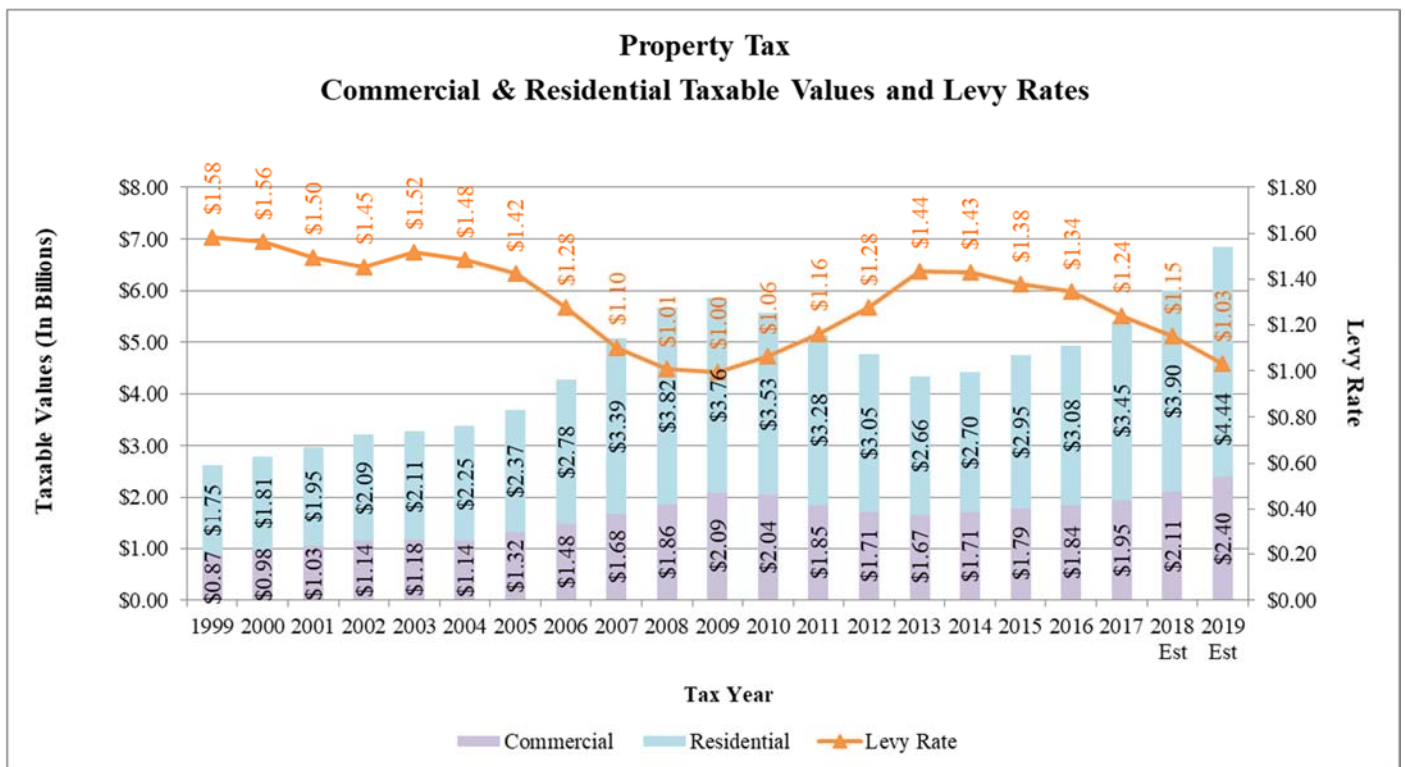
7,061,526.56

1.031269302859

TAXABLE VALUES – COMMERCIAL & RESIDENTIAL TAXABLE VALUES AND LEVY RATES

Year	Taxable Values (In Billions)											City Levy Rate Per \$1,000 AV
	Commercial		Residential		Total	Change From Prior Year						
	Commercial	%	Residential	%		Commercial		Residential		Total		
					\$	%	\$	%	\$	%		
1999	\$0.87	33%	\$1.75	67%	\$2.62	n/a	n/a	n/a	n/a	n/a	n/a	\$1.58
2000	\$0.98	35%	\$1.81	65%	\$2.79	\$0.11	12.4%	\$0.06	3.5%	\$0.17	6.4%	\$1.56
2001	\$1.03	35%	\$1.95	65%	\$2.98	\$0.06	5.6%	\$0.14	7.5%	\$0.19	6.8%	\$1.50
2002	\$1.14	35%	\$2.09	65%	\$3.23	\$0.10	10.1%	\$0.14	7.1%	\$0.24	8.2%	\$1.45
2003	\$1.18	36%	\$2.11	64%	\$3.28	\$0.04	3.3%	\$0.02	0.9%	\$0.06	1.7%	\$1.52
2004	\$1.14	34%	\$2.25	66%	\$3.38	(\$0.04)	-3.1%	\$0.14	6.5%	\$0.10	3.1%	\$1.48
2005	\$1.32	36%	\$2.37	64%	\$3.69	\$0.18	15.6%	\$0.13	5.6%	\$0.30	9.0%	\$1.42
2006	\$1.48	35%	\$2.78	65%	\$4.27	\$0.17	12.8%	\$0.41	17.3%	\$0.58	15.7%	\$1.28
2007	\$1.68	33%	\$3.39	67%	\$5.07	\$0.19	12.9%	\$0.61	21.9%	\$0.80	18.8%	\$1.10
2008	\$1.86	33%	\$3.82	67%	\$5.67	\$0.18	10.7%	\$0.42	12.5%	\$0.60	11.9%	\$1.01
2009	\$2.09	36%	\$3.76	64%	\$5.85	\$0.23	12.5%	(\$0.06)	-1.5%	\$0.18	3.1%	\$1.00
2010	\$2.04	37%	\$3.53	63%	\$5.57	(\$0.05)	-2.2%	(\$0.23)	-6.2%	(\$0.28)	-4.8%	\$1.06
2011	\$1.85	36%	\$3.28	64%	\$5.13	(\$0.19)	-9.3%	(\$0.25)	-7.1%	(\$0.44)	-7.9%	\$1.16
2012	\$1.71	36%	\$3.05	64%	\$4.77	(\$0.14)	-7.5%	(\$0.22)	-6.8%	(\$0.36)	-7.1%	\$1.28
2013	\$1.67	39%	\$2.66	61%	\$4.33	(\$0.05)	-2.7%	(\$0.39)	-12.8%	(\$0.44)	-9.2%	\$1.44
2014	\$1.71	39%	\$2.70	61%	\$4.41	\$0.04	2.7%	\$0.03	1.2%	\$0.08	1.8%	\$1.43
2015	\$1.79	38%	\$2.95	62%	\$4.74	\$0.08	4.8%	\$0.25	9.4%	\$0.33	7.6%	\$1.38
2016	\$1.84	37%	\$3.08	63%	\$4.93	\$0.05	2.7%	\$0.14	4.6%	\$0.18	3.9%	\$1.34
2017	\$1.95	36%	\$3.45	64%	\$5.40	\$0.11	5.8%	\$0.36	11.8%	\$0.47	9.5%	\$1.24
2018 Est	\$2.11	35%	\$3.90	65%	\$6.00	\$0.16	8.1%	\$0.45	13.0%	\$0.61	11.2%	\$1.15
2019 Est	\$2.40	35%	\$4.44	65%	\$6.85	\$0.30	14.1%	\$0.55	14.1%	\$0.84	14.1%	\$1.03

Values listed above continue to be adjusted after the certification of value due to exemptions, board of equalization actions, destroyed property, etc.



NEW CONSTRUCTION & ADDED IMPROVEMENTS

New Construction & Added Improvement						
Tax Year	Taxable Value	Additional Levy	Change From Prior Year			
			Assessed Value		Additional Levy	
			\$	%	\$	%
2006	\$ 69,827,526	\$ 99,381	n/a	n/a	n/a	n/a
2007	\$ 49,910,869	\$ 63,717	\$ (19,916,657)	-28.5%	\$ (35,664)	-35.9%
2008	\$ 75,952,795	\$ 83,686	\$ 26,041,926	52.2%	\$ 19,969	31.3%
2009	\$ 65,884,902	\$ 66,310	\$ (10,067,893)	-13.3%	\$ (17,377)	-20.8%
2010	\$ 65,309,974	\$ 65,047	\$ (574,928)	-0.9%	\$ (1,263)	-1.9%
2011	\$ 21,065,802	\$ 22,382	\$ (44,244,172)	-67.7%	\$ (42,665)	-65.6%
2012	\$ 14,672,377	\$ 17,046	\$ (6,393,425)	-30.3%	\$ (5,335)	-23.8%
2013	\$ 9,273,574	\$ 11,837	\$ (5,398,803)	-36.8%	\$ (5,209)	-30.6%
2014	\$ 14,610,413	\$ 20,978	\$ 5,336,839	57.5%	\$ 9,141	77.2%
2015	\$ 19,216,645	\$ 27,503	\$ 4,606,232	31.5%	\$ 6,526	31.1%
2016	\$ 27,763,572	\$ 38,220	\$ 8,546,927	44.5%	\$ 10,717	39.0%
2017	\$ 35,759,262	\$ 48,068	\$ 7,995,690	28.8%	\$ 9,848	25.8%
2018	\$ 54,741,428	\$ 67,909	\$ 18,982,166	53.1%	\$ 19,841	41.3%
2019 Prelim	\$ 79,965,112	\$ 92,124	\$ 25,223,684	46.1%	\$ 24,215	35.7%

