

**Information and Public Records
Service Team
Committee of the Whole
October 13, 2020
Property Tax Collection Update**

Agenda

- Introduction
 - Karen Francois, Deputy County Manager
- Property Tax Collection Update
 - Chris Samuel, County Auditor/Treasurer

Property Taxes Remain a Highly Reliable Revenue Source

- Local governments are heavily dependent on property taxes.
- Property tax collections have been reliable even in recessions.
- Total property tax collections in 2020 are comparable to 2019.
- Taxpayers for many properties eligible for deferral paid the first half taxes due by the May 15 due date.
- Many businesses and individuals most impacted by Covid-19 related closures or economic slowdown rent as opposed to own their business location and housing.
- Owners pay the property tax which may mask underlying financial distress of renters.
- 2nd half taxes will likely be more difficult to pay for taxpayers who continue to be impacted by Covid-19 related economic impacts.

BIPOC Families Hit harder by COVID-19; Property Taxes Don't Show Impacts

- Good property tax collection rates do not show the financial difficulty being experienced by Ramsey County residents, especially Black, Indigenous and people of color (“BIPOC”) families.
- Most owner-occupied housing is owned by white households.
- BIPOC families are much more likely to rent their housing or their business location.
- Unemployment data shows that BIPOC families have been impacted by job loss at a much higher rate than white families which leads to housing uncertainty through an inability to pay rent.
- These impacts are currently being masked by the moratoriums on evictions and foreclosures and the fact that most property owners/taxpayers continue to pay property taxes for rental property.
- Direct property tax relief or assistance does not help many of these families most impacted.

Board Provides July 15th Property Tax Deferment

- Sudden impact of COVID-19 impacts on residents and businesses
- High uncertainty - Questions about taxpayer willingness and ability to pay taxes due by May 15th due date.
- County Board approves a delay in the 1st half tax due date until July 15 for certain types of non-escrow property most likely to be impacted by COVID-19 business shutdowns.

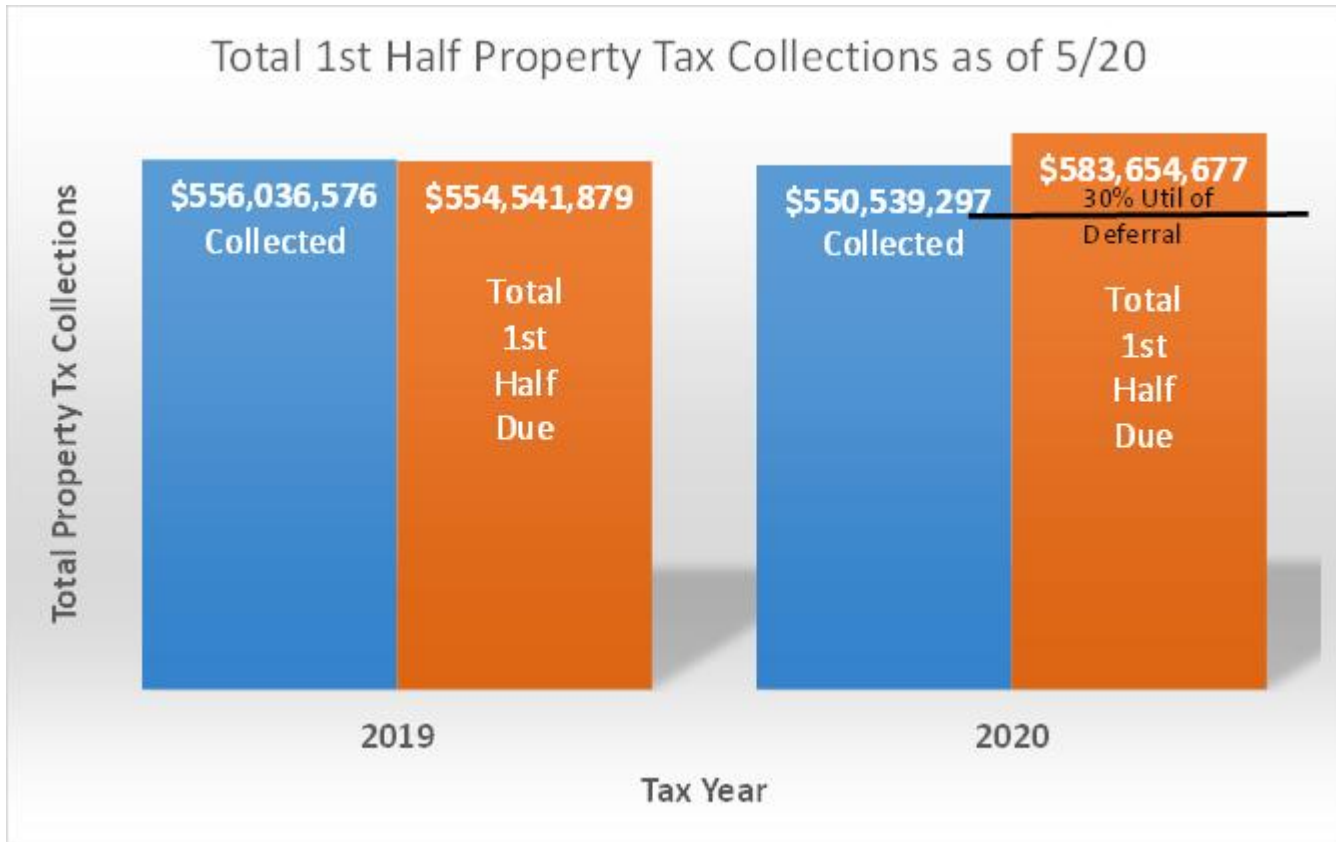
Properties Potentially Eligible to Request Deferral of 1st Half Taxes Until July 15th

Type of Property	First 1/2 Non-Escrow		% of Total Due	
	Parcel Count	Half Pay 2020 Property Taxes	Parcel Count	Total Pay 2020 Property Taxes
Non-escrow Homesteads	54,837	\$ 119,363,082	35%	11%
Non-escrow Residential Non-homesteads (1 to 3 units) less than or equal to \$20k in taxes	14,537	23,865,618	9%	2%
Non-escrow Small Businesses less than or equal to \$50k in taxes	5,180	35,386,195	3%	3%
Total	74,554	\$ 178,614,895	47%	16%

Property Tax Payment Messaging

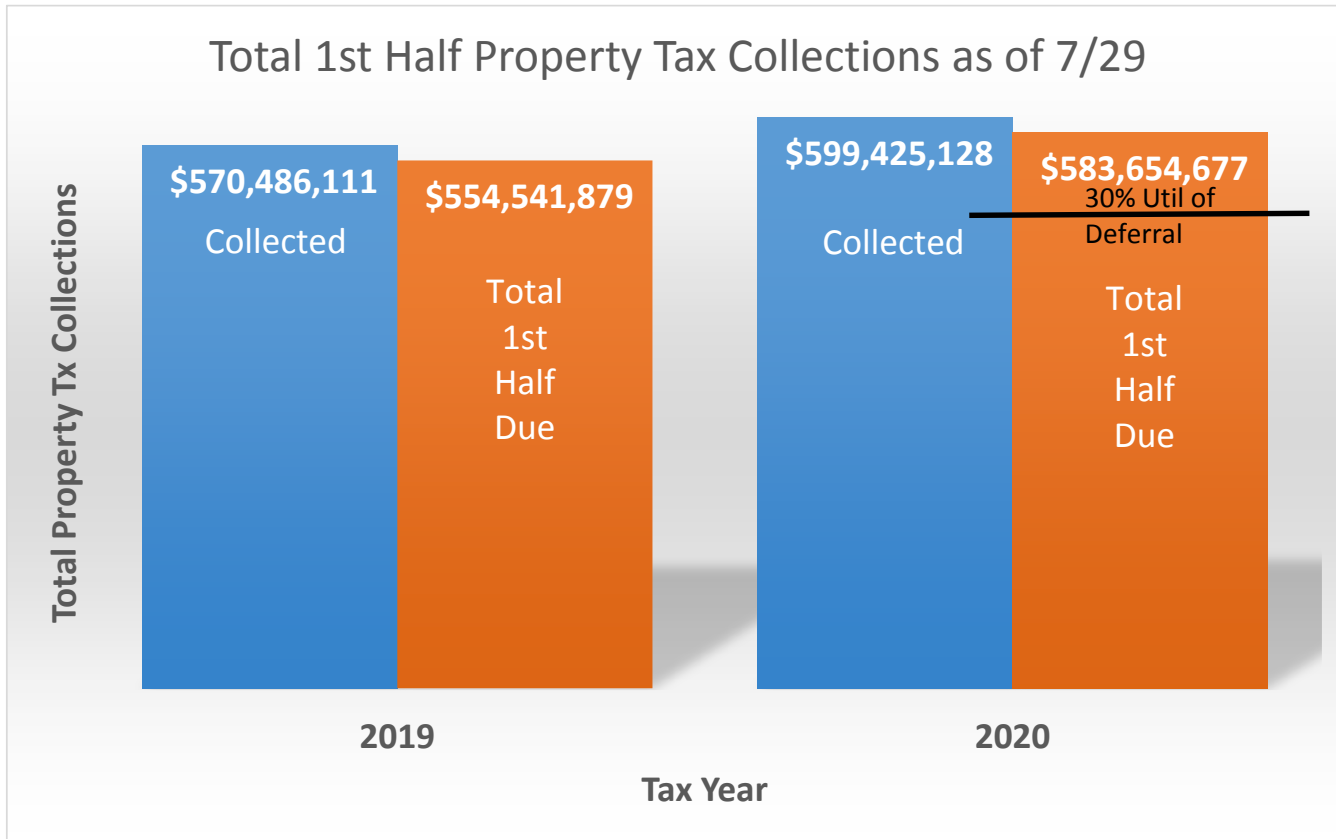
- Information about the deferment
 - Pushed out by Communications through multiple channels on social media.
 - Website developed to allow taxpayers to determine if they qualified.
- The high level messaging is:
 - Pay if you can to support the COVID-19 response.
 - Partial payments are an option.
 - If eligible, defer payment until July 15 without penalty.
 - One-time penalty waiver: If you are not in the deferred groups or you are and still can't make payment by July 15, any taxpayer who has not used the one-time penalty waiver can during the current year to pay either first half or second half taxes without penalty.
 - Abatement request: Can request exceptional relief on a case by case basis for factors other than financial hardship.

2020 Collections Remained Strong



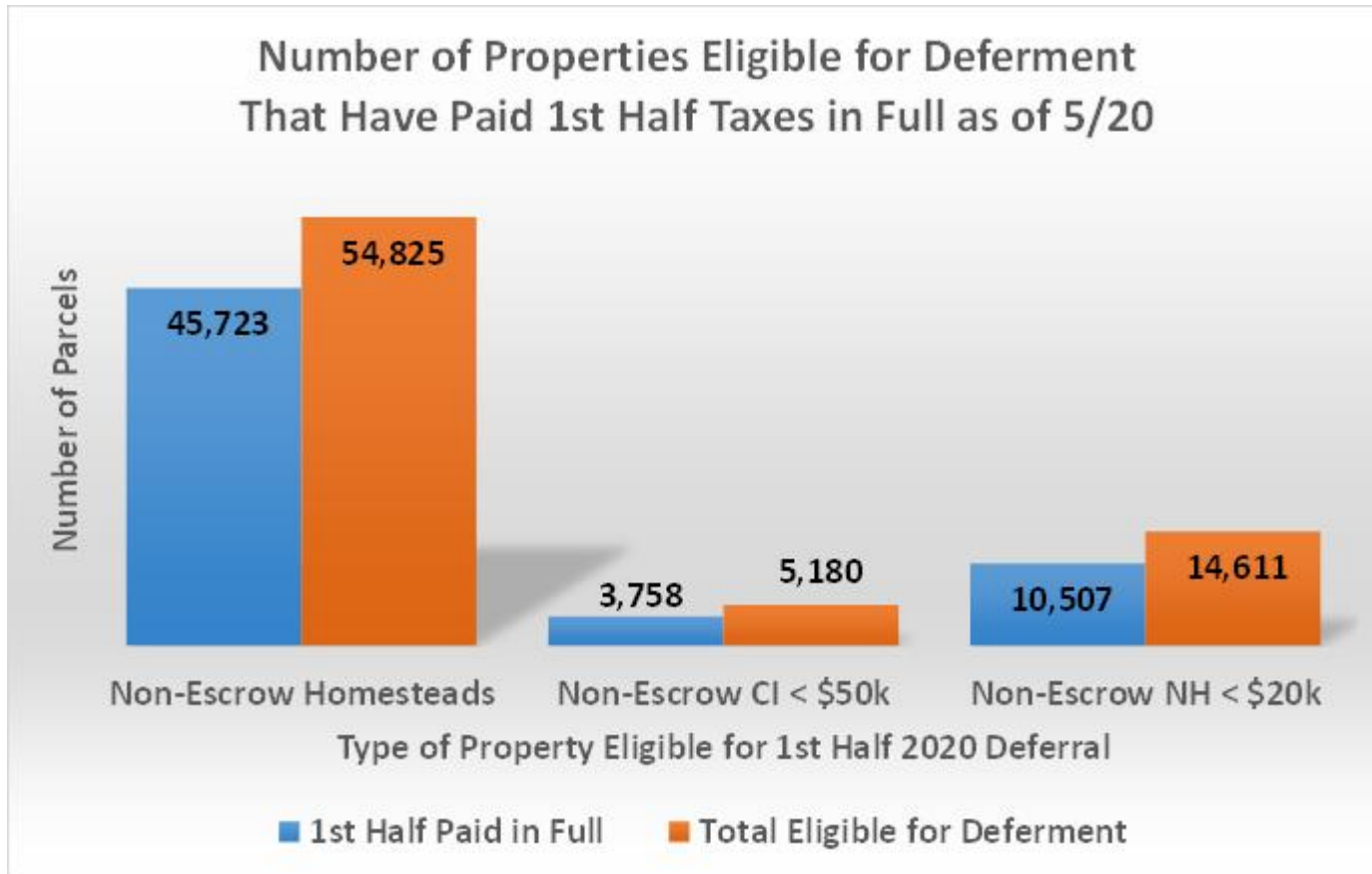
Over \$550 million in collections for all taxing authorities were deposited in the bank as of 05/20/2020, representing 94% of the first half property taxes due. The amount shown for collections is the total collected and may include amounts paid for second half taxes due for those taxpayers that made full payment for the year (which is why 2019 shows more collections than taxes due).

Will 2nd Half Follow This Pattern?



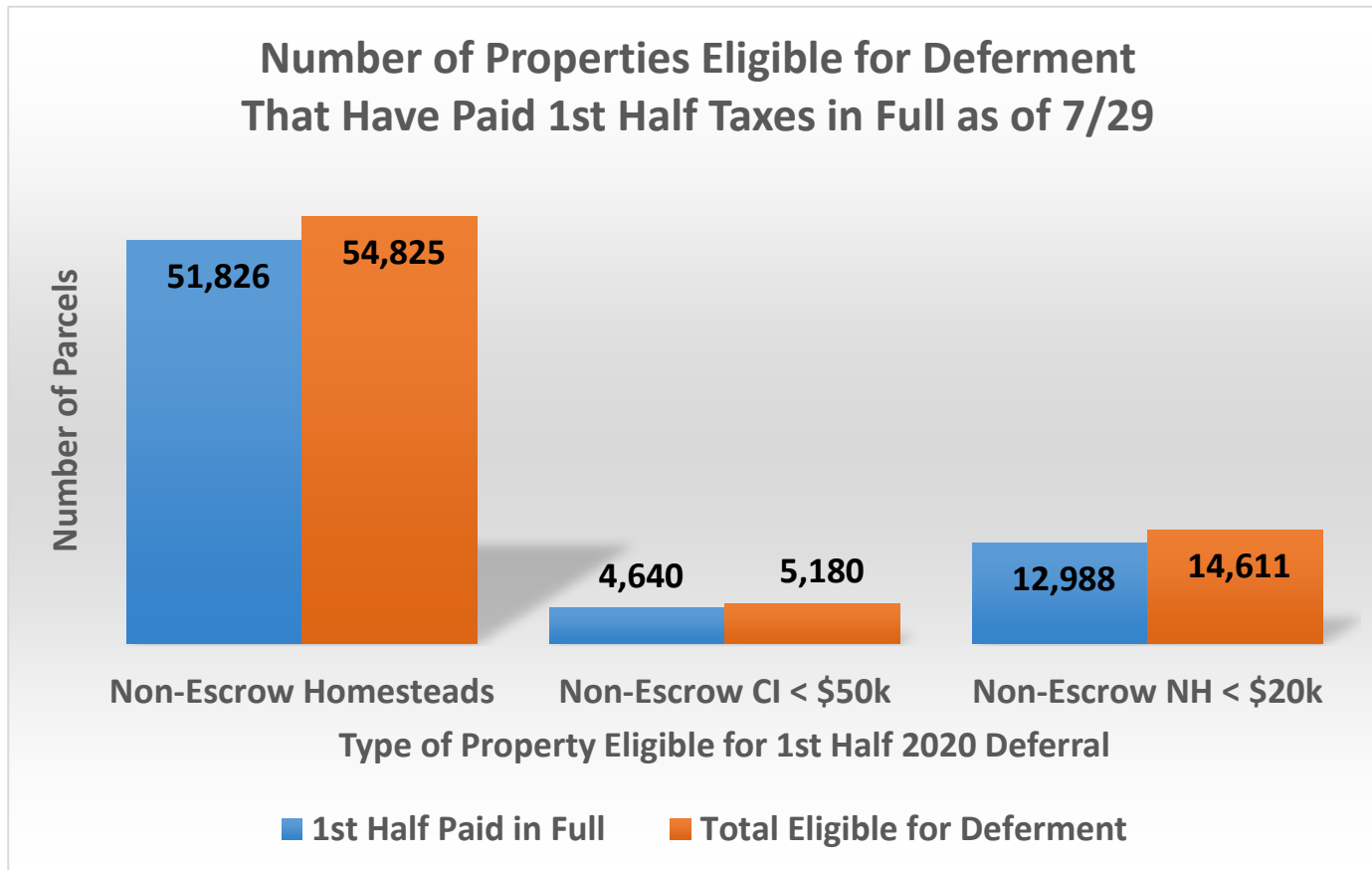
Overall 1st half property tax collections remain good and are comparable to last year. As the impact of closed or reduced businesses and associated job loss continues due to COVID-19 and any associated economic downturn, more taxpayers will likely have difficulties in making 2nd half property tax payments in October.

Many Deferral Eligible Taxpayers Paid By Original Due Date



There are typically between 9,000 to 11,000 past due letters sent in June each year for first half taxes that have not been fully paid. As of May 20, there were 15,612 parcels for which no payment had been made which is just under 10% of the total number of tax bills. Some of this can be explained by taxpayers taking advantage of the offered deferral until July 15.

Some Taxpayers Having Financial Difficulty



95% of homesteads eligible for deferral and 90% of commercial/industrial and residential non-homesteads have paid the 1st half taxes in full as of 7/29. 3,803 of these deferral eligible parcels have no payments received (2.4% of the total number of parcels with taxes). In addition, 1,359 parcels have made partial payments and are not yet fully paid.

Many Taxpayers Having Difficulty Had Problems Pre-COVID-19

Breakdown of Deferral Eligible Parcels With No Payments

Type of Property	No 2020 Payments	Number of these with evidence of Pre-Covid distress	% of these with evidence of Pre-Covid distress
Non-escrow Homesteads	2,101	1,392	66.3%
Non-escrow Commercial/Industrial with total taxes <\$50k	417	263	63.1%
Non-escrow Residential Non-homestead of 3 or less units with total taxes < \$20k	1,285	937	72.9%

Pre-COVID distress is indicated by an existing delinquency from a prior year or late payments in 2019. The taxpayers for this group of parcels were already having difficulties prior to the impacts of COVID-19 and are likely in an even more tenuous position now.

There are approximately 1,200 taxpayers without signs of prior payment difficulty that have made no payments this year – likely indicating a direct COVID-19 impact to finances.

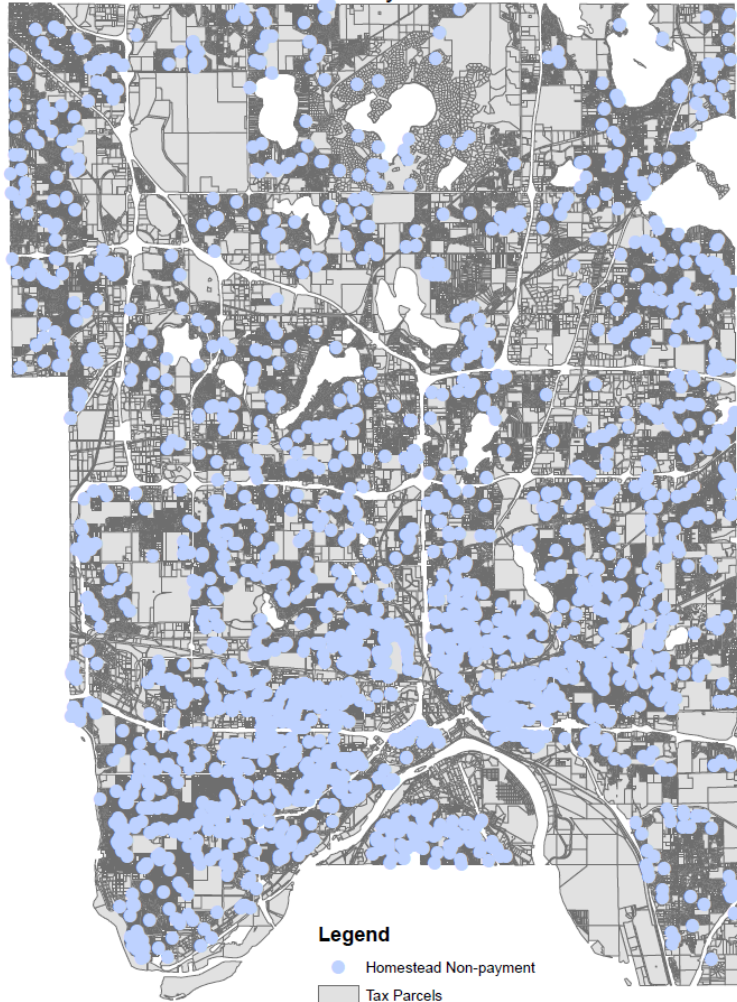
Small Businesses That Didn't Pay Fit Expected Patterns

- Owner of property and business more likely to be the same
- Groups of businesses affected
 - Closed by Executive Order
 - Reliant on businesses closed by Executive Order
 - Impacted by working from home
- Example property uses:
 - Auto related (parts, repair, towing, rental, used car sales, car wash, gas stations) – 33
 - Beauty salon and supplies - 10
 - Cell towers – 47
 - Construction - 22
 - Employment agency - 2
 - Food Service (bars, restaurants, wholesale food) – 44
 - Land only – 125
 - Medical (including dental, chiropractic, home healthcare) – 26
 - Newspapers – 2
 - Office - 14
 - Retail (including grocery, hardware, liquor) – 23
 - Veterinarian – 4
 - Warehouse - 11

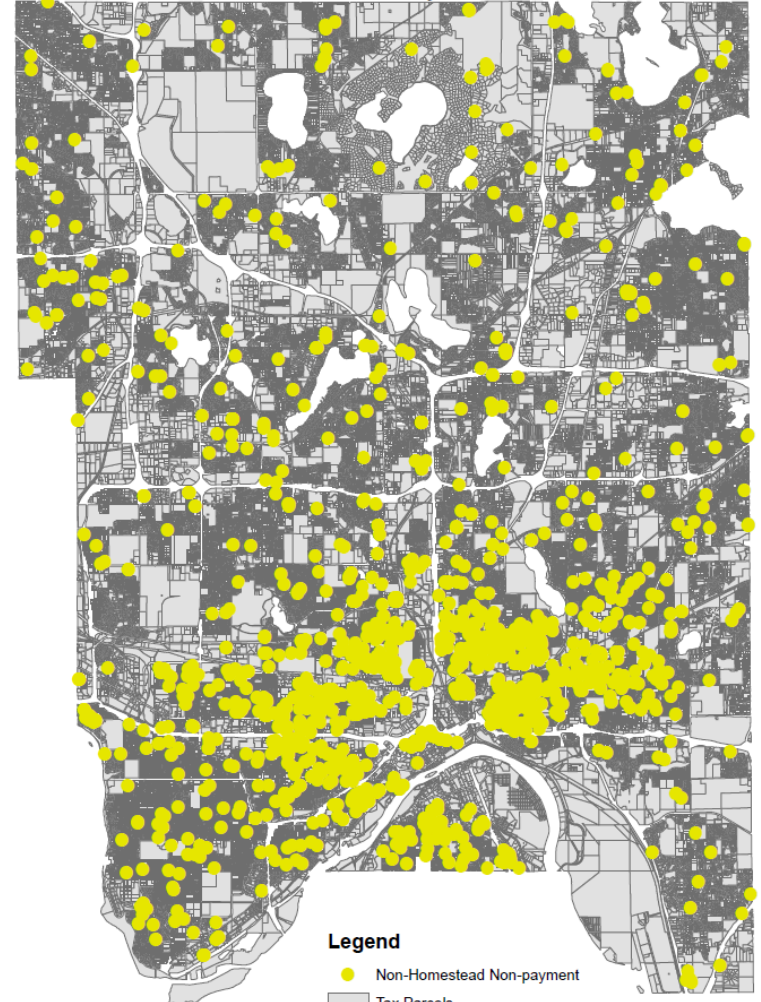
Scattered Impacts; More Prevalent in Areas of Concentrated Poverty

Distribution of Residential Properties Eligible for Deferment Without Payments

Homestead Non-Payment Tax Parcels



Non-Homestead Non-Payment Tax Parcels



Coordinated Effort Needed to Provide For Economic Resiliency

- Failure to pay property taxes can indicate vulnerable businesses and individuals
 - Directly, owners unable to make payments; likely mortgages are not being paid either
 - Indirectly, laid off workers of struggling businesses, renters unable to pay rent due to job loss.
- Coordinated and collaborative effort to meet overlapping needs
- Focused mailings and social media; distribution at events
- Multiple programs providing assistance, often with CARES funding
- Cross service team effort
 - Community and Economic Development for small business assistance
 - Workforce Solutions for job assistance
 - Financial Assistance for housing cost assistance
 - CARES food programs for food assistance
 - PTES to help identify likely people and businesses in need
 - IPR Admin to help with logistics and support
 - Communications to help with messaging and distribution

Stay the course

The Property Tax Advisory subcommittee met on September 10, 2020.

This is a summary of recommendations that came out of the discussion:

- No blanket deferment of 2nd half property tax due date. Sense is that it isn't needed generally and that taxpayers now better understand how COVID -19 impacts their income stream and ability to pay.
- No change to one time penalty waiver program.
- Continue to monitor collections and inquiries and report back to the subcommittee if a change is needed that cannot be handled administratively under delegated authority given to the County Treasurer.
- Stay the course on legislative requests.
- Continue to fund and seek additional funding for assistance for renters, both small businesses and individuals, as these groups have been more heavily impacted by COVID-19.

Addressing Continued Financial Difficulties

- Continue use of one-time penalty waivers (216 used in 2020 as of September)
- Continue financial assistance to businesses and individuals in need to help with economic resiliency – which will ultimately help with owners ability to pay property taxes. Seek legislative funding support as needed to help sustain efforts and meet the needs.
- Continue efforts to address affordable housing needs
- Levy restraint