

LOCAL NEWS

SPECIAL REPORT

# Sewickley Tea Party



A second cup

## Gross inequities can be found in Allegheny County's property-tax assessment system

First in a series

By FRANKIEBONE  
Staff writer

**I**t's a typical Edgeworth home: a white colonial trimmed with black shutters and featuring a covered patio and pool.

In July, this comfortable six-bedroom home on Irwin Drive sold for \$1.2 million. Before the new owners moved in, the house was assessed at only \$51,000, and its taxes were only \$7,500.

The Allegheny County Department of Property Assessment Appeals, Review and Registry uses a formula based on a property being assessed at one-quarter of its fair-market value. With that in mind, the assessment for the white colonial should have been \$480,000 with taxes coming in at almost \$45,000.

In 1995 - most likely because of the sell - the home has been reassessed to \$120,000.

Obviously, though, the house was grossly under-assessed by the county last year and in previous years.

Now, consider this scenario:

A five bedroom contemporary home with an atrium, hot tub and sauna on Barbary Road in Sewickley Heights sold in August for \$898,000. The Sewickley Heights house was assessed at \$220,000 and its taxes were set at \$27,920 - figures that were just about right, with an underassessment of only \$4,000.

Enter the Quaker Valley Tax Reform League (QVTRL).

The group, which formed earlier this year, contends the wide disparity between these two properties are prime examples of what is wrong with the property assessment system in Allegheny County - it lacks UNIFORMITY.

### What caused the furor

On April 7, 1993, a Sewickley Herald article reported on the filing of 120 appeals by the Quaker Valley School Board, which argued that the county had assessed taxes relatively 100 to 1 to property taxes. Lela Swearingen, then QV business manager, noted it was the first time the school district had filed appeal "en masse" in her 11 years as manager.

In the wake of the school board's decision, Henry Devens III, a director, remarked the county's assessments were so low the district had no choice but to file an appeal.

"It was a hard decision to make," Devens admitted. "Everybody hates more taxes. I complain about more



Photo by Ed Gallek

RE-ENACTING THE Boston Tea Party on the banks of the Ohio River are Peter Floyd (left) and members of the Quaker Valley Tax Reform League. Members of the League are protesting exorbitant increases in their property-tax assessments for 1994.

taxes. But we had to file to make sure the burden of educating our childrens evenly spread."

Eight months later, in December, property-tax assessments that tip an average of 37 percent in the 11 municipalities comprising the Quaker Valley School District. For example, Osborne's went up 51 percent, Edgeworth's 50 percent, Sewickley Heights' 42, and Sewickley's 4.

Many residents blamed the QV School Board, saying their assessment increases were related to the board's appeal. John Saunders, director of the county's Property Assessment Appeals, Review and Registry Department, makes no bones about the fact that the appeals alerted his office. He says the action gave "additional support" to the premise - of which he agrees - that properties in Quaker Valley were, in fact, under-assessed.

However, in a letter to residents dated Jan. 26, 1994, Chester Leeson, school board president, downplayed the reassessment. Rather, he focused on the property tax method of taxation as "not satisfactory."

"For property taxes to be fair, he argued, there needs to be a method to properly determine the market value of every residence as well as keeping market values of properties up to date.

"Because of the large number of variations that can affect the market price of any one residence, the true market price is rarely assigned," Feece explained.

"In addition, because of this wide variety of variables, it is almost impossible to keep all homes at their appropriate market values all the time."

Of the 500 of the 1,200 appeals heard from residents who live in Quaker Valley, Saunders reports that 60 to 70 percent of the assessments have not been changed. In other words, the appeals have been nixed.

"This figure tells me the assessors have done a good job," Saunders noted.

He also was quick to point out that his department has achieved guidelines for accuracy in property assessments in 1994 from the State Tax Equalization Board (STEB), marking the 12th straight year the county has achieved these guidelines.

Allegheny County's pre-determined objective is to assess properties at 25 percent of market value. The county's common level ratio of assessments for 1994 was actually 22 percent.

"With a target of 25 percent, these statistics indicate homeowners generally are assessed at slightly lower than the stated target," Saunders said.

The STEB statistics also addressed the coefficient of dispersion (COD), which measures uniformity of assessments. Although Pennsylvania does not specify an acceptable number, many analysts consider a COD of 25 or lower to be acceptable when commercial and residential properties are included in the calculation.

### Abolish property taxes?

The two homes in Edgeworth and Sewickley Heights are paradigms used to illustrate why QVTRL wants to abolish residential

"This figure (60-70 percent of appeals being turned down) tells me the assessors have done a good job."

- John Saunders, director of property assessments for Allegheny County

real-estate taxes in Allegheny County.

"Wide disparities exist in assessed valuation of similar properties within neighborhoods, between neighborhoods, and between municipalities," says Peter Floyd, QVTRL president.

Responding to Floyd's comments, Saunders says he sees nothing wrong in scrapping the system either. But he cautions, "We use statistical tools to measure whether our assessors even do a good job - not rhetoric."

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# QV Tax Reform League views lack of uniformity as a problem

Allegheny County's overall COD is 24. A COD of 15 is considered a good target when only residential properties are included in the calculation. And, according to the QVTR, many of the residential communities in Allegheny County already are at or near the COD of 15.

"The assessment process is a relatively complex statistical process, and, as such, the only true measures of its accuracy are other statistical models, such as the common level ratio and COD," he stated.

## Lack of uniformity

Dolores Bassett, an independent researcher for the QVTR, has compiled a graph of the fair-market-value trends in the wealthiest communities in Allegheny County.

When comparing the percent of increases from 1993 to 1994, Mrs. Bassett found that two communities in the Quaker Valley School District - Sewickley Heights and Edgeworth - experienced excessive taxable real-estate increases.

Using data from the 1993-94 Statistical Guide to Pittsburgh, she concluded that in 1993, Sewickley Heights' fair-market values increased 34 percent, while Fox Chapel's went up 35 percent. But in 1994, Sewickley Heights' taxable real estate skyrocketed to 91 percent when Fox Chapel's increased to 45 percent.

Why, Mrs. Bassett asks, did Sewickley Heights rise to meteorically to 57 percent, and why did Fox Chapel only experience a tepid 10 percent rise?

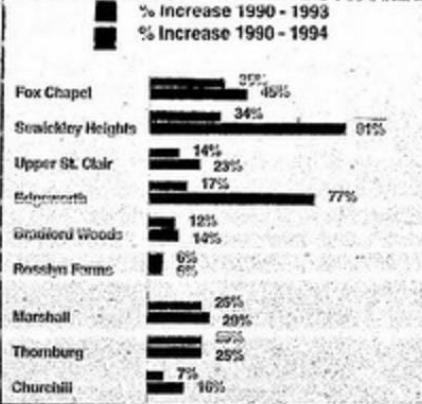
"That's because the Fox Chapel School District brings all the sales of properties in its area to the attention of my office," Saunders countered. "Until this year, Quaker Valley has not done that on a regular basis."

He pointed out that more active participation by the municipalities and school districts, along with the county, could only improve process.

## What's wrong with the system?

Well, the QVTR does not buy that argument. Besides lack of uniformity, the group believes the property-assessment system has a poor database and inconsistent staff training, is costly to administer and hard to understand - not to

## FAIR MARKET VALUE TRENDS (Taxable Real Estate) WEALTHIEST COMMUNITIES



Graph by Dolores Bassett

mention an intimidating appeal process with yearly appeals.

Floyd wants to know why the current system has a budget of \$6 million, yet the assessors admit they do not have adequate time to assess every property every year as court order requires.

As for the appeal process, the QVTR alleges that property values are now dropping in areas of large property assessment increases, such as Quaker Valley. It also believes the Allegheny County Assessors Office failed to keep a detailed description and characteristics on each residential property, as court ordered in 1993, such as square footage and number of rooms.

Plus, the QVTR says that many - if not all - of the major commercial properties in the Quaker Valley School District were not reassessed in 1994, and many have not been reassessed for 10 years.

What's more, even if every piece of property in Allegheny County could be uniformly and accurately assessed, the QVTR says many problems in the real estate property-tax system would still exist.

Along with State Sen. Jack Wagner, who represents the municipalities in the Quaker Valley School District, the QVTR contends the system is simply archaic. Because it's based on investment - not one's ability to pay - such a system, its detractors claim, could force people out of their homes, is a disincentive to those who wish to improve their property, taxes uncalculated capital gains, and implies local government is not accountable.

For example, the QVTR contends the system forces property on an inflated value, which is, in effect, taxing people on unrealized capital gains - gains that might not actually materialize when the property is sold. Yet, no mechanism is in place for refunding taxes paid on an assessed value that was too high, QVTR says.

## Most visible tax

The August 1994 edition of the League Letter of the Western Division of the Pennsylvania Economy League makes this assertion: "Property taxes are unpopular because they are highly visible because they are paid in lump sums, whereas income taxes are withheld from wages and sales taxes are collected in small amounts over many transactions."

Saunders could not agree more.

"Do you know how much is deducted from your paycheck every month?" asked Saunders. "I bet not. But when you sit down and write a check for your property taxes, you will remember that amount."

Out of the three taxes, he noted, income is less visible and sales taxes go up only on one's ability to pay. But even Saunders acknowledges that a major improvement that could be made in the property tax is to administer it on people's ability to pay.

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