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City of Providence, Rhode Island Office of the Internal Auditor

May 6, 2013

Honorable Councilman Samuel D. Zurier
Providence City Council
25 Dorrance Street
Providence, RI 02903

Dear Councilman Zurier

Subject: Impact of Homestead Rate on Full Value of \$1.0 million Residential Properties

During my presentation last week concerning the potential impact of the property revaluation and the proposed FY2014 budget on property taxes throughout the various neighborhoods of Providence, you inquired as to whether the proposed change to the taxation on properties with values over \$1.0 million was incorporated into my analysis. It was not, and thus you requested that I revisit the impact on property taxes with this factor considered. Below you will find the result of that analysis.

Change in Taxation on Residential Properties > \$1.0 million

Currently, a fifty percent Homestead Exemption is applied to the first \$1.0 million of assessed value on owner-occupied properties. The effective tax rate on owner occupied properties considering the Homestead Exemption is \$15.95 per thousand. An exemption of thirty-three percent is applied to the assessed valuation on owner occupied properties above \$1.0 million. The effective tax rate considering the 33% exemption is \$21.37.

The administration effective FY2014 is proposing one tax rate for owner occupied and one tax rate for non-owner occupied properties. The proposed tax rate on owner occupied residential properties is \$19.50 per thousand, while the proposed tax rate on non-owner residential properties is \$33.75 per thousand.

Residential Properties with Values > of \$1.0 Million

There are currently a total of 243 residential properties with assessed values greater than \$1.0 million. The total assessed value of these 243 properties is \$342 million. As a result of the on-going property revaluation, which determined values as of 12/31/2012, there are a total of 187 residential properties with assessed values greater than \$1.0 million. The total assessed value of these properties is \$281 million.

Number of Residential Properties Currently with Assessed Values > \$1.0 Million (Values as of December 31, 2009)							
Neighborhood	Single Family	Two Family	Three Family	Four Family	Five Family	Condo	Total
College Hill	62	14	2	5	1	4	88
Downtown	-	-	-	-	-	6	6
Fox Point	3	4	-	-	-	-	7
Blackstone	114	1	-	-	-	-	115
Wayland	23	2	-	1	-	1	27
Total	202	21	2	6	1	11	243

Number of Residential Properties with Assessed Values > \$1.0 Million After Revaluation (Values as of December 31, 2012)							
Neighborhood	Single Family	Two Family	Three Family	Four Family	Five Family	Condo	Total
College Hill	52	7	1	4	1	1	66
Downtown	-	-	-	-	-	5	5
Fox Point	3	3	-	-	-	-	6
Blackstone	86	-	-	-	-	-	86
Wayland	20	2	-	1	-	1	24
Total	161	12	1	5	1	7	187

Variance in Number of Properties with Assessed Values > \$1.0 Million After Revaluation (Values as of December 31, 2012)							
Neighborhood	Single Family	Two Family	Three Family	Four Family	Five Family	Condo	Total
College Hill	-10	-7	-1	-1	0	-3	-22
Downtown	-	-	-	-	-	-1	-1
Fox Point	0	-1	-	-	-	-	-1
Blackstone	-28	-1	-	-	-	-	-29
Wayland	-3	0	-	0	-	0	-3
Total	-41	-9	-1	-1	0	-4	-56

Revised Findings Impact of Taxation Change on Original Reported Findings

Incorporating the two tax rates that are currently applied to owner-occupied properties with values in excess of \$1.0 million into my analysis had an impact on the findings for the five neighborhoods shown above and citywide. From a citywide perspective, the results changed as shown below:

Owner-Occupied	Original Findings		New Findings		Variance	
	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)
Citywide						
Single Family	\$433	11.82%	\$404	10.93%	(\$29)	-0.89%
Two Family	\$52	1.74%	\$43	1.43%	(\$9)	-0.31%
Three Family	\$3	0.12%	\$3	0.09%	\$0	-0.03%
Four Family	\$81	1.97%	\$45	1.09%	(\$36)	-0.88%
Five Family	(\$118)	-2.33%	-\$140	-2.76%	(\$22)	-0.43%
Condominium	\$164	4.56%	\$158	-4.41%	(\$6)	-8.97%

The impact to the findings for the five neighborhoods with properties valued in excess of \$1.0 million is obviously greater. The revised results are shown below:

	Original Findings		New Findings		Variance	
	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)
Blackstone						
Single Family	\$1,226	13.16%	\$1,076	11.37%	(\$150)	-1.79%
Two Family	\$93	1.47%	\$93	1.47%	\$0	0.00%
Three Family	(\$255)	-3.60%	(\$255)	-3.60%	\$0	0.00%
Four Family	\$379	5.09%	\$379	5.09%	\$0	0.00%
Five Family	-	-	-	-	-	-
Condominium	\$235	5.70%	\$235	5.70%	\$0	0.00%

	Original Findings		New Findings		Variance	
	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)
College Hill						
Single Family	\$1,947	16.58%	\$1,616	13.39%	(\$331)	29.97%
Two Family	\$327	3.19%	(\$7)	-0.06%	(\$334)	-3.25%
Three Family	\$247	3.04%	\$208	2.55%	(\$39)	-0.49%
Four Family	\$125	1.02%	(\$454)	-3.53%	(\$579)	-4.55%
Five Family	(\$166)	-1.36%	(\$605)	-4.78%	-	-
Condominium	\$401	7.71%	\$390	7.48%	(\$11)	-0.23%

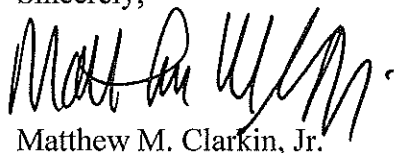
	Original Findings		New Findings		New Findings	
	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)
Downtown						
Single Family	\$1,367	16.72%	\$1,367	16.72%	\$0	0.00%
Two Family	\$906	18.52%	\$906	18.52%	\$0	0.00%
Three Family	\$131	4.55%	\$131	4.55%	\$0	0.00%
Four Family	(\$904)	-17.13%	(\$904)	-17.13%	\$0	0.00%
Five Family	\$277	8.55%	\$277	8.55%	\$0	0.00%
Condominium	\$679	12.37%	\$631	-11.40%	(\$48)	-23.77%

	Original Findings		New Findings		New Findings	
	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)
Fox Point						
Single Family	\$809	10.84%	\$714	9.45%	(\$95)	-1.39%
Two Family	(\$60)	-0.91%	(\$146)	-2.19%	(\$86)	-3.10%
Three Family	(\$383)	-6.04%	(\$383)	-6.04%	\$0	0.00%
Four Family	(\$192)	-2.66%	(\$192)	-2.66%	\$0	0.00%
Five Family	(\$737)	-9.31%	(\$737)	-9.31%	\$0	0.00%
Condominium	\$371	9.36%	\$371	9.36%	\$0	0.00%

	Original Findings		New Findings		New Findings	
	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)	Annual Tax Change (\$)	Annual Tax Change (%)
Wayland						
Single Family	\$1,582	18.57%	\$1,484	17.21%	(\$98)	-1.36%
Two Family	\$88	1.23%	\$30	0.41%	(\$58)	-0.82%
Three Family	(\$307)	-4.44%	(\$307)	-4.44%	\$0	0.00%
Four Family	(\$120)	-1.51%	(\$130)	-1.64%	(\$10)	-0.13%
Five Family	(\$566)	-7.20%	(\$566)	-7.20%	\$0	0.00%
Condominium	\$303	6.71%	\$303	6.71%	\$0	0.00%

Attached you will find revised summary sheets concerning the financial impact of the revaluation and FY2014 proposed budget on a citywide level as well as the five neighborhoods where the original findings changed due to the taxation of properties valued in excess of \$1.0 million.

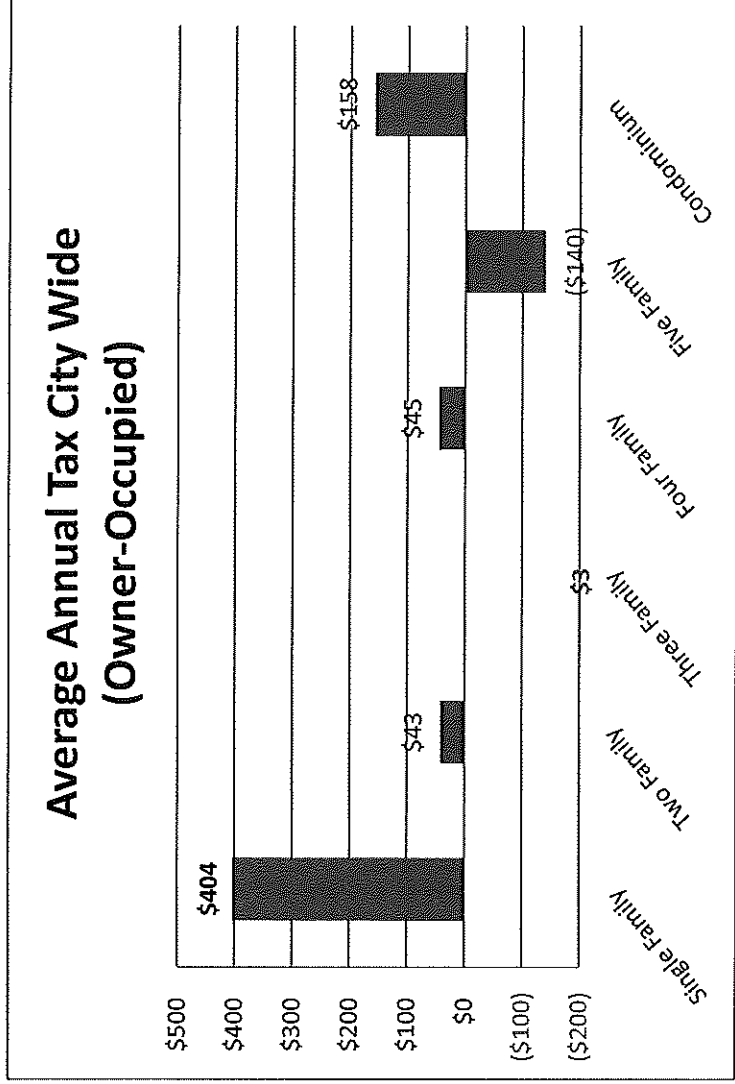
Sincerely,



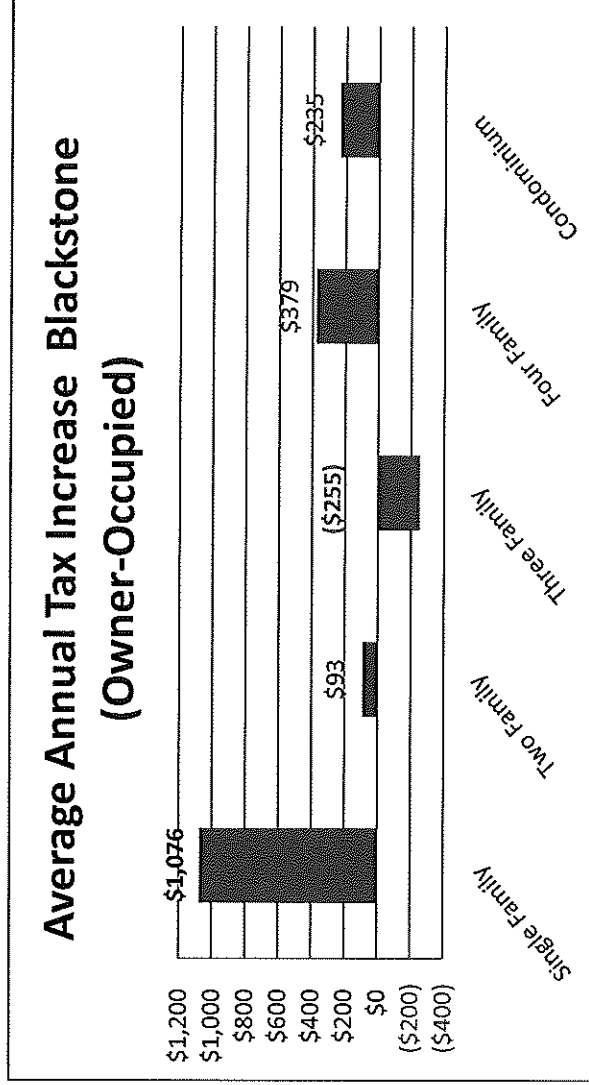
Matthew M. Clarkin, Jr.
Internal Auditor

Cc: City Council Members

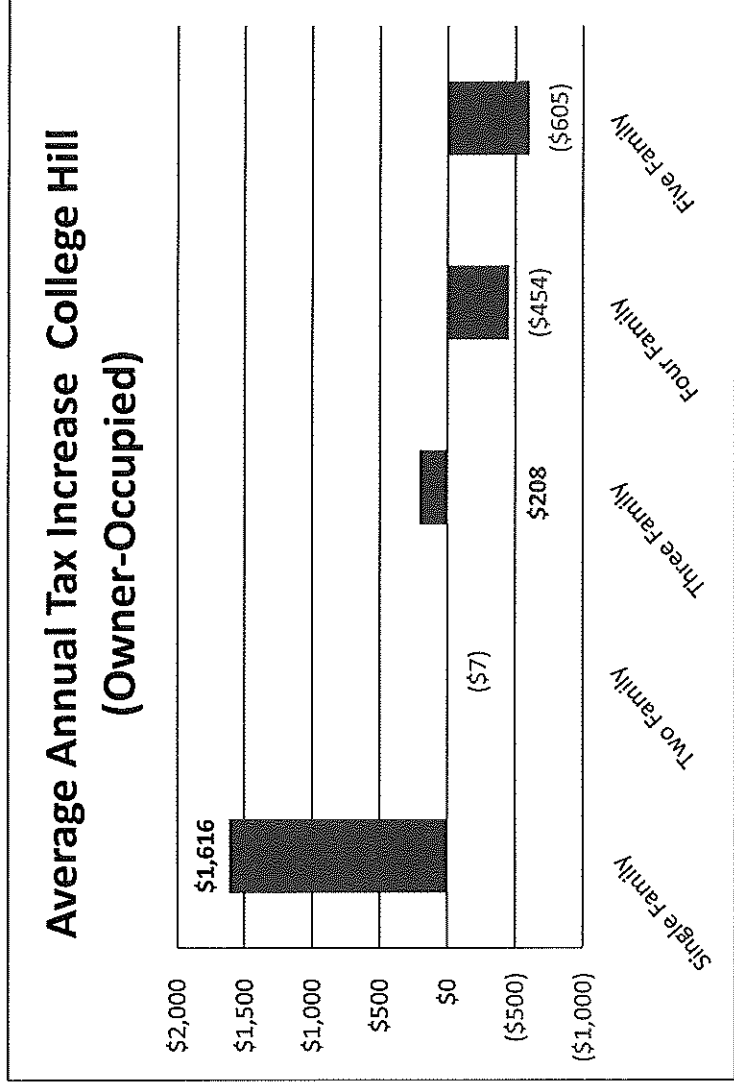
Owner-occupied	Current		Revaluation		Variance	
	Average Assessed Value (Current)	Annual Tax	Average Assessed Value (Revaluation)	Percentage Change of Valuation	Annual Tax Increase (\$)	Annual Tax Increase (%)
City Wide	Rate/1000	\$15.95			\$19.50	
Single Family	\$ 229,801.62	\$ 3,695	\$ 210,189.24	-8.5%	\$ 404	10.93%
Two Family	\$ 186,563.33	\$ 2,985	\$ 155,249.19	-16.8%	\$ 43	1.43%
Three Family	\$ 188,978.56	\$ 3,015	\$ 154,754.15	-18.1%	\$ 3	0.09%
Four Family	\$ 257,519.14	\$ 4,143	\$ 214,791.23	-16.6%	\$ 45	1.09%
Five Family	\$ 317,171.74	\$ 5,081	\$ 253,381.16	-20.1%	(\$140)	-2.76%
Condominium	\$ 224,974.01	\$ 3,594	\$ 192,411.37	-14.5%	\$158	4.41%



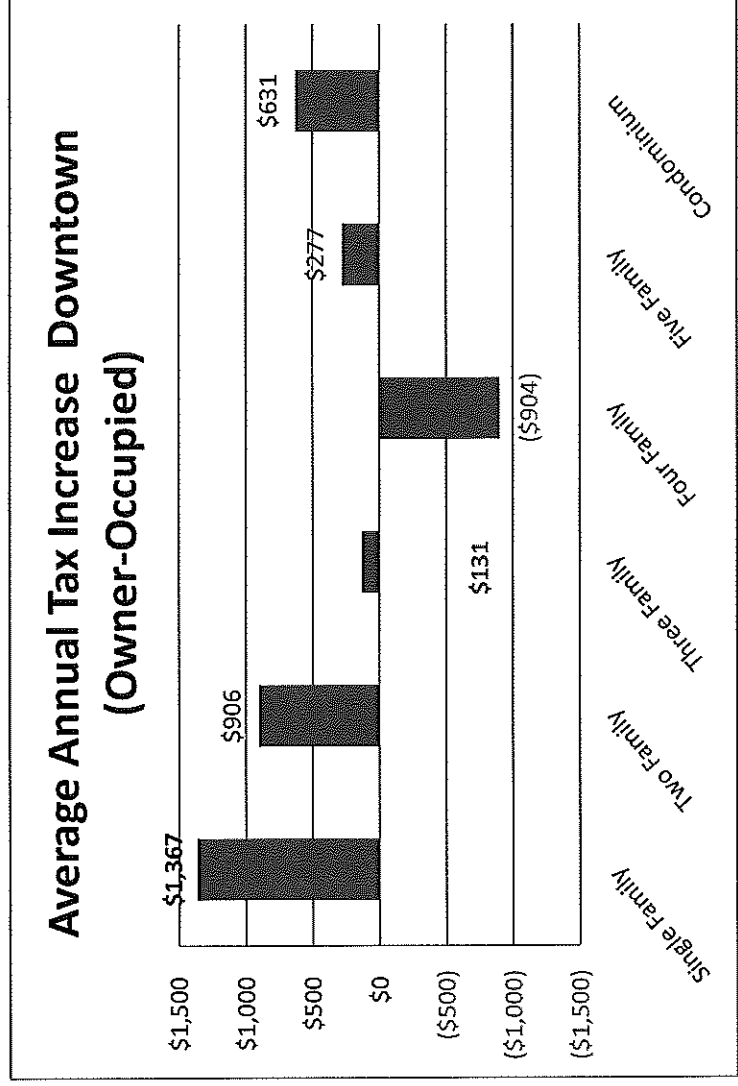
Owner-occupied	Current		Revaluation		Variance	
	Average Assessed Value (Current)	Annual Tax	Average Assessed Value (Revaluation)	Percentage Change of Valuation	Annual Tax Increase (\$)	Annual Tax Increase (%)
BLACKSTONE	<i>Rate/1000</i>	<i>\$15.95</i>			<i>\$19.50</i>	
	Single Family	\$583,994	\$540,558	-7.4%	\$1,076	11.37%
	Two Family	\$395,850	\$328,551	-17.0%	\$93	1.47%
	Three Family	\$443,732	\$349,889	-21.1%	(\$255)	-3.60%
	Four Family	\$466,600	\$401,100	-14.0%	\$379	5.09%
	Condominium	\$259,088	\$223,996	-13.5%	\$235	5.70%



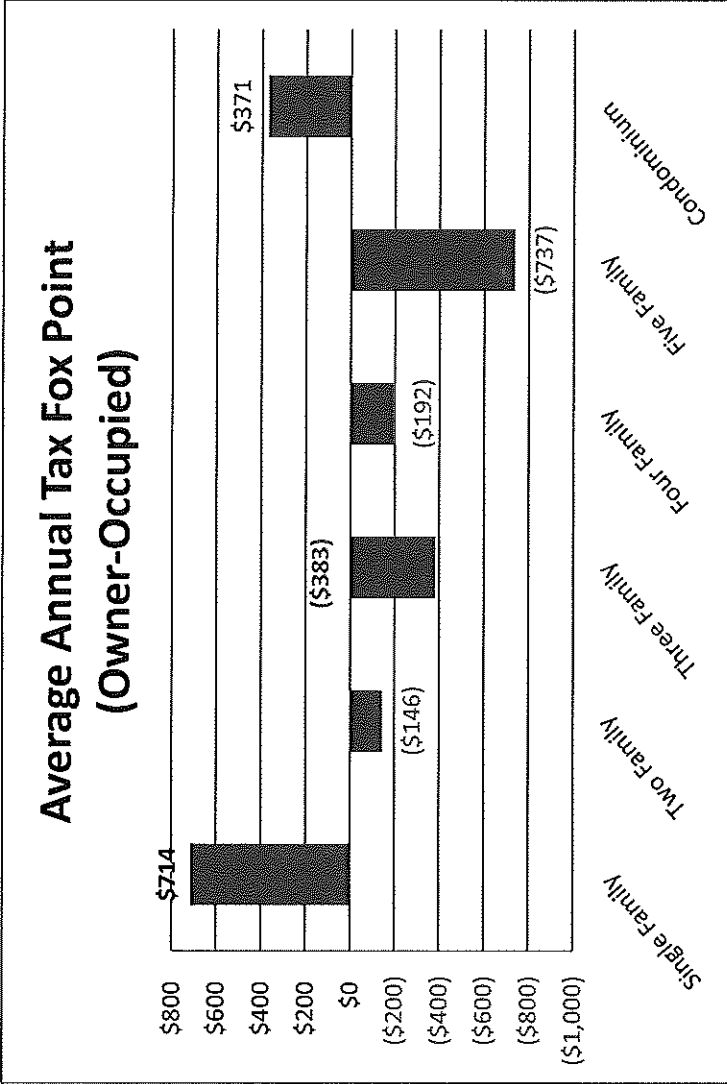
Owner-occupied Neighborhood	Current		Revaluation		Variance	
	Average Assessed Value (Current)	Annual Tax	Average Assessed Value (Revaluation)	Percentage Change of Valuation	Annual Tax Increase (\$)	Annual Tax Increase (%)
College Hill	<i>Rate/1000</i>	<i>\$15.95</i>			<i>\$19.50</i>	
	Single Family	\$736,276	\$12,074	-4.6%	\$13,690	13.39%
	Two Family	\$643,204	\$10,593	-15.6%	\$10,586	-0.06%
	Three Family	\$509,785	\$8,170	-15.7%	\$8,378	2.55%
	Four Family	\$769,544	\$12,854	-17.4%	\$12,400	-3.53%
	Five Family	\$765,600	\$12,650	-19.3%	\$12,045	-4.78%
	Condominium	\$325,940	\$5,210	-11.9%	\$5,600	7.48%



Owner-occupied	Current		Revaluation		Variance	
	Average Assessed Value (Current)	Annual Tax	Average Assessed Value (Revaluation)	Percentage Change of Valuation	Annual Tax Increase (\$)	Annual Tax Increase (%)
Downtown	<i>Rate/1000</i>	<i>\$15.95</i>			<i>\$19.50</i>	
	Single Family	\$512,517	\$489,322	-4.5%	\$9,542	16.72%
	Two Family	\$306,833	\$297,444	-3.1%	\$5,800	18.52%
	Three Family	\$180,771	\$154,586	-14.5%	\$3,014	4.55%
	Four Family	\$330,750	\$224,200	-32.2%	\$4,372	-17.13%
	Five Family	\$203,400	\$180,600	-11.2%	\$3,522	8.55%
	Condominium	\$344,082	\$316,254	-8.1%	\$6,167	11.40%



Owner-occupied Neighborhood	Current		Revaluation		Variance	
	Average Assessed Value (Current)	Annual Tax	Average Assessed Value (Revaluation)	Percentage Change of Valuation	Annual Tax Increase (\$)	Annual Tax Increase (%)
Fox Point	<i>Rate/1000</i>	<i>\$15.95</i>			<i>\$19.50</i>	
	Single Family	\$7,560	\$424,314	-9.3%	\$8,274	\$714 9.45%
	Two Family	\$6,648	\$333,458	-19.0%	\$6,502	(\$146) -2.19%
	Three Family	\$6,340	\$305,464	-23.1%	\$5,957	(\$383) -6.04%
	Four Family	\$7,227	\$360,781	-20.4%	\$7,035	(\$192) -2.66%
	Five Family	\$7,916	\$368,126	-25.8%	\$7,178	(\$737) -9.31%
	Condominium	\$3,963	\$222,279	-10.5%	\$4,334	\$371 9.36%



Owner-occupied Neighborhood	Current		Revaluation		Variance	
	Average Assessed Value (Current)	Annual Tax	Average Assessed Value (Revaluation)	Percentage Change of Valuation	Annual Tax Increase (\$)	Annual Tax Increase (%)
Wayland	<i>Rate/1000</i>	<i>\$15.95</i>			<i>\$19.50</i>	
	Single Family	\$534,322	\$518,195	-3.0%	\$1,484	17.21%
	Two Family	\$448,942	\$371,733	-17.2%	\$30	0.41%
	Three Family	\$434,529	\$339,653	-21.8%	(\$307)	-4.44%
	Four Family	\$497,825	\$401,056	-19.4%	(\$130)	-1.64%
	Five Family	\$493,006	\$374,233	-24.1%	(\$566)	-7.20%
Condominium	\$283,621	\$4,524	\$247,544	-12.7%	\$303	6.71%

