City of Columbia

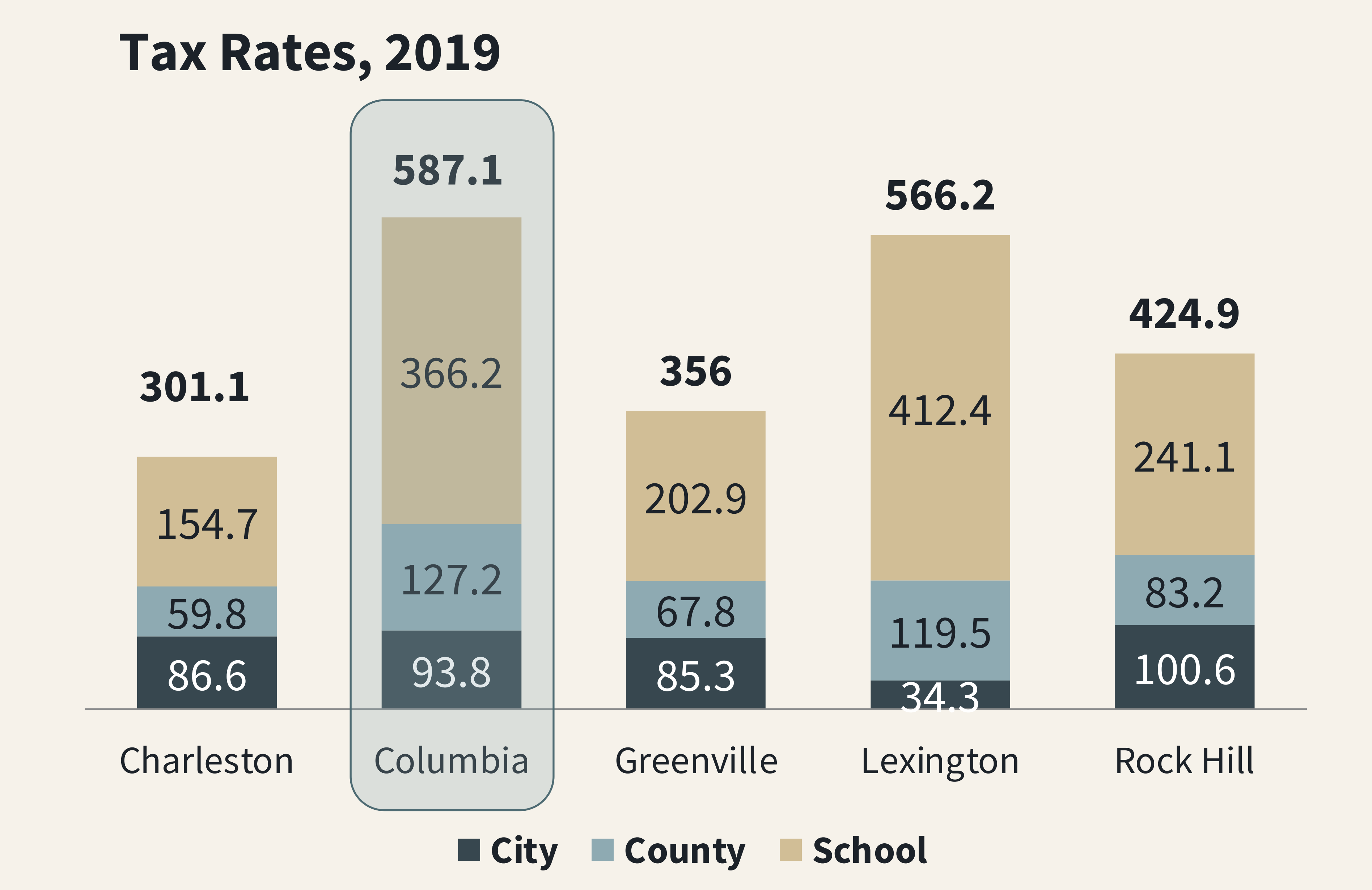
Property Tax Capacity Analysis

FINAL

June 2020

ACUITAS ECONOMICS

We Are Columbia



Introduction

Economic Growth

Since 2010, South Carolina has grown more rapidly than the nation. Its compounded annual GDP growth rate since 2010 is 8th fastest among states.* Columbia, has witnessed slower growth than other cities in SC.

Slow Development and High Taxes

Many local leaders lament the slower growth in Columbia. The excessively high combined property tax rates of the city, county and school districts have emerged to the forefront of the discussion of causes. This study examines this relationship between growth and property taxes.

*Gross domestic product (GDP) by state: All industry total (Compound annual growth rate between any two periods), 2010 – 2018. US Bureau of Economic Analysis. Online: https://www.bea.gov/data/gdp

Continuous Loop

The City of Columbia currently finds itself caught in a continuous loop of high property tax rates that lead to slower growth and poor property valuations. In turn, these result in smaller tax revenues, prompting leaders to increase tax rates, which further deters growth and depresses valuations.

High Tax Rates

Low Growth & Valuations

Lower Tax Revenues

Agenda

Causes

What is driving Columbia's property tax rate so high?

Effects

How does the high property tax rate affect the City?

Solutions

How can we lay the groundwork for Columbia's growth?

Causes

Why might Columbia’s property tax be so high?

Four Possible Causes…

…of high property tax rates within the City.

one

More Tax-Exempt Property

If the City has more tax-exempt property than other cities, it would require a higher tax rate on the remaining taxable property to generate the same level of revenues.

two

Lower Property Valuations

If property valuations in the City are lower than other municipalities, it would require higher tax rates to generate the same level of revenues.

three

Fewer Other Revenue Sources

If other revenue sources (ex.– sales tax, licenses, fees) are not used as much by the City as in other cities, it would require higher property tax rates to generate revenues.

four

Greater Spending Levels

If the City spends more than other municipalities, it would require higher revenue levels, likely in the form of higher property tax.

1

Does Columbia have more tax-exempt property?

2019 Tax-Exempt Property by Parcels, Value and Acreage

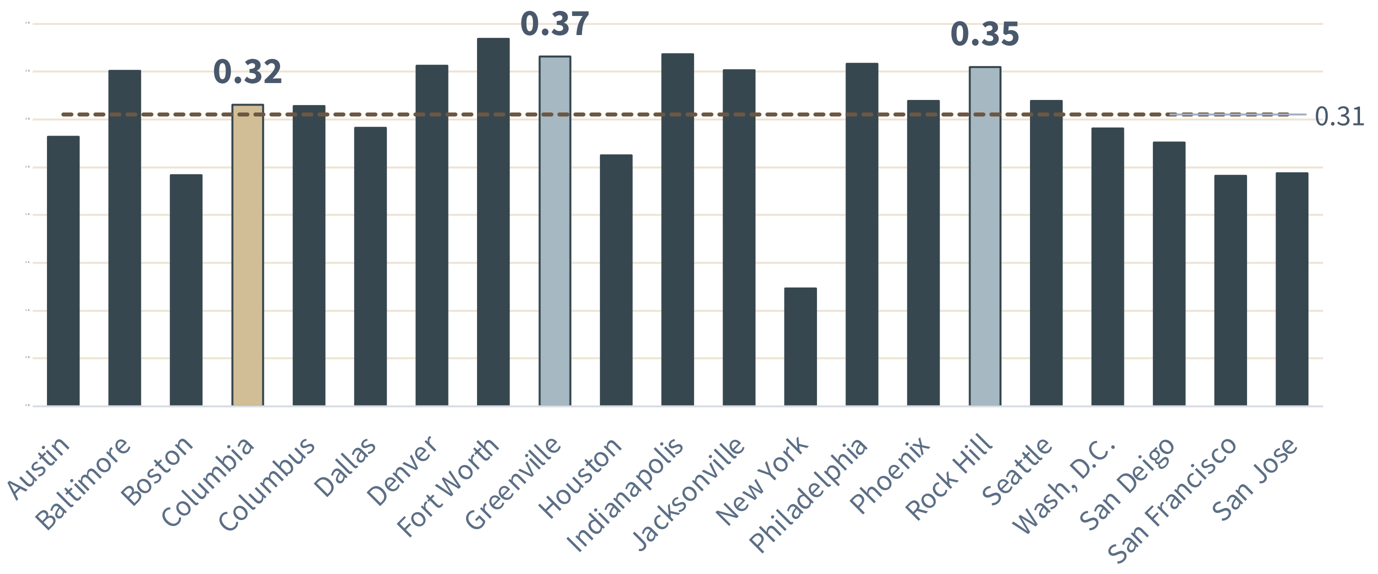
	Columbia	Greenville	Rock Hill
Fully Exempt **Parcels**	7.81%	7.22%	6.76%
Fully Exempt **Market Value**	24.51%*	7.67%*	N/A
Fully Exempt **Acreage**	35.10%**	25.83%	25.76%

Notes: *Under SC law, accurate valuation of exempt land is not required. Thus, values are not considered accurate for valuation purposes. **Does not include Fort Jackson, which accounts for 51,883 acres (or 62.9% of Columbia's area). Sources: Assessor's Offices of Richland , Greenville, and York County.

2012 Governing Study vs. South Carolina Cities

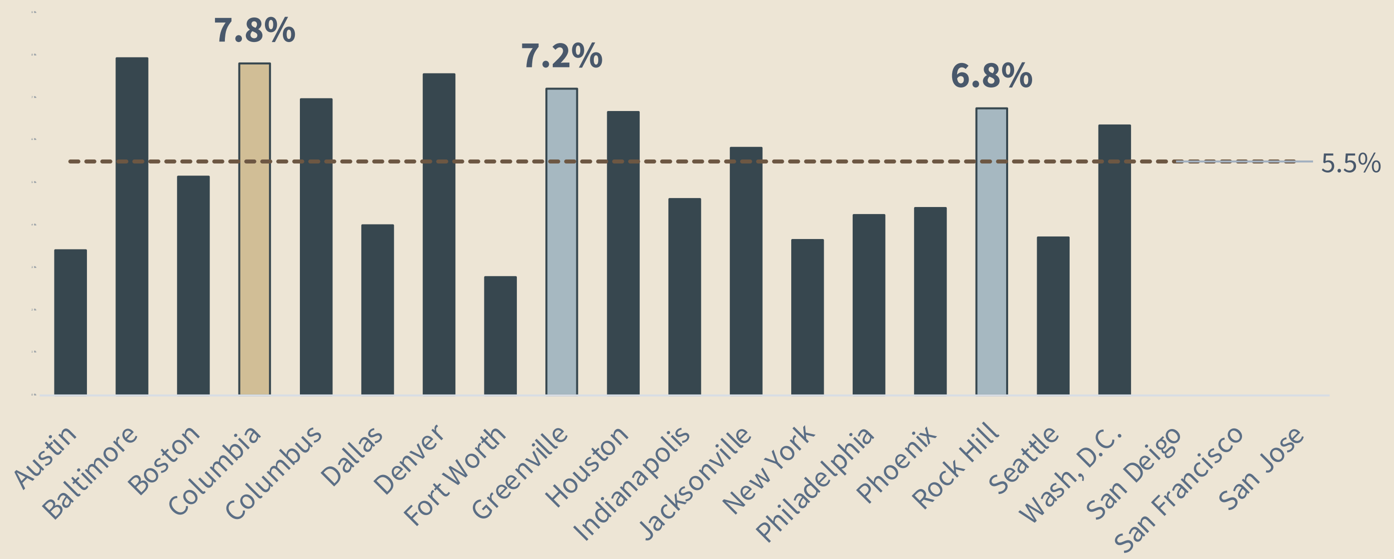
Taxable Parcels Per Capita

Columbia has ***slightly more taxable parcels*** per capita (0.32) than the city average of 0.31.



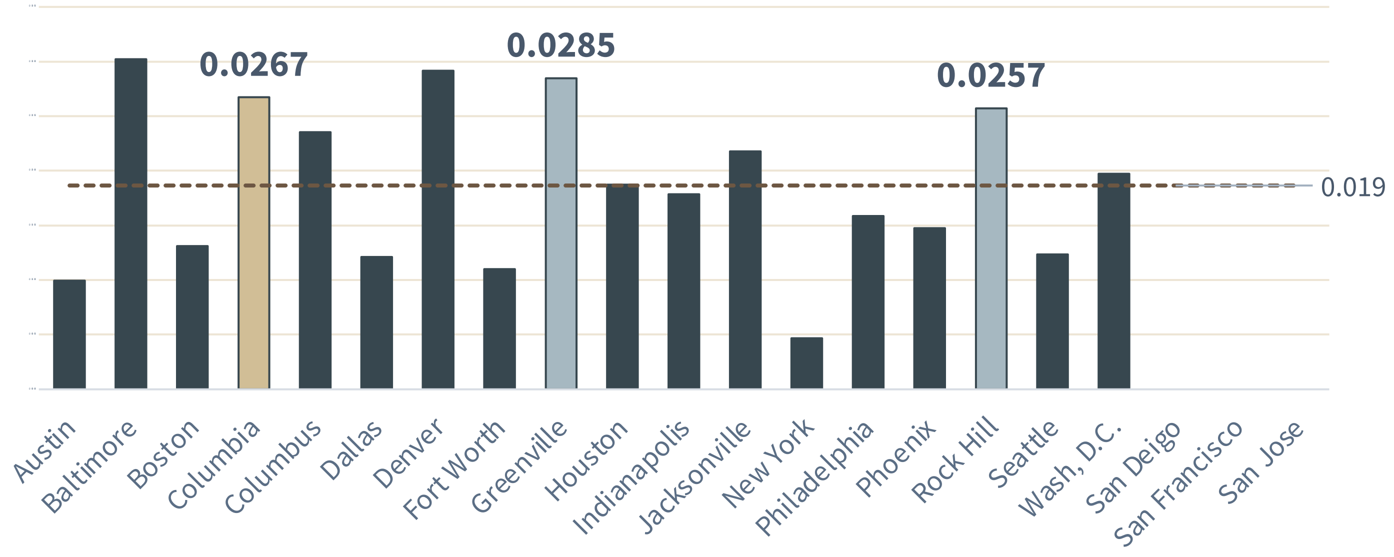
Exempt Parcels (Percentage of Total Parcels)

As a percentage of all real property, Columbia has ***more fully exempt parcels*** than the average of 5.5% across all cities.



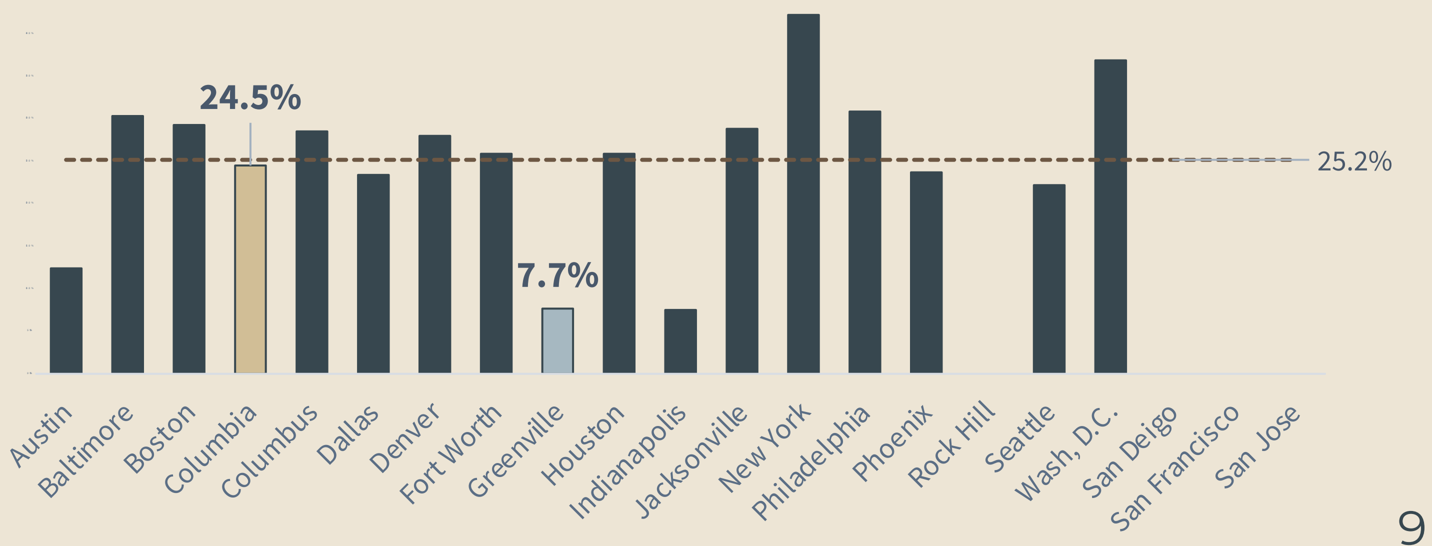
Exempt Parcels Per Capita

Columbia has ***significantly more fully exempt parcels*** at 0.0267 per capita, far above the average of 0.019 across all cities.



Exempt Value (Percentage of Total Value)

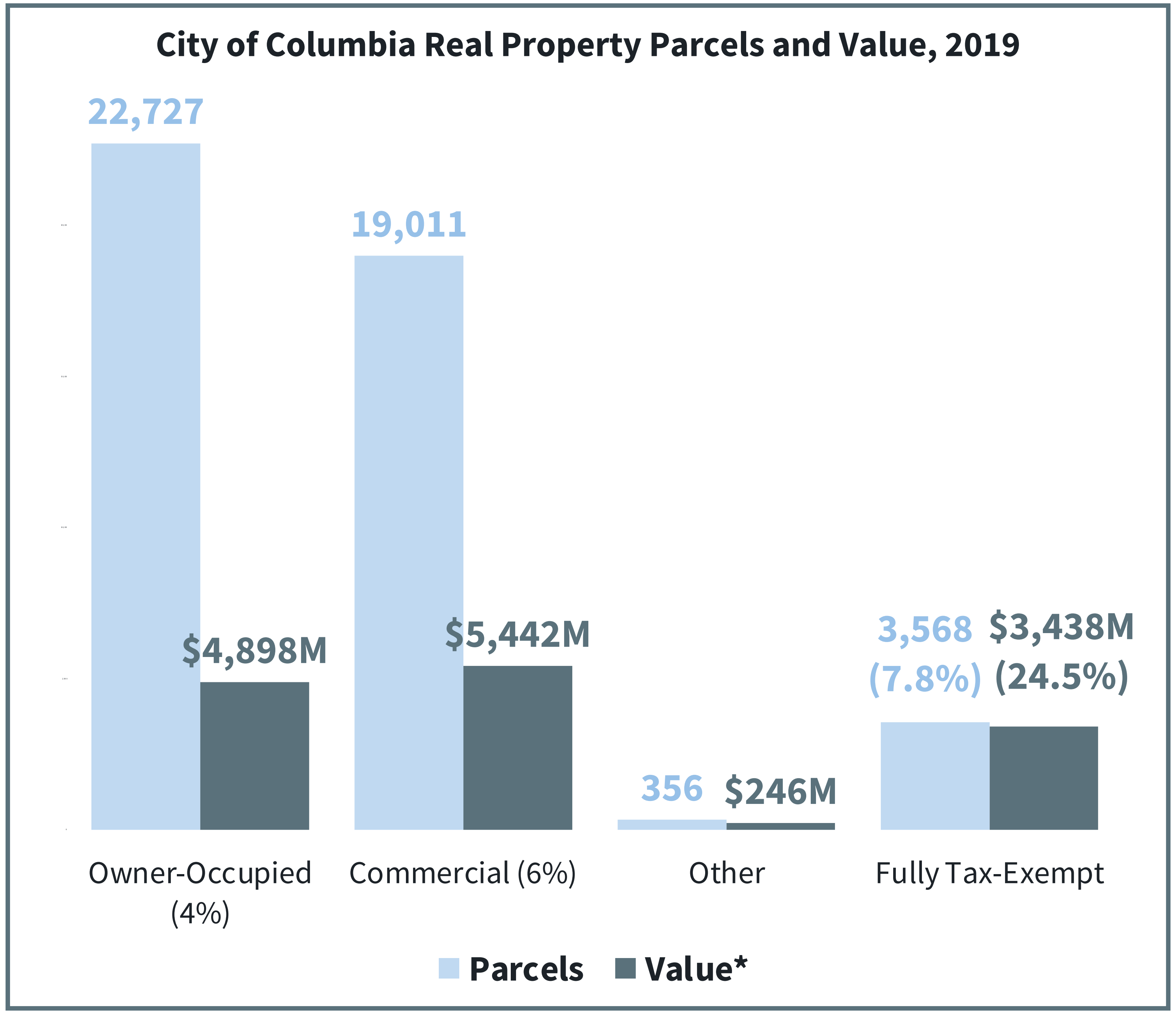
Columbia has ***slightly less than the average*** of 25.2% of FMV tied up in fully exempt parcels. SC does not require accurate valuation of exempt properties.



Sources: "Property Tax Exemption Data for U.S. Cities." Governing.com. From article dated November, 2012: "Tax-Exempt Properties Rise as Cities Cope with Shrinking Tax Bases." Online: https://www.governing.com/gov- data/finance/tax-exempt-property-values-totals-for-cities.html. 2019 data from assessor's Offices of Richland , Greenville, and York County.

An Overview of Tax-Exempt Properties in the City of Columbia

Within the Columbia city limits, 7.8% of parcels are fully tax-exempt. Records indicate this makes up 24.5% of market value, although these values are recognized as inaccurate, due to SC law not requiring exempt properties to be appraised. The City of Columbia and associated development corporations combined make up 638 of the fully exempt parcels (17.9%).



Tax-Exempt Entity	Parcels	Value*
City of Columbia	560	$223M
Colleges & Universities	358	$1,197M
Columbia Housing Auth	536	$80M
Development Corps	78	$9M
Hospitals	88	$266M
Individuals	534	$101M
Lexington County	4	$1M
Other Municipalities	1	$0M
Not for Profits	288	$131M
Other	57	$88M
Religious Organizations	771	$351M
Richland County	63	$117M
School Districts	62	$149M
Schools, Private	21	$13M
Special Purpose Entity	18	$35M
State of South Carolina	115	$597M
United States	14	$81M
Total	**3,568**	**$3,438M**

Notes: *Under SC law, accurate valuation of exempt land is not required. Thus, values are not considered accurate for valuation purposes. Sources: Assessor's Office of Richland County.

1. Columbia has slightly **more tax-exempt parcels** (both per capita and as a % of all parcels) among both SC and national cities. It also has **more tax-exempt acreage** among SC peers.

2. The City has **more taxable parcels** per capita among national cities, although it has **fewer** among SC peers. This may partially reflect Columbia's higher population density and/or lower home-ownership rate among SC peers.

3. Exempt properties, alone, are **not the primary force** (1) impacting the ability to raise revenues through property taxation or (2) driving the high tax rates faced by properties in the City.

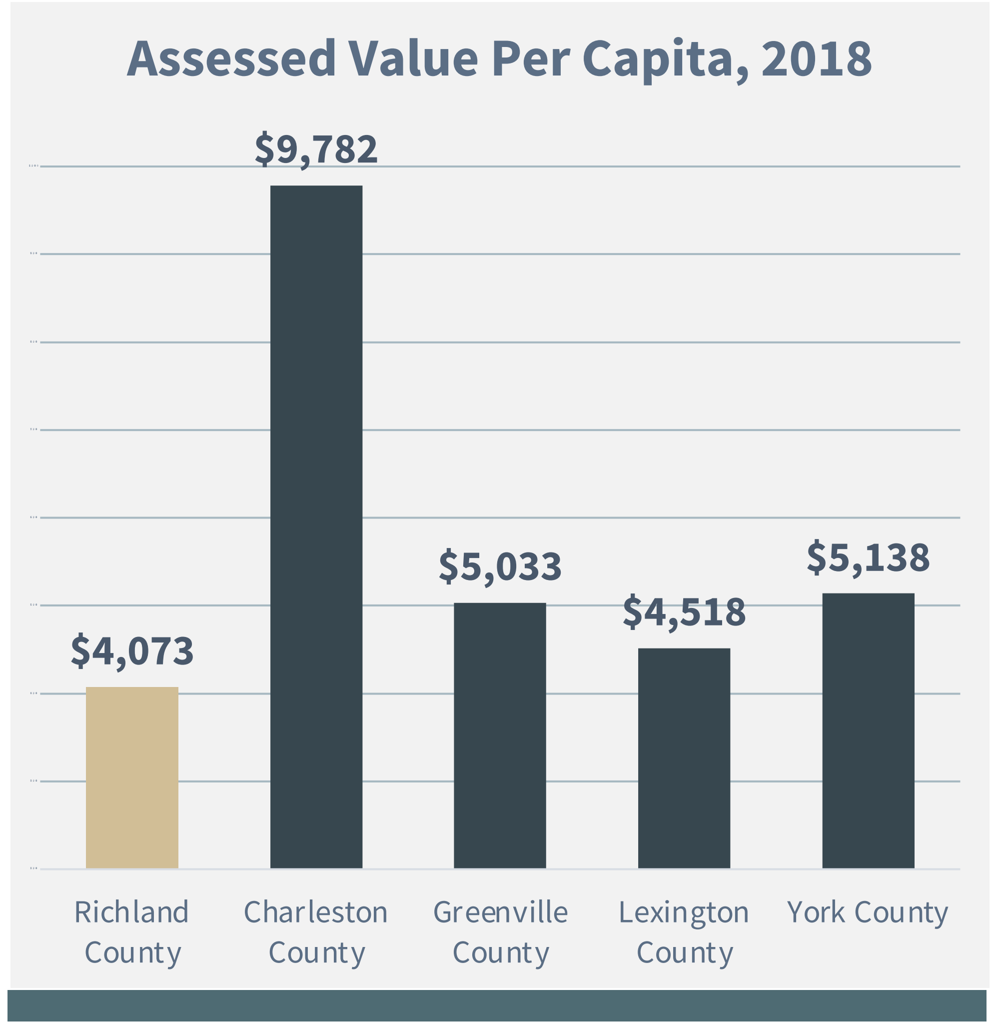
What is the impact of exempt properties?

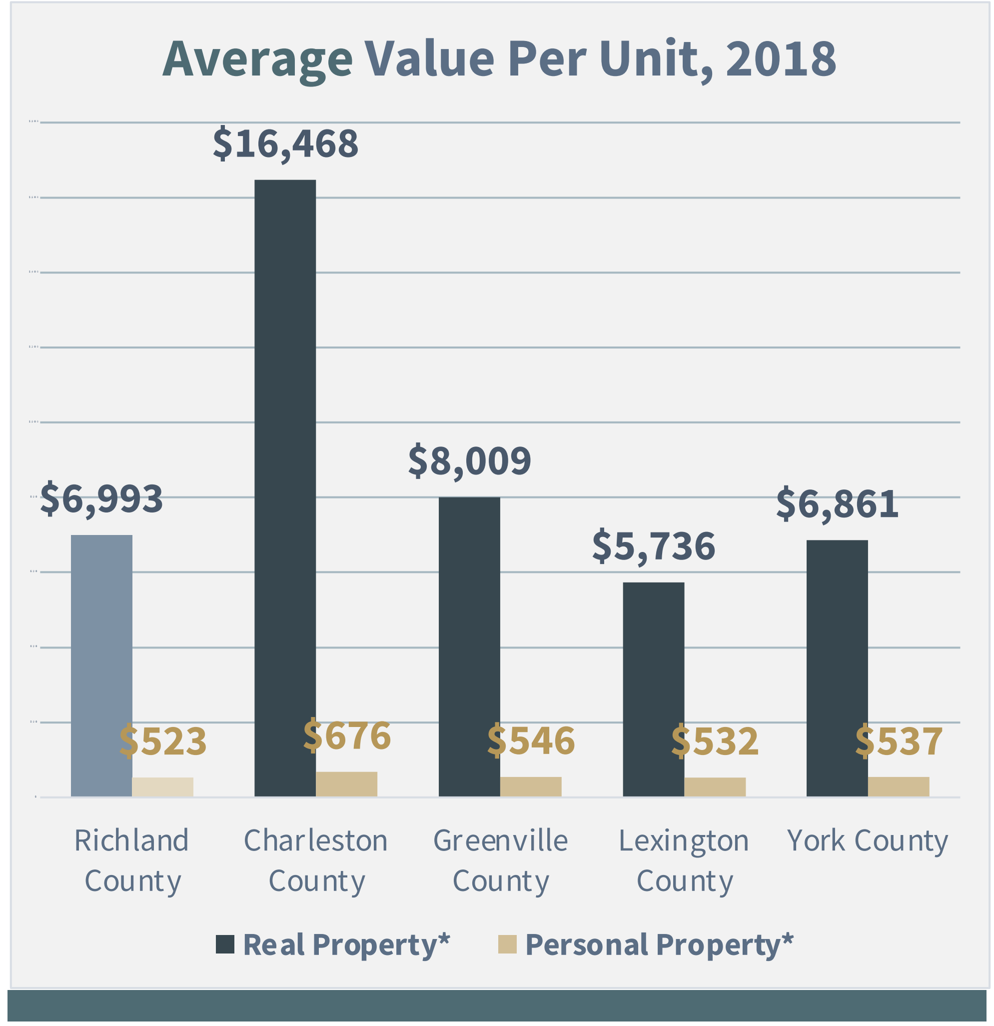
Tax-exempt entities are not necessarily a detriment to local tax revenues or its economy. Prisma Health is the largest employer in Columbia, with the University of South Carolina next, followed by many state agencies and Fort Jackson. In addition to providing jobs, they spur follow-on development that is taxable, such as private physician offices and outpatient facilities, student housing (those subject to the full tax rate), and government-related private industry. A detailed study of the economic impact would be required to understand by how much tax revenues from this additional private, taxable development offsets the untaxed property of the entity itself.

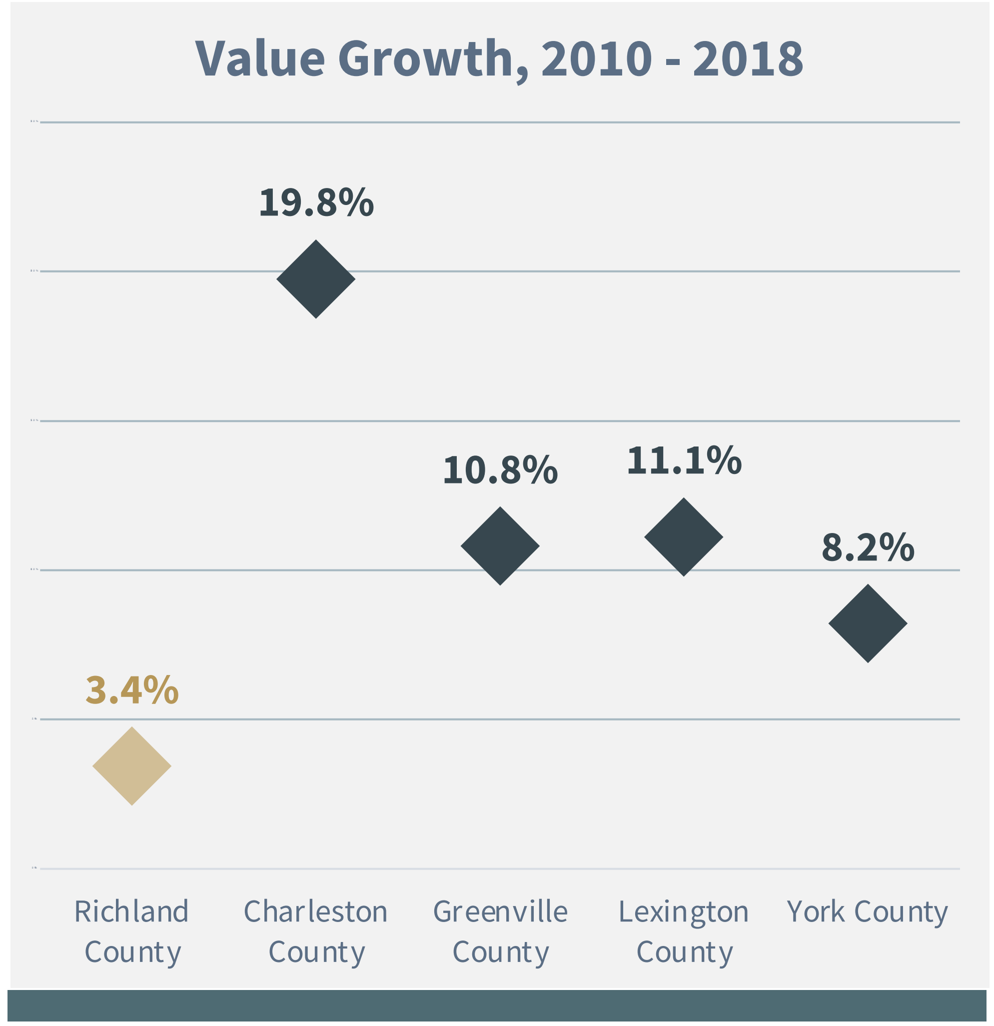
2

Does Columbia have lower property valuations?

Total property value is lower in Richland County, driven by lower average valuations and slower growth







Lower Total Value Per Capita

Richland County has the ***lowest value*** of total assessed property per person.

Lower Value Per Unit

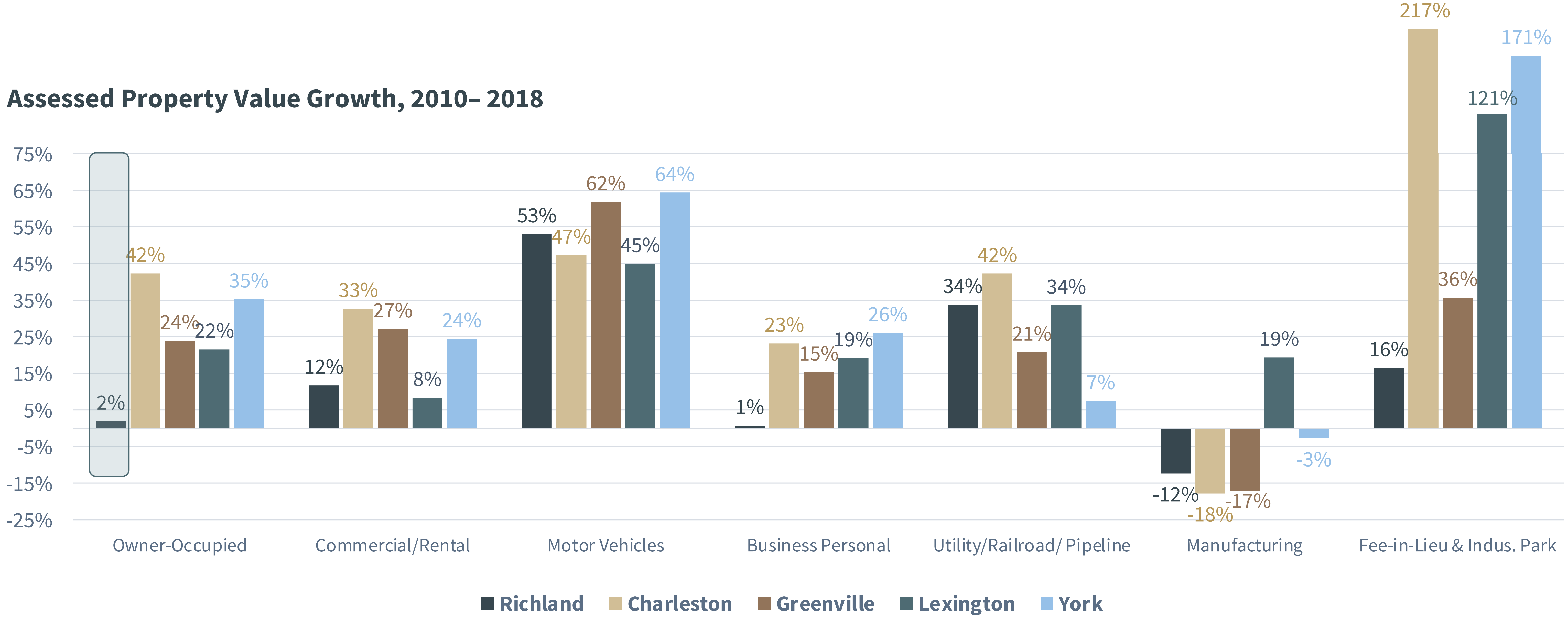
The average value of properties in Richland County is, generally, lower than peers.

Slower Growth in Value

The growth of assessed value has significant ***lagged*** peer counties.

*Real property units include owner-occupied, commercial/rental, and agricultural. Personal property units include motor vehicles, water and aircraft.
Source: School District Detailed Index of Taxpaying Ability dataset, Tax Years 2010 - 2018. (online: https://dor.sc.gov/lgs/reports-school-index).

Since 2010, Richland County property value growth has been slower across most property types



Except for Motor Vehicles and Utility, **Richland County lagged peer counties in assessed value growth across all property types**. 4 of 5 counties had declines in manufacturing value, partially due to the rapid growth in Fee-in-Lieu and Industrial Park value, as entities increasingly use the tax-advantaged designation.

Source: School District Detailed Index of Taxpaying Ability dataset, Tax Years 2010 - 2018. (online: https://dor.sc.gov/lgs/reports-school-index).

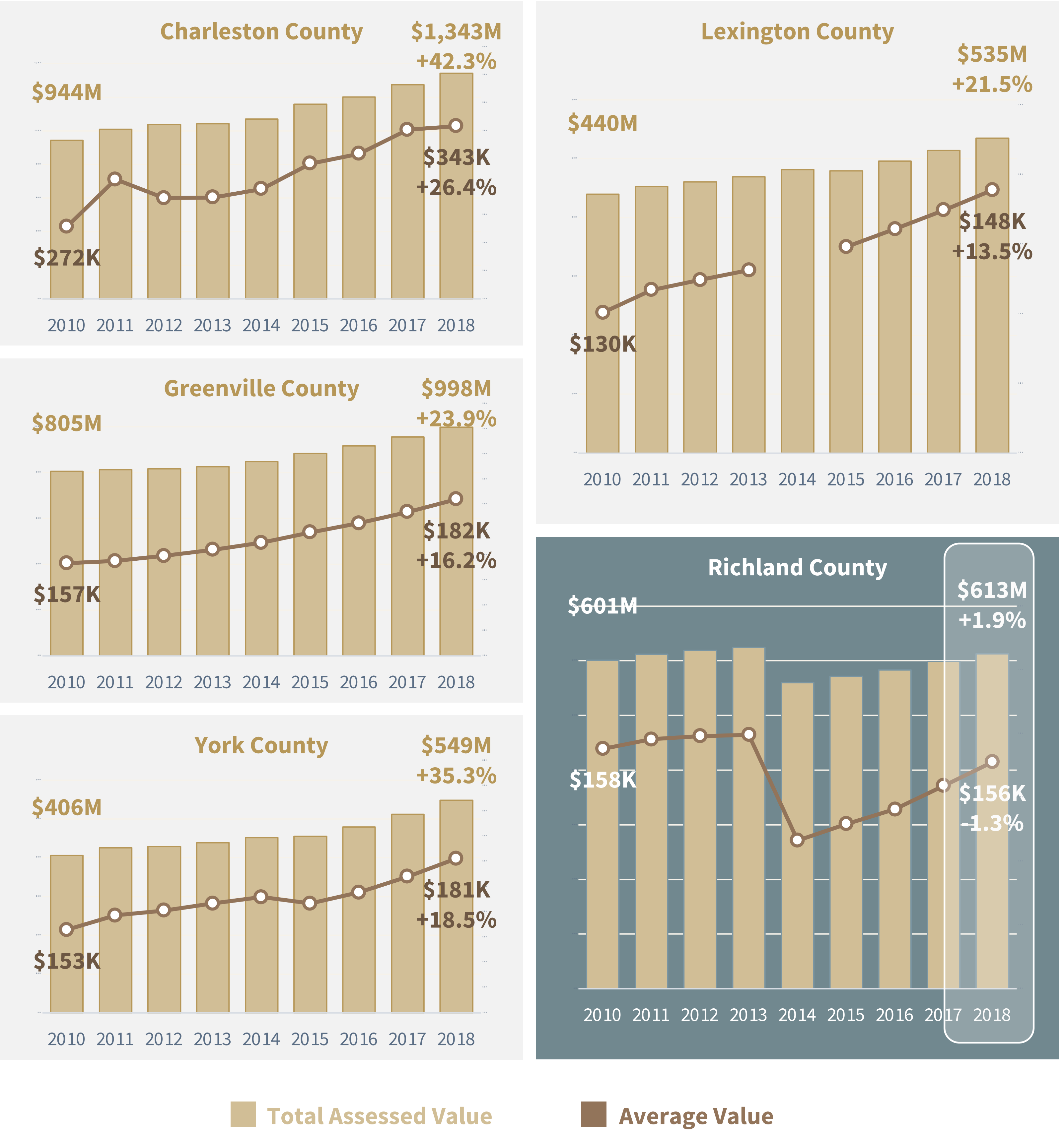
Richland County
Owner-Occupied Parcels

Units

County	Total Units	Growth Since 2010	
	2018	#	%
Richland County	98,459	+3,094	**3.2%**
Richland District 1	*43,824*	*-1,848*	*-4.0%*
Richland District 2	*39,055*	*+3,354*	*9.4%*
Lexington District 5	*15,580*	*+1,588*	*11.3%*
Charleston County	97,788	+10,887	**12.5%**
Greenville County	136,978	+8,558	**6.7%**
Lexington County	90,426	+5,962	**7.1%**
York County	75,695	+9,392	**14.2%**

Richland County experienced substantially lower growth in housing units than all its peer counties. Richland District 1 actually saw a ***decline in units, losing 1,848 owner-occupied parcels*** from the tax rolls between 2010 and 2018, as they were either converted to rental properties or absorbed by a non-profit entity (i.e.- CHA). The slow growth in housing units combined with the decrease in average valuation, left the county with just 1.9% growth in assessed value over the period, a ***decline of 11.5% when accounting for inflation***.

Values



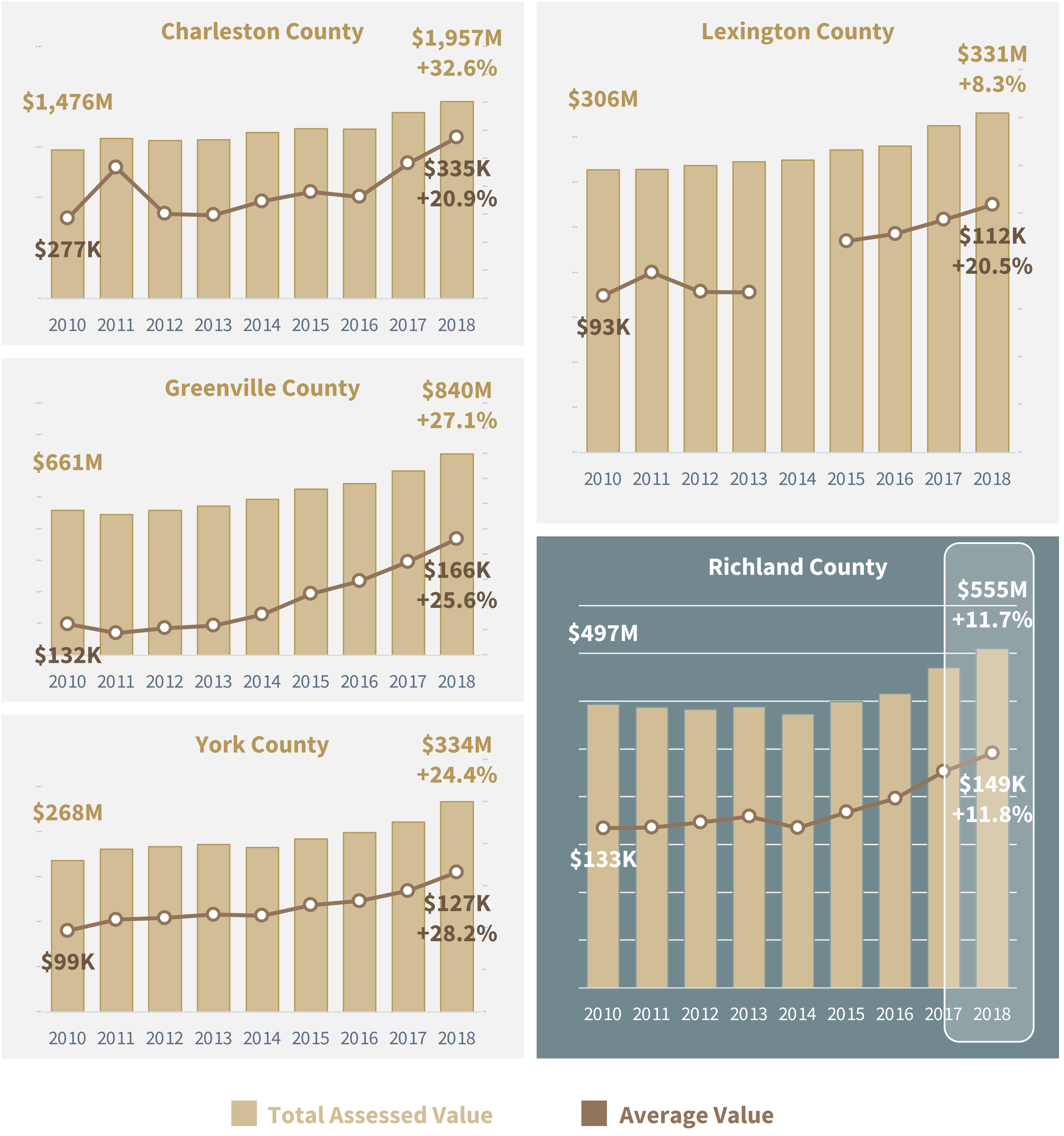
Richland County
Commercial/Rental Parcels

Units

County	Total Units	Growth Since 2010	
	2018	#	%
Richland County	62,049	-33	**-0.1%**
Richland District 1	*40,461*	*+628*	*1.6%*
Richland District 2	*16,997*	*-693*	*-3.9%*
Lexington District 5	*4,591*	*+32*	*0.7%*
Charleston County	97,327	+8,641	**9.7%**
Greenville County	84,191	+1,018	**1.2%**
Lexington County	49,323	-5,571	**-10.1%**
York County	43,937	-1,342	**-3.0%**

The number of commercial, rental, second home and other parcels declined in all counties since 2010 except Charleston and Greenville. In Richland County, the decline was entirely due to the ***reduction in parcels from the tax rolls in Richland District 2***, as they either converted to owner-occupied parcels or generally failed to grow. Units in Richland 1 and Lexington 5 both grew, albeit at low rates. Growth in average value per parcel in Richland County also lagged, only growing 11.8% versus over 20% for all other areas.

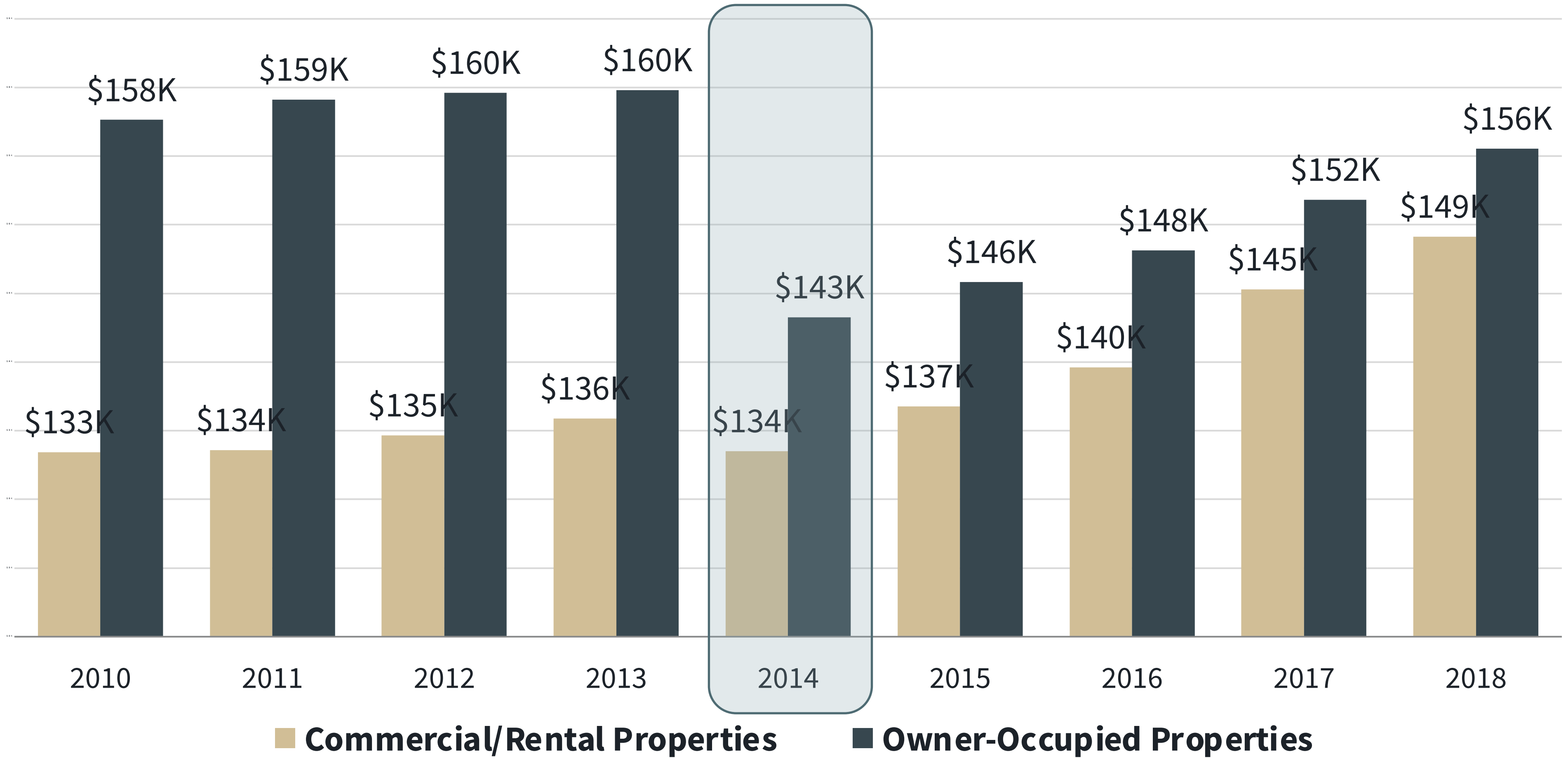
Values



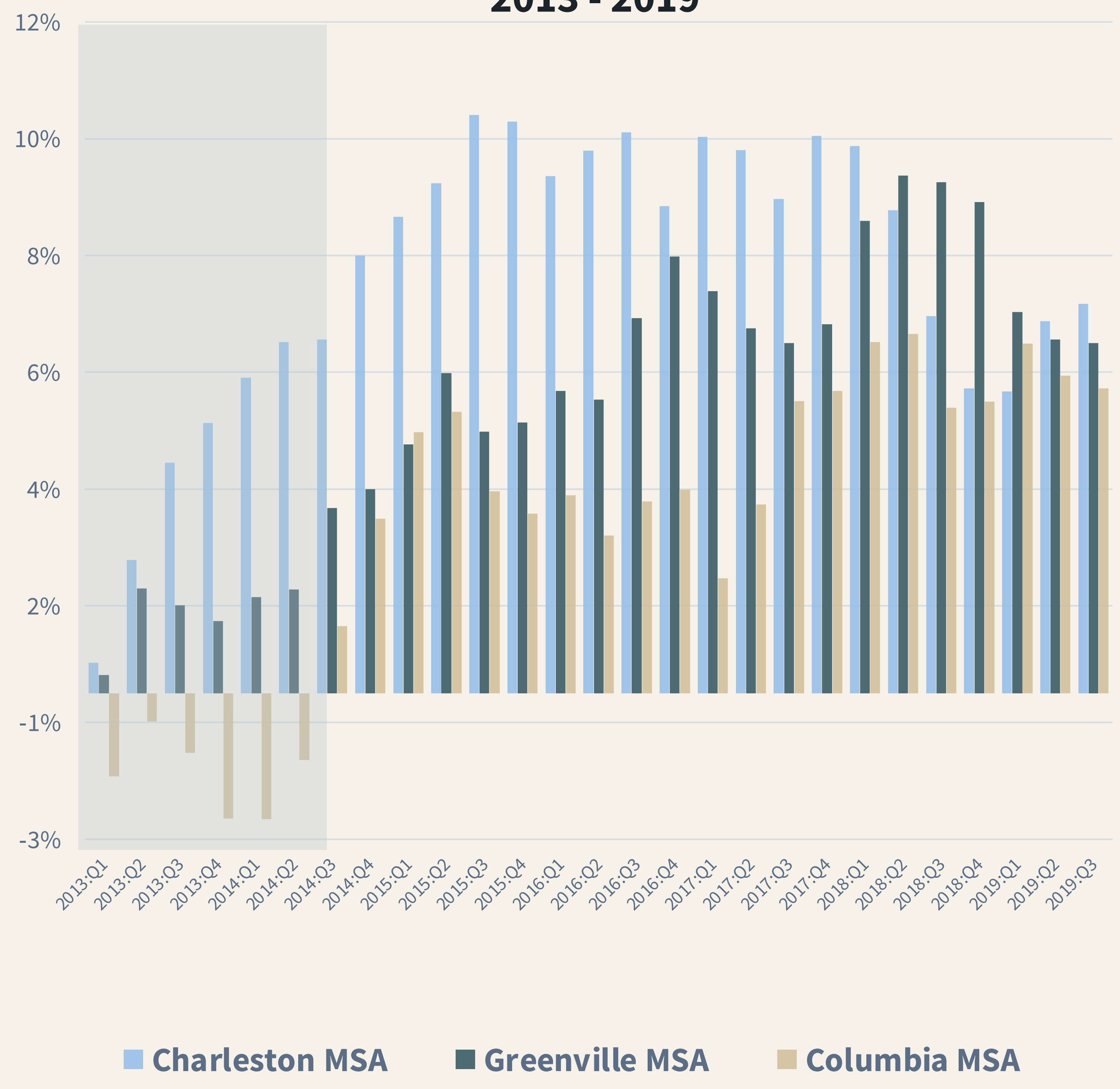
Act 388 Depresses Valuations & Drives Higher Tax Rates

Richland County's 2014 property reassessment was an unfortunate product of poor timing in a bad economy. The Columbia MSA lagged both Greenville and Charleston MSAs in home price rebound coming out of the Great Recession, yet reappraised property a year early than the other two. This timing, combined with Act 388's 15% valuation increase limit, resulted in overall valuation reductions and the county **not being able to capture the real estate price rebound** once it did arrive. Further, it requires **higher tax rates** to make up for lost revenue due to depressed appraisals.

Richland County Average Property Valuations, 2010-18



YoY Growth in Home Price Index by Metropolitan Statistical Area (MSA), 2013 - 2019

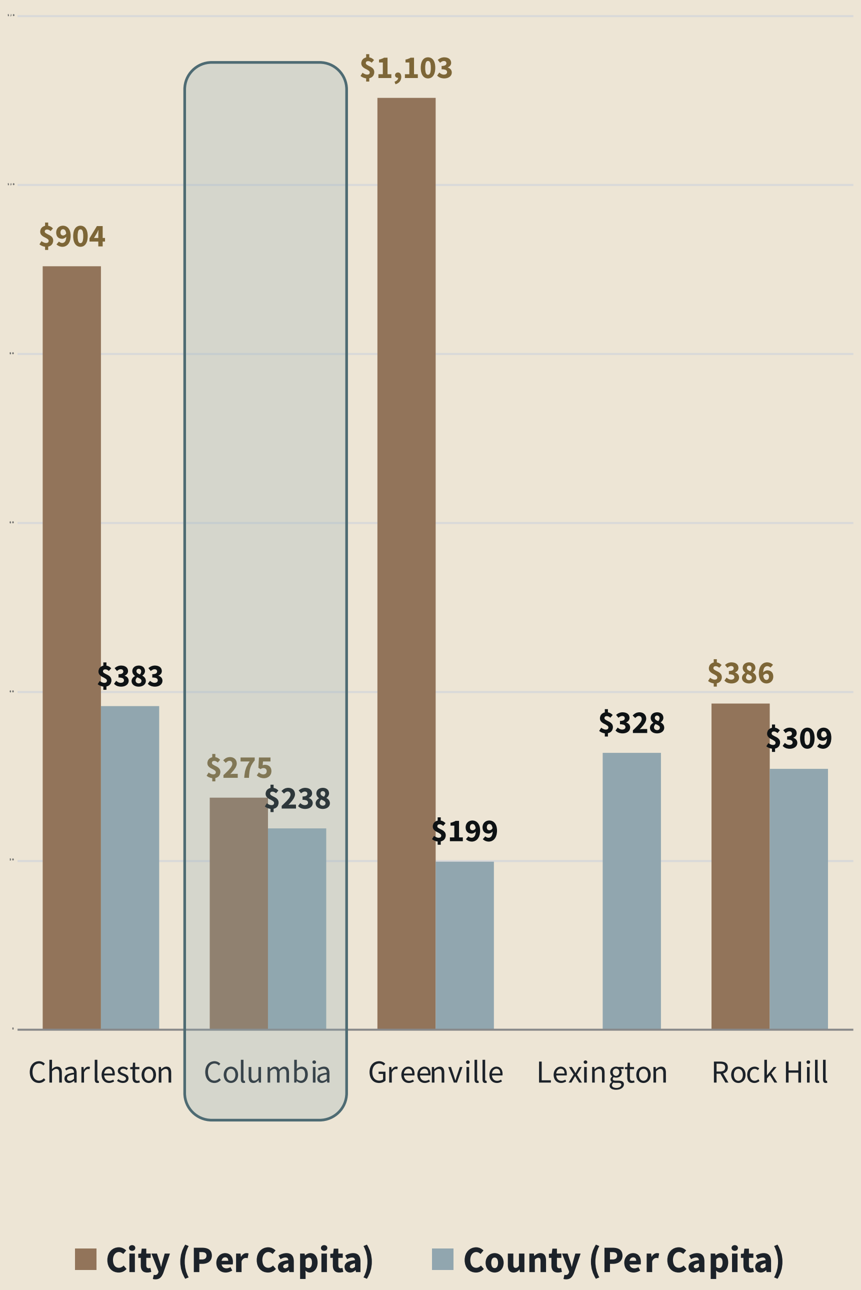


Source: School District Detailed Index of Taxpaying Ability dataset, Tax Years 2010 - 2018. (online: https://dor.sc.gov/lgs/reports-school-index). U.S. Federal Housing Finance Agency, All-Transactions House Price Index for South Carolina.

3

Does Columbia rely on fewer other revenues?

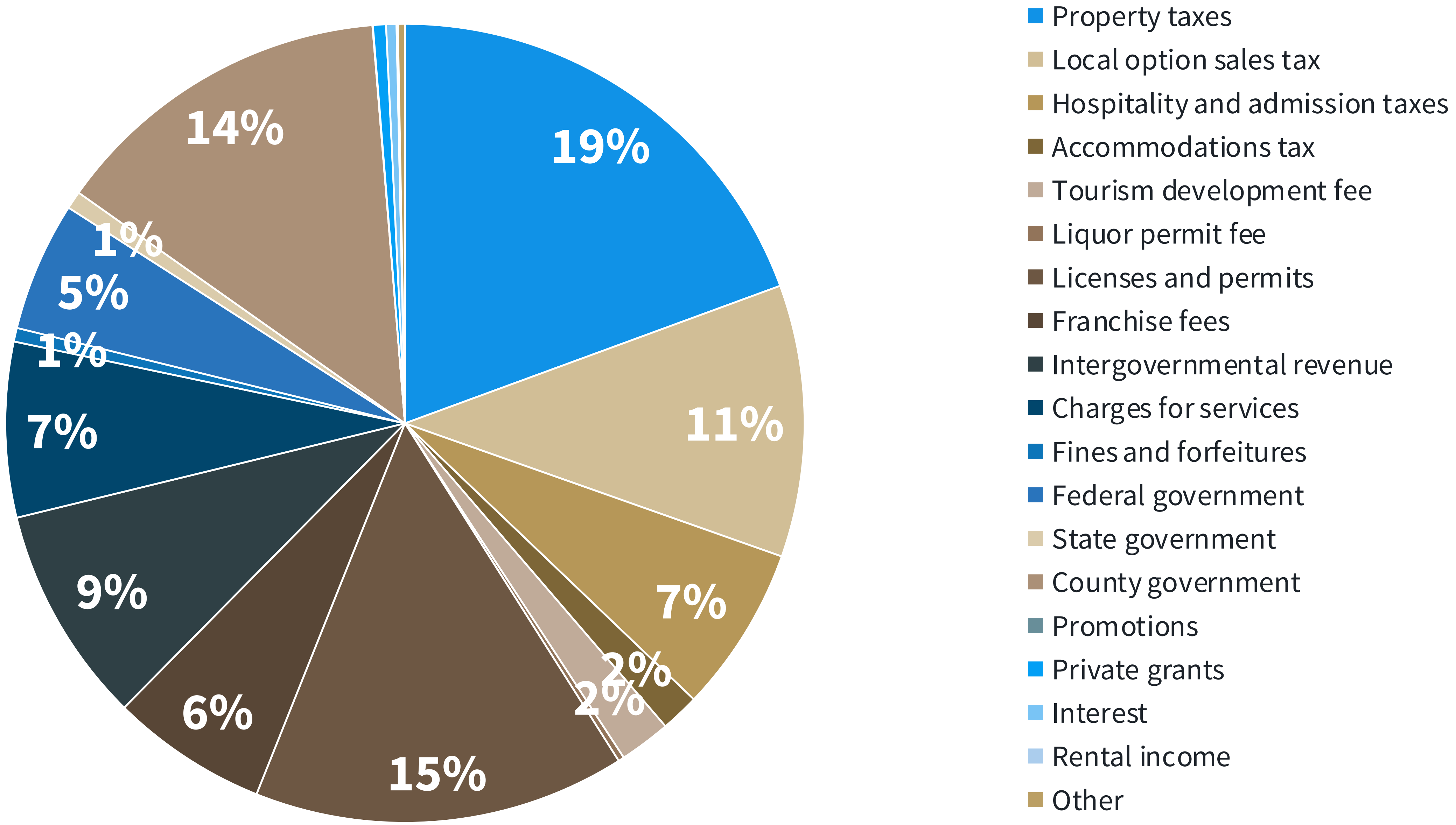
Per Capita Property Tax Revenues by Entity, FY 2019



Lower property tax revenues drive higher alternative revenue sources

The City of Columbia and Richland County **raise less per capita from property taxes**. In FY2019, the City collected $275 per capita from property tax versus Charleston ($904), Greenville ($1,103) and Rock Hill ($386).

City of Columbia Revenues by Source, FY2019



Sources: City of Columbia Comprehensive Annual Financial Report, 2019. (https://www.columbiasc.net/financial-reporting/cafrs)

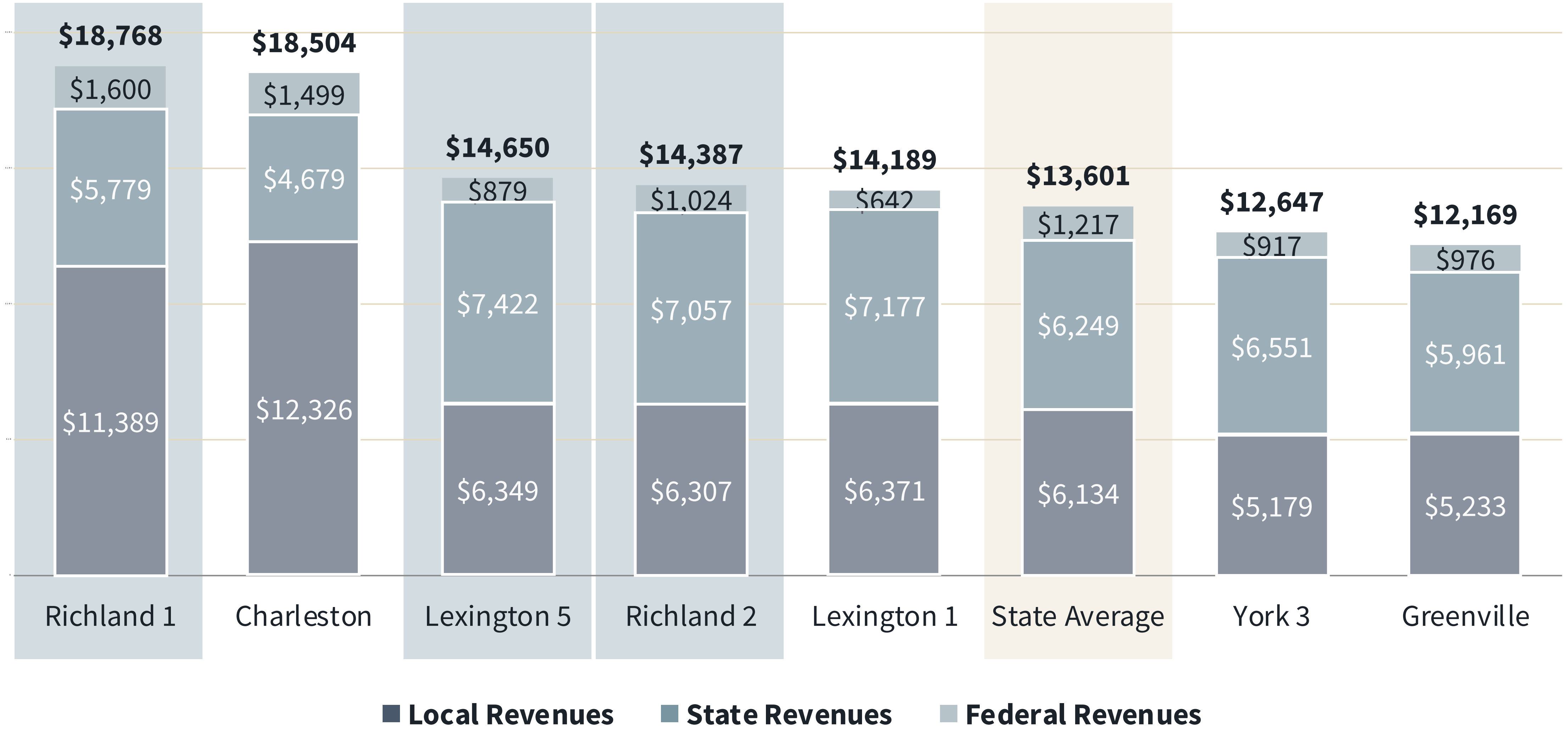
4

Does Columbia spend more than other cities?

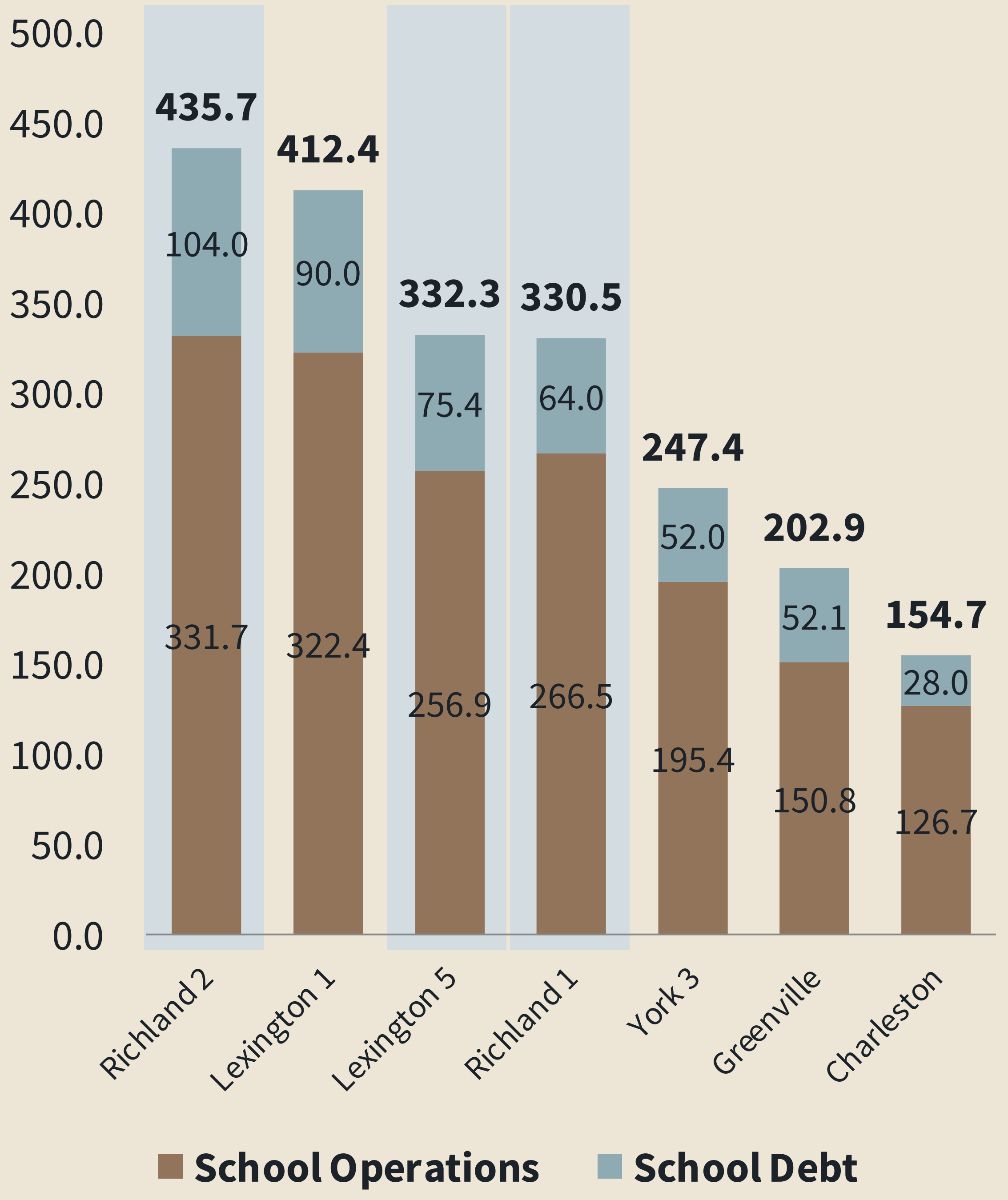
School revenues per capita exceed peers and state average, driving higher tax rates

The three school districts within the City of Columbia tend to raise **higher levels of revenues per pupil** than peer districts, except Charleston, and the state average. In particular, Richland 1 raises a **higher level of local revenues** via property taxes. Higher revenues, combined with lower property values, drive Midlands school district tax millage rates higher.

Per Pupil Revenues, 2018-19



School District Tax Millage Rates, 2019



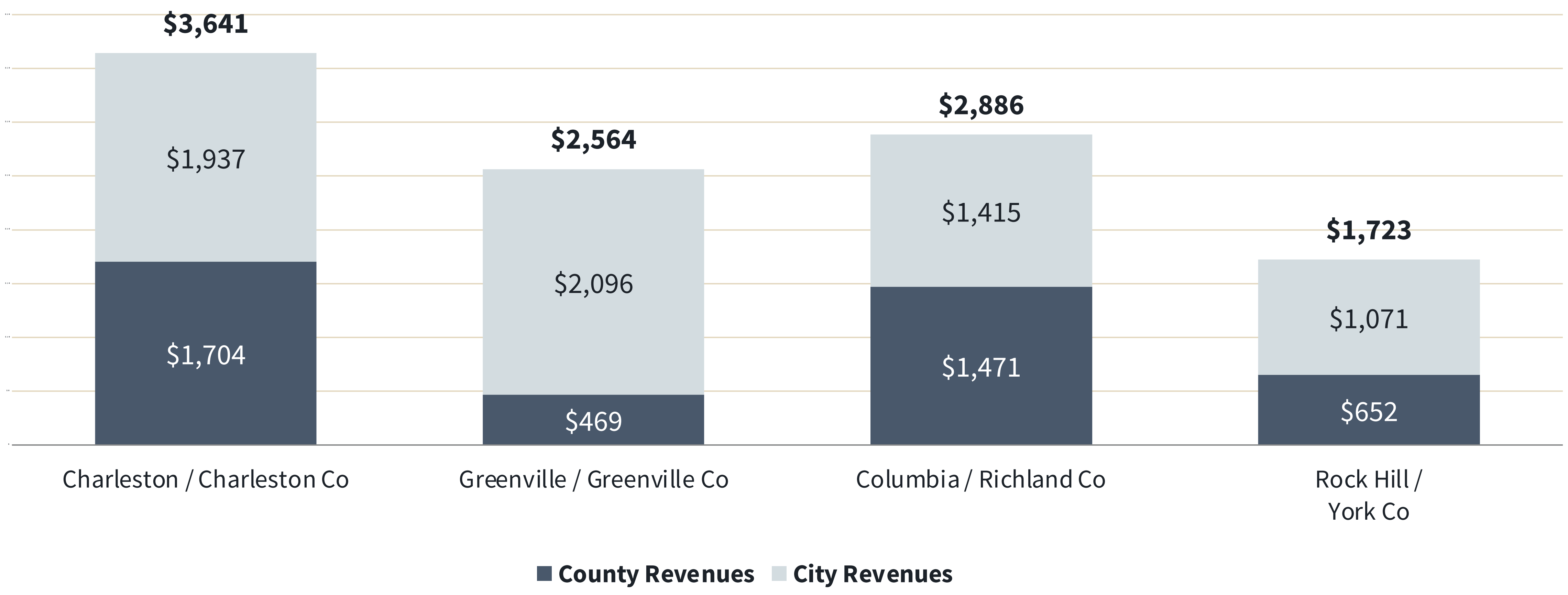
Source: "Revenue Per Pupil Report by School District for 2019-20 Excluding Bond Revenue." South Carolina Revenue and Fiscal Affairs Office (RFA). Revised 9/30/19.

> Municipalities, counties and special purpose districts operate together, providing services in concert to residents. Thus, revenue and spending must be evaluated across all entities combined, as the manner in which each provides services is structured differently across regions.

Columbia & Richland revenues per capita combined versus other city/county pairs

Combined, Columbia and Richland net slightly higher levels of revenues per capita than other city/county peers except Charleston. Of note, while Richland County has fairly consistently used bond revenue throughout 2010 to 2018, bond issuance was particularly high in 2018, sending overall revenues upward.

Per Capita Revenues, City and County Combined, FY2019



Source: City data from individual Comprehensive Annual Financial Report, 2019. Counties from FY 2018 Local Government Finance Report: Fiscal Years 2009-10 to 2017-8. South Carolina Revenue and Fiscal Affairs Office (RFA). November 2019. (Online: http://rfa.sc.gov/econ/localgovt)

City & County Millage Rates, 2019

	City of Columbia	City of Charleston	City of Greenville	Town of Lexington	City of Rock Hill
Municipal*	**93.8**	**86.6**	**85.3**	**34.29**	**100.6**
County**	**127.15**	**59.8**	**67.8**	**119.503**	**83.5**
General Operations	**86.55**	**44.7**	**48.1**	**87.868**	**59.1**
County Operations***	59.9	44.7	46.3	25.274	29.2
Landfill / Solid Waste	3.4		1.8	7.877	
Law Enforcement / Sheriff				34.354	26.1
Fire & Fire Bonds	22.75			20.363	
Neighborhood Redevelopment	0.5				
Solicitor					3.8
Bonds, Debt & Capital Expenditures	**13.5**	**6.1**	**1.4**	**3.8**	**13.3**
County Bonds	10	6.1	1.2	3.8	10.4
Certificates of Participation			0.2		
Capital Projects Reserve Fund					2.9
Capital Replacement	3.5				
Technical Colleges	**5.7**	**2.9**	**5.3**	**4.353**	**3.7**
Technical College Operations	5.7	1.9	5.3	2.956	3.7
Technical College Bonds		1		1.397	
Cultural & Recreation	**20.1**	**6.1**	**10.6**	**22.982**	**7.4**
Library	17.2		8.5	6.18	4.8
Art Museum			1.6		
Greenville Memorial Auditorium			0.5		
Riverbanks Zoo & Zoo Bonds	2.4			1.0	
Park & Recreation Commission Operating		4.3		12.202	
Park & Recreation Commission Bonds		1.8		3.6	
Cultural & Heritage Commission					2.6
Conservation Commission	0.5				
Health	**1.3**	**0.0**	**2.4**	**0.5**	**0.0**
Mental Health	1.3				
Indigent Care				0.5	
Charity Hopitalization			2.4		
Grand Total	**220.95**	**146.4**	**153.1**	**153.8**	**184.1**

Sources: Individual County Millage Reports. SC Association of Counties Property Tax Rates Report, 2019. Notes: *Rock Hill has a special landscape levy for a portion of its district. **Includes all county-level millages levied within city limits. It is not included in the grand total. ***General county operations vary across counties. Some include specific services (fire, law, etc.) separately. Includes an additional 4.7 mills reported on the 2019 Greenville County Millage Sheet but not in the SC Association of Counties Property Tax Report.

Continuous Loop

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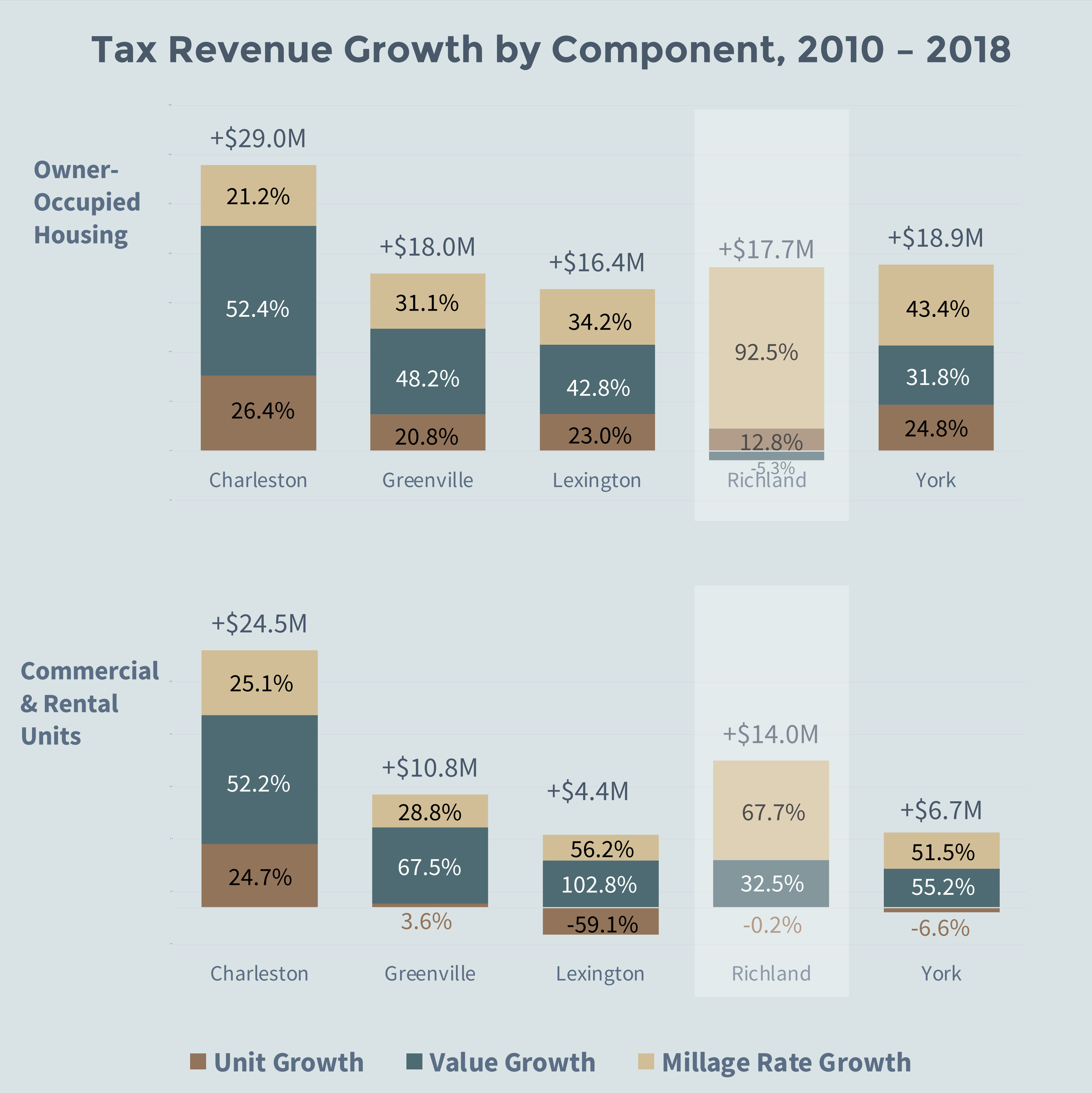
High Tax Rates

Low Growth & Valuations

Lower Tax Revenues



Source: Author's calculations based on School District Detailed Index of Taxpaying Ability dataset, Tax Years 2010 - 2018. (online: https://dor.sc.gov/lgs/reports-school-index).

The Continuous Loop Played Out

Tax revenue increases result from one of three factors:

1. **Increase in housing/commercial units**
2. **Increase in average value per unit**
3. **Increase in tax (millage) rates.**

Due to Richland County's relatively stagnant unit growth and average valuation, the percentage of tax revenue growth attributable to tax rate increases was:

- **92.5%** for owner-occupied housing
- **67.7%** for commercial and rental properties.

Property Tax Rate Growth

By Taxing Entity, 2010 - 2019

Municipalities

City	Millage Rate		
	2010	2019	Growth
Columbia	**98.1**	**93.8**	**-4.4%**
Charleston	79.1	86.6	9.5%
Greenville	85.4	85.3	-0.1%
Lexington	35.14	34.29	-2.4%
Rock Hill	102.6	100.6	-1.9%

Counties

County	Millage Rate		
	2010	2019	Growth
Richland	**102.8**	**127.15**	**23.7%**
Charleston	54.4	59.8	9.9%
Greenville	61.2	67.8	10.8%
Lexington	107.98	119.50	10.7%
York	66	83.5	26.5%

School Districts

School	Millage Rate		
	2010	2019	Growth
Richland 1	**288.4**	**330.5**	**14.6%**
Richland 2	**343.3**	**435.7**	**26.9%**
Charleston	126.6	154.7	22.2%
Greenville	157.8	202.9	28.6%
Lexington 1	326.7	412.4	26.2%
York 3	223.4	247.4	10.7%

Effects

How do high property taxes impact the region?

Population

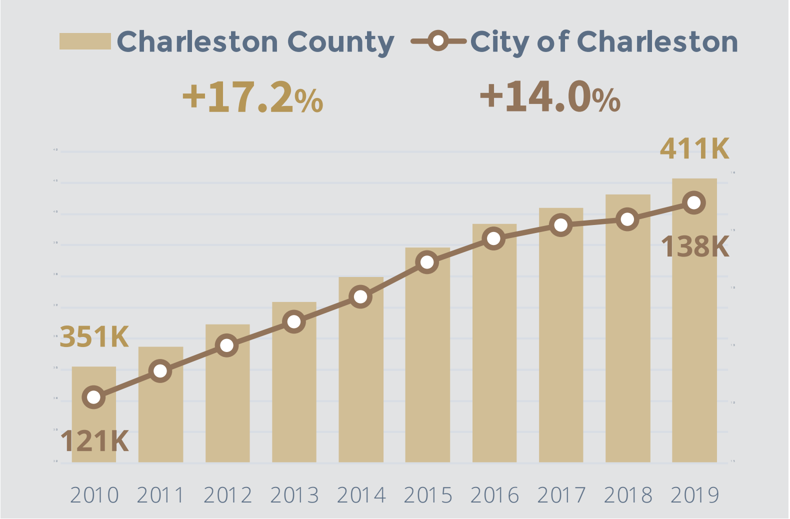
Slower Growth, 2010 - 2018

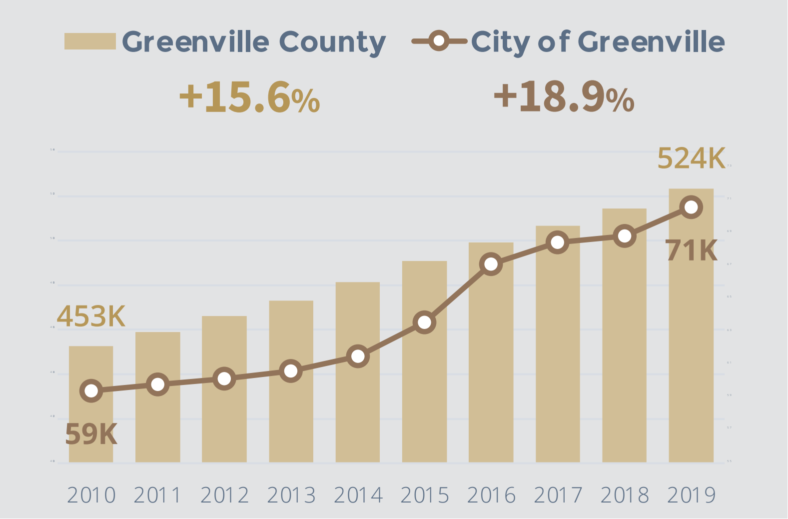
★ City of Columbia

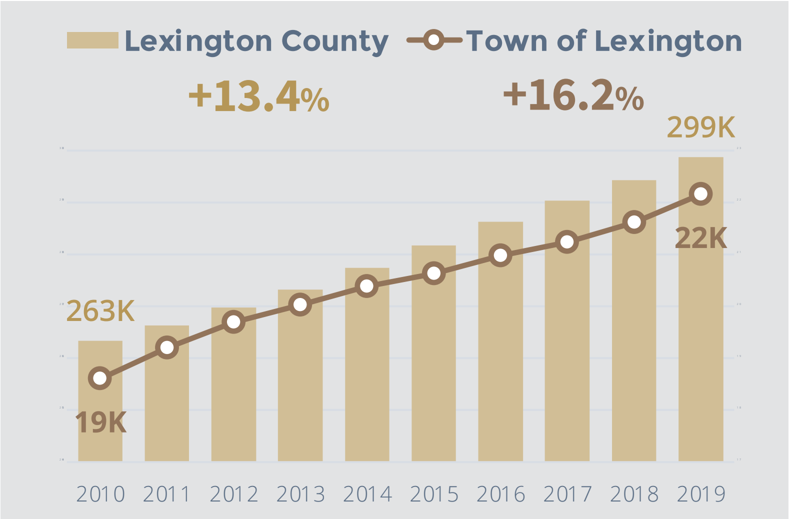
Columbia is the second largest city in South Carolina, behind Charleston. Its population has grown slower, however, than comparison cities, having experienced a more recent **decline beginning in 2016**.

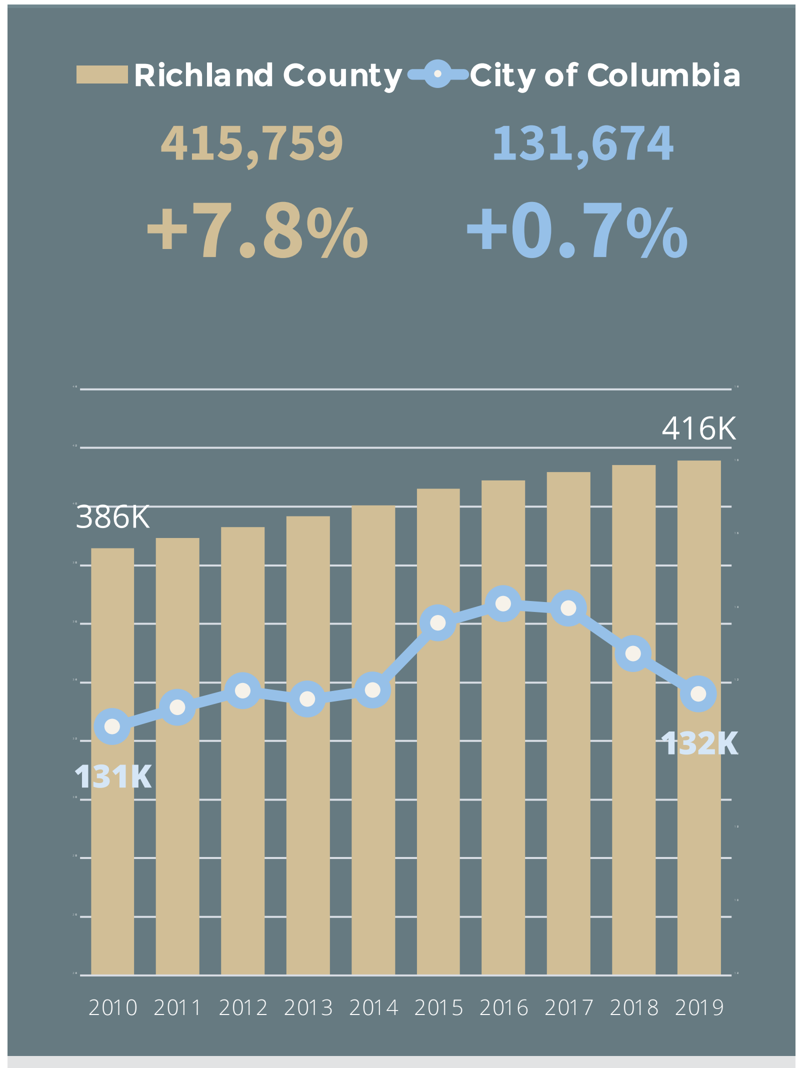
★ Richland County

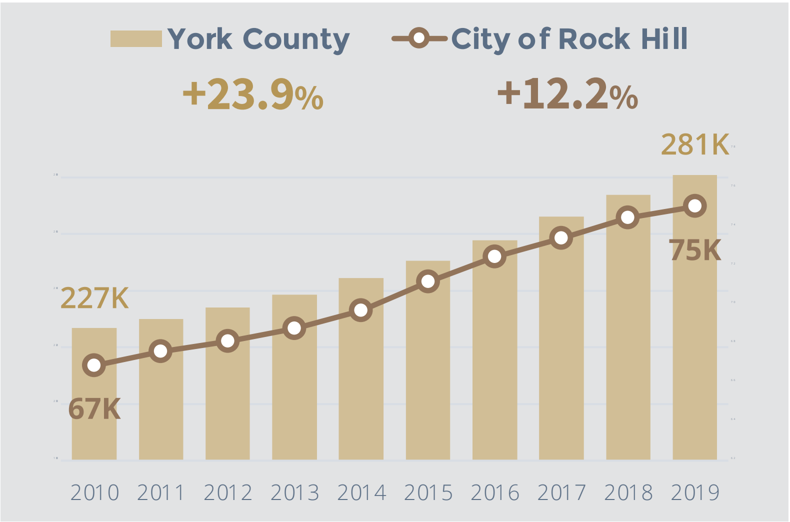
Richland County is the second largest county in the state, behind Greenville County. Its population has **grown slower** than comparison counties and slower than the **state growth rate of 11.1%** between 2010 and 2019.



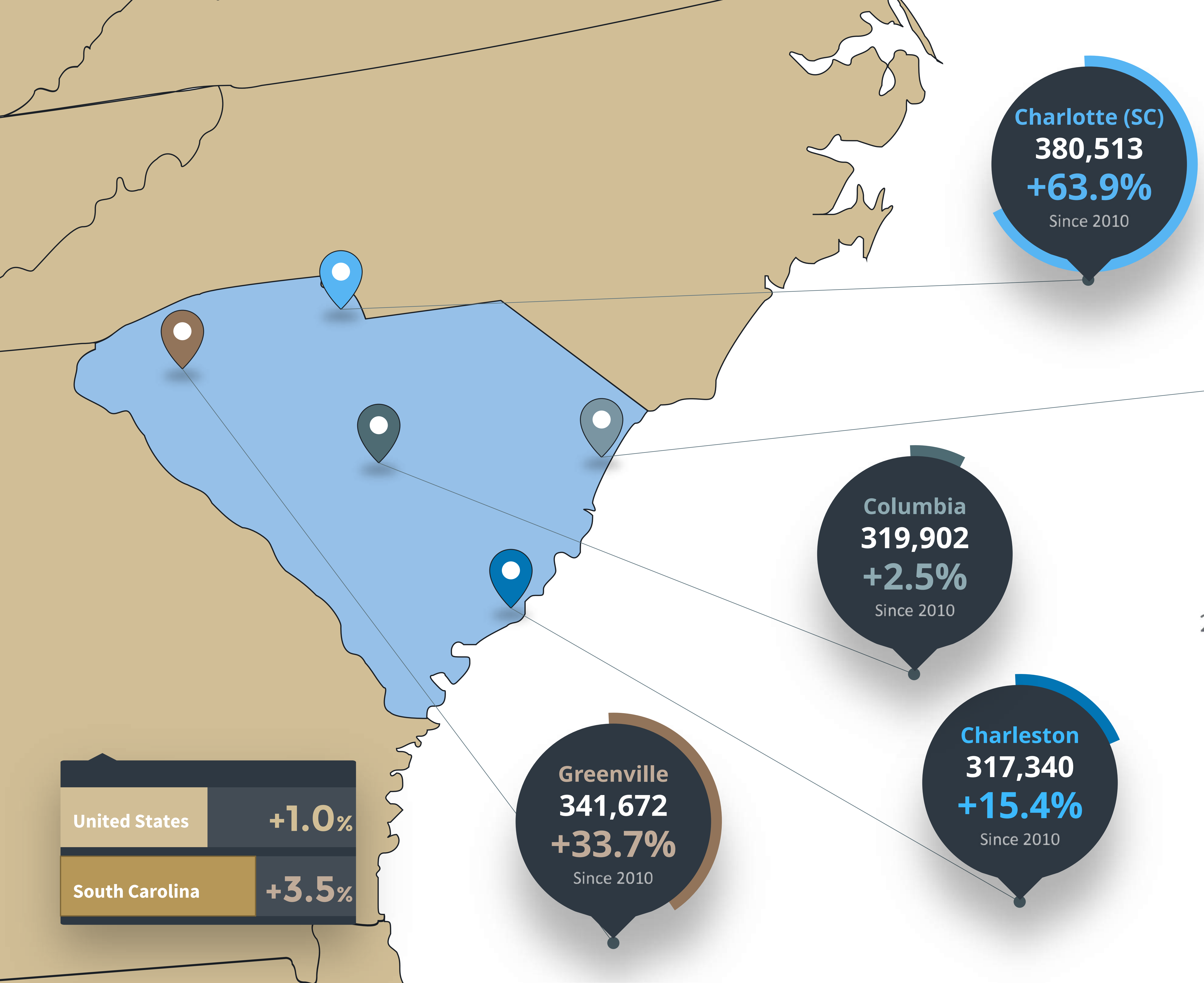








Sources: Annual Estimates of the Resident Population for Counties, Cities and Towns: April 1, 2010 to July 1, 2019. US Census Bureau. Online: https://www.census.gov/data/tables/time-series/demo/popest/2010s-total-cities-and-towns.html and https://www.census.gov/newsroom/press-kits/2020/pop-estimates-county-metro.html.



Prime Age Population

2018 Population Age 25 to 54 by MSA
Slower Growth Since 2010

Columbia has a significantly higher percentage of **population aged 18 to 24 (26.9% vs. 13.2% for Charleston, 13.0% for Greenville, & 13.4% for Rock Hill)**, driven by the University of South Carolina and its associated student population. This advantage fades out in the 25 to 54 age group.

Employment & Wages

Slower Growth Since 2010

	Columbia	Charleston	Greenville	Lexington	Rock Hill
Education *(City)*					
% with Bachelor's Degree or Higher *(% of persons 25+, 2014–2018)*	42.9%	52.0%	48.3%	42.5%	29.4%
% with High School Diploma or Higher *(% of persons 25+, 2014–2018)*	88.9%	94.6%	90.0%	92.8%	88.0%
Employment *(City)*					
Labor Force Participation *(% of persons 16+, 2014–2018)*	57.0%	63.5%	69.1%	66.5%	66.5%
Total Employment *(2019)*	60,476	73,046	35,585	9,806	35,335
% Growth *(2010–2018)*	+13.1%	+21.2%	+24.2%	+23.8%	+12.7%
Employment *(MSA)*	*Columbia MSA*	*Charleston-North Charleston MSA*	*Greenville-Anderson-Mauldin MSA*	*Columbia MSA*	*Charlotte-Concord-Gastonia MSA*
Total Employment *(2019)*	401,100	366,000	424,900	401,100	1,206,100
% Growth *(2010–2019)*	+15.9%	+27.3%	+19.9%	+15.9%	+26.4%
Wages *(MSA)*	*Columbia MSA*	*Charleston-North Charleston MSA*	*Greenville-Anderson-Mauldin MSA*	*Columbia MSA*	*Charlotte-Concord-Gastonia MSA*
Average Hourly Earnings *(2019)*	$23.77	$27.21	$24.51	$23.77	$29.58
% Growth *(2010–2019)*	+22.3%	+30.9%	+17.2%	+22.3%	+27.6%

Sources: Education table data (unless otherwise specified): US Census Quick Facts, 2019. Online: https://www.census.gov/quickfacts/fact/table/US/PST045219. Bureau of Labor Statistics, Local Area Unemployment Statistics. Online: https://www.bls.gov/lau/. American Community Survey 5-year estimates (2014 – 2018). US Census Bureau. Online: https://www.census.gov/programs-surveys/acs/. Bureau of Labor Statistics, Current Employment Statistics. Online: https://www.bls.gov/sae/

Business & Economy

Slower Growth Since 2010

	Columbia	Charleston	Greenville	Lexington	Rock Hill
Businesses *(County)*	*Richland County*	*Charleston County*	*Greenville County*	*Lexington County*	*York County*
Total Private Firms *(2018)*	9,935	15,618	14,187	6,572	5,830
% Growth *(2010–2018)*	**16.0%**	**37.1%**	**20.6%**	**21.2%**	**35.4%**
GDP *(County)*	*Richland County*	*Charleston County*	*Greenville County*	*Lexington County*	*York County*
Total Private Industry *(2018)* *Total Government*	$20,065M *$6,135M*	$25,351M *$6,062M*	$27,939M *$2,967M*	$10,210M *$2,058*	$10,374M *$1,075*
% Private Growth *(2010–2018)* *% Government Growth*	**34.5%** ***23.0%***	**62.9%** ***33.8%***	**45.4%** ***40.2%***	**48.8%** ***54.5%***	**53.9%** ***35.3%***
Industry *(City)*					
% Employment by Industry Sector *(2018)*	Educational Services 14.3%	Health Care & Social Assistance 15.4%	Health Care & Social Assistance 14.1%	Health Care & Social Assistance 12.8%	Manufacturing 15.0%
	Health Care & Social Assistance 12.5%	Accommodation & Food Services 11.7%	Manufacturing 11.8%	Educational Services 12.2%	Retail Trade 12.9%
	Retail Trade 11.5%	Professional, Scientific, & Technical Services 11.3%	Professional, Scientific, & Technical Services 10.8%	Finance & Insurance 9.4%	Health Care & Social Assistance 12.0%
	Accommodation & Food Services 11.2%	Educational Services 9.8%	Educational Services 10.5%	Public Administration 9.1%	Accommodation & Food Services 9.8%
	Finance & Insurance 7.6%	Retail Trade 9.7%	Accommodation & Food Services 9.4%	Manufacturing 8.4%	Educational Services 8.3%

Sources: Quarterly Census of Employment and Wages, Bureau of Labor Statistics. Online: https://www.bls.gov/cew. Gross domestic product (GDP) by county and metropolitan area, Bureau of Economic Analysis. Online: https://www.bea.gov/data/gdp/gdp-county-metro-and-other-areas. American Community Survey 5-year estimates (2014 – 2018). US Census Bureau. Online: https://www.census.gov/programs-surveys/acs/. Bureau of Labor Statistics, Current Employment Statistics. Online: https://www.bls.gov/sae/

Solutions

How can we lay the groundwork for sustainable growth?

Four Steps in a Solution...

...to support sustained future growth in the City of Columbia and surrounding region.

one

Make Property Tax Rates Competitive

Long-term, sustained renewal providing opportunity for all residents requires a property tax rate competitive with surrounding municipalities.

two

Coordinate School System Finances

The economic and demographic synergy across the city and county region is not reflected in school revenues.

three

Identify & Implement Competitive Efficiencies

Columbia and Richland County are more reliant on other fees and taxes, many of which are generally higher than peer counties and further increase the cost of doing business.

four

Actively Petition the General Assembly

Act 388's 15% limitation creates artificially depressed valuations, reducing City revenues and further increasing tax rates on other properties to make up for the deficit.

1

Make commercial property tax rates competitive.

1. Make commercial property tax rates competitive.

Options

1 Create Commercial Property Exemption

Develop special legislation to phase in a property tax exemption to all 6% properties, effectively reducing assessment rate to 5% (or 4%, or some other target) across the county. Tax revenues from new development would fund exemption increases.

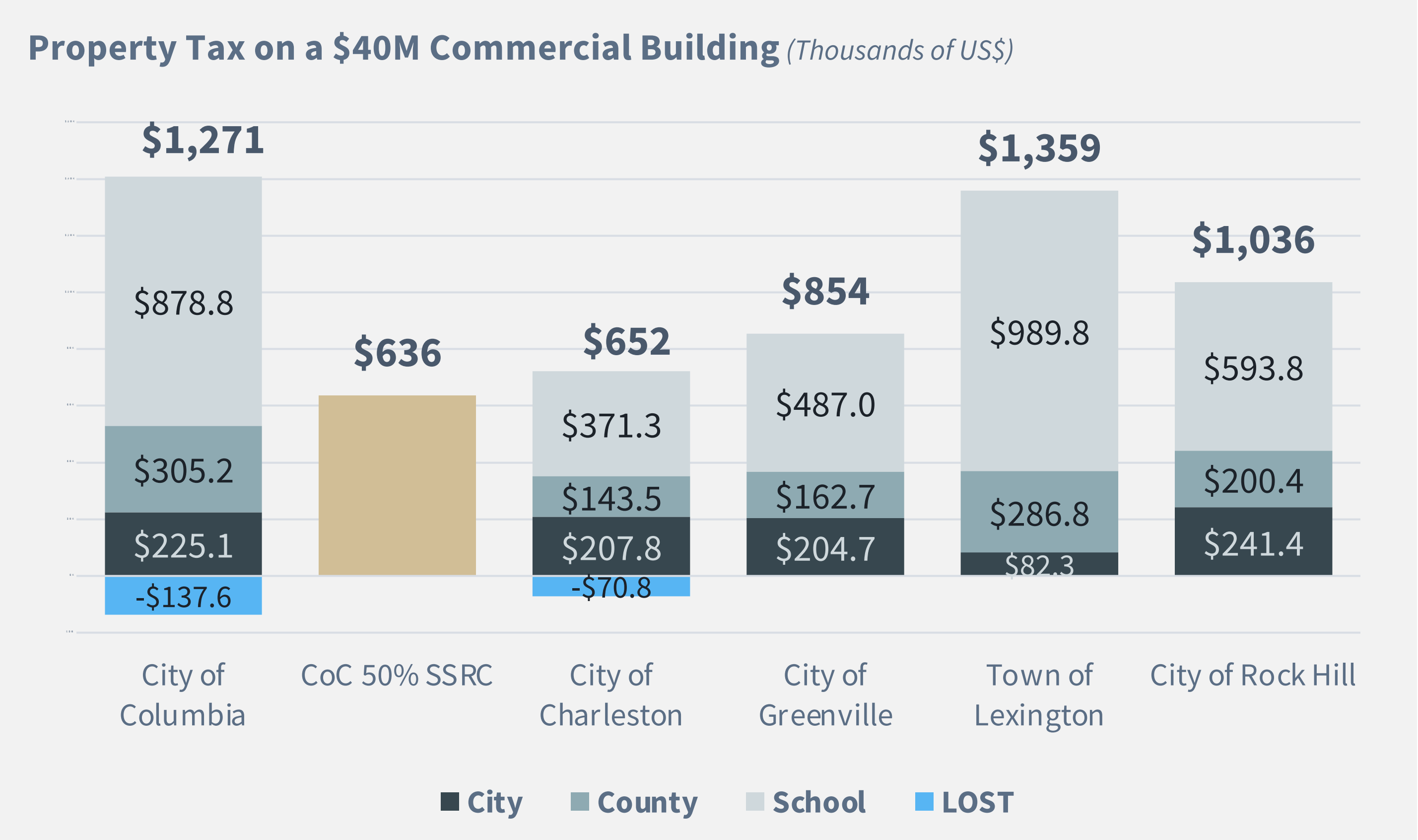
2 City-wide Multi-County Industrial Park

Establish a City (or County)-wide MCIP at a targeted millage rate. All new development would receive the MCIP rate, and all tax proceeds would immediately fund millage rate reductions for all existing properties.

Long-term, sustained local renewal providing opportunity for all residents requires a combined city, county and school property tax rate competitive with other urban areas in the state. (*For example, **a 48% reduction is required to be on par with Charleston; 33% for Greenville; 18% for Rock Hill***). Selective tax breaks for specific developers has not and will not fuel the broad-based, continued growth the City needs. Instead, it will continue to drive greater imbalance in tax rates between a few select properties and all others, while not delivering on the promise of new jobs, rising wages, and increasing future development.

Change will require a coordinated effort between both City and County entities, including a joint agreement on (1) targeted **competitive tax rates**, (2) a relatively **quick phase-in period** (*approximately 5 years*), (3) the **pace of rate reduction** over a phase-in period, and (4) a **limitation on spending** during the phase-in period.

> *"Significantly high combined city, county and school property tax rates are causing a crisis of disinvestment, which can be seen in declining population, slow income and job growth, and depressed asset valuation.*



Why is this important?

To encourage development in high-property tax areas, counties and municipalities across the state have historically provided **large, selective tax breaks** through FILOTs, MCIPs and SSRCs, in the hopes that it will encourage follow-on investment and create local jobs and income.

#1

1

Discounted Tax Rates Lower Than Peer Cities

The current selective 50% tax breaks result in tax rates less than all other peer cities, including Charleston.

2

Unequal Treatment of Businesses & Citizens

Breaks for select entities drives unequal treatment and depresses growth and start-ups, particularly among smaller, local businesses.

3

Job and Income Creation Not Guaranteed

Employment and income vary by business. Industries like manufacturing produce numerous high-paying jobs for local residents, while a number of others do not.

4

Fails to Produce Follow-On Investment

Smaller, new business will be deterred as they face the same high tax that prevented their larger counterparts from developing in the first place.

2

Coordinate school system finances.

2. Coordinate school system finances.

School System Finance Optimization Options

1 Develop Cooperative Financial Approach

Develop a cooperative financial approach between Richland County school districts to help counteract the disproportionate and negative impact associated with geographic variations in residential growth in the county.

Many families live in owner-occupied housing in RSD2 but work in commercial properties in RSD1, reflecting economic synergy across the region that is not reflected in school revenues. Act 388 allows NO school operating revenues from owner-occupied housing, yet an outsized level from commercial. As a result,

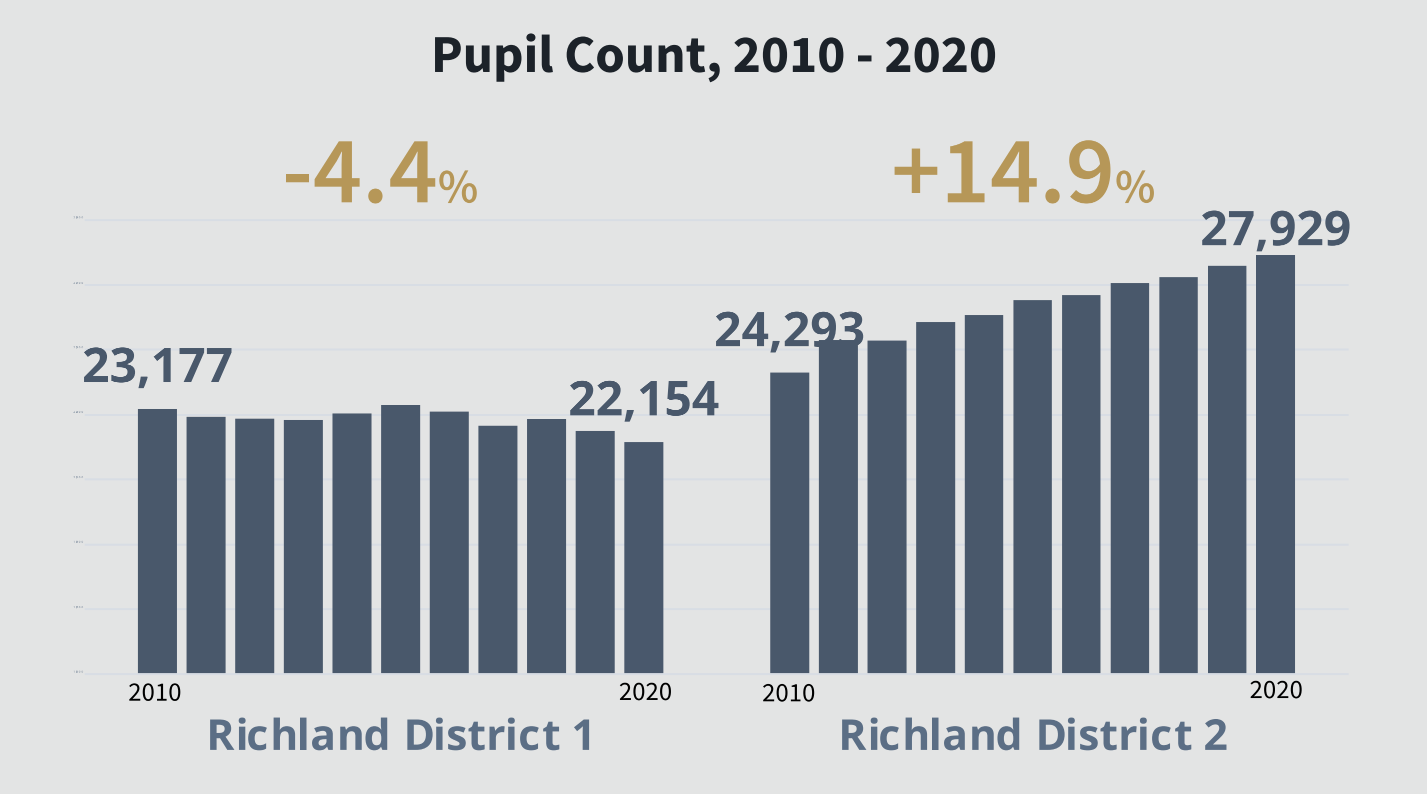
- **RSD2** has excessively high property tax rates that are driving away commercial investment. Further, its per-pupil revenues are 5.8% higher than state average.
- **RSD1** has shrinking pupils and school sizes but has not reduced its school tax rate to reflect such, resulting in total revenue levels 38% higher than state average.

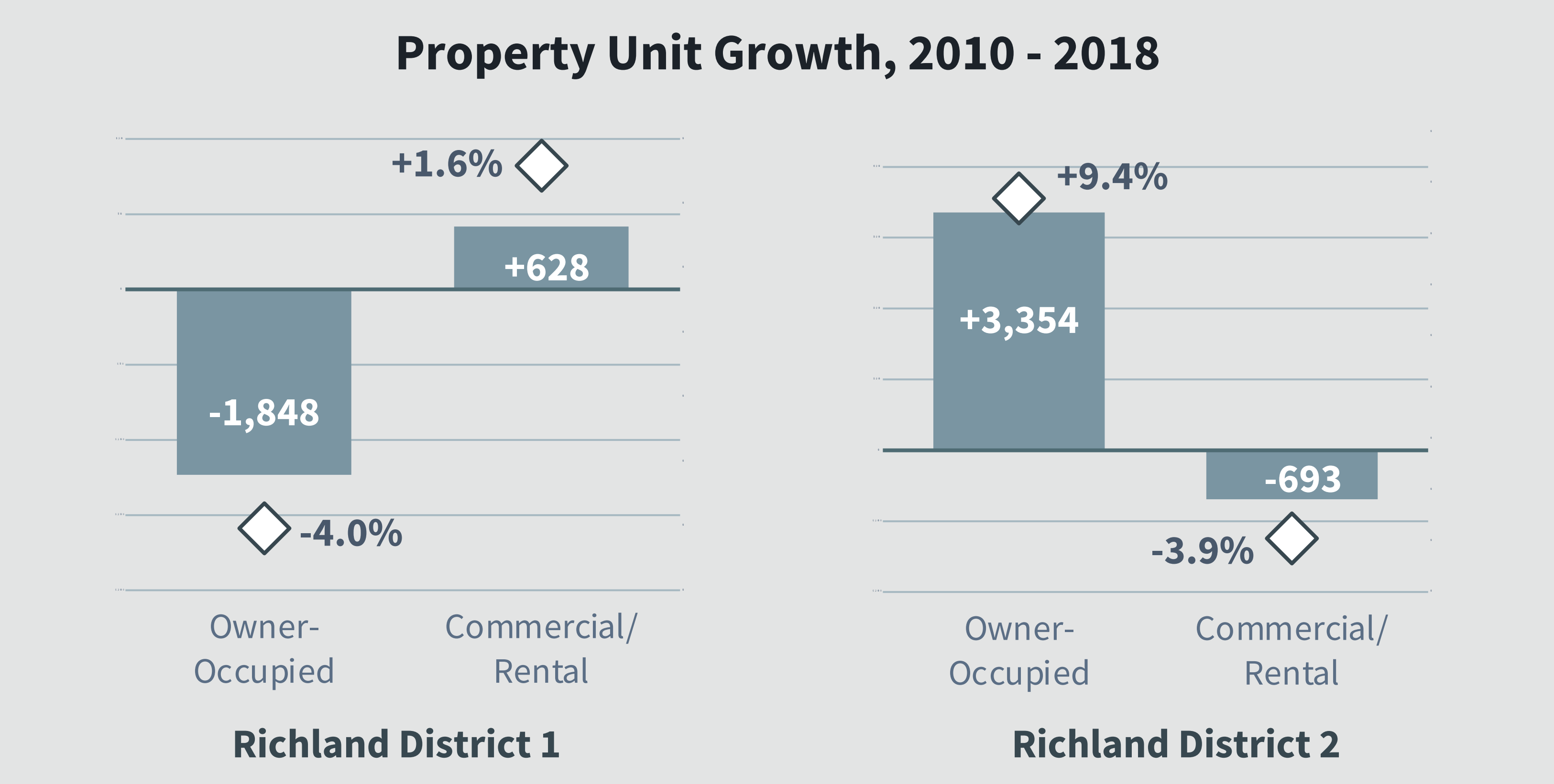
> *The changing dynamics of Richland County school systems work against each other. Richland School District 2 is gaining pupils and owner-occupied housing, while losing commercial property. Conversely, as Richland School District 1 is losing pupils and owner-occupied housing, while gaining commercial property.*

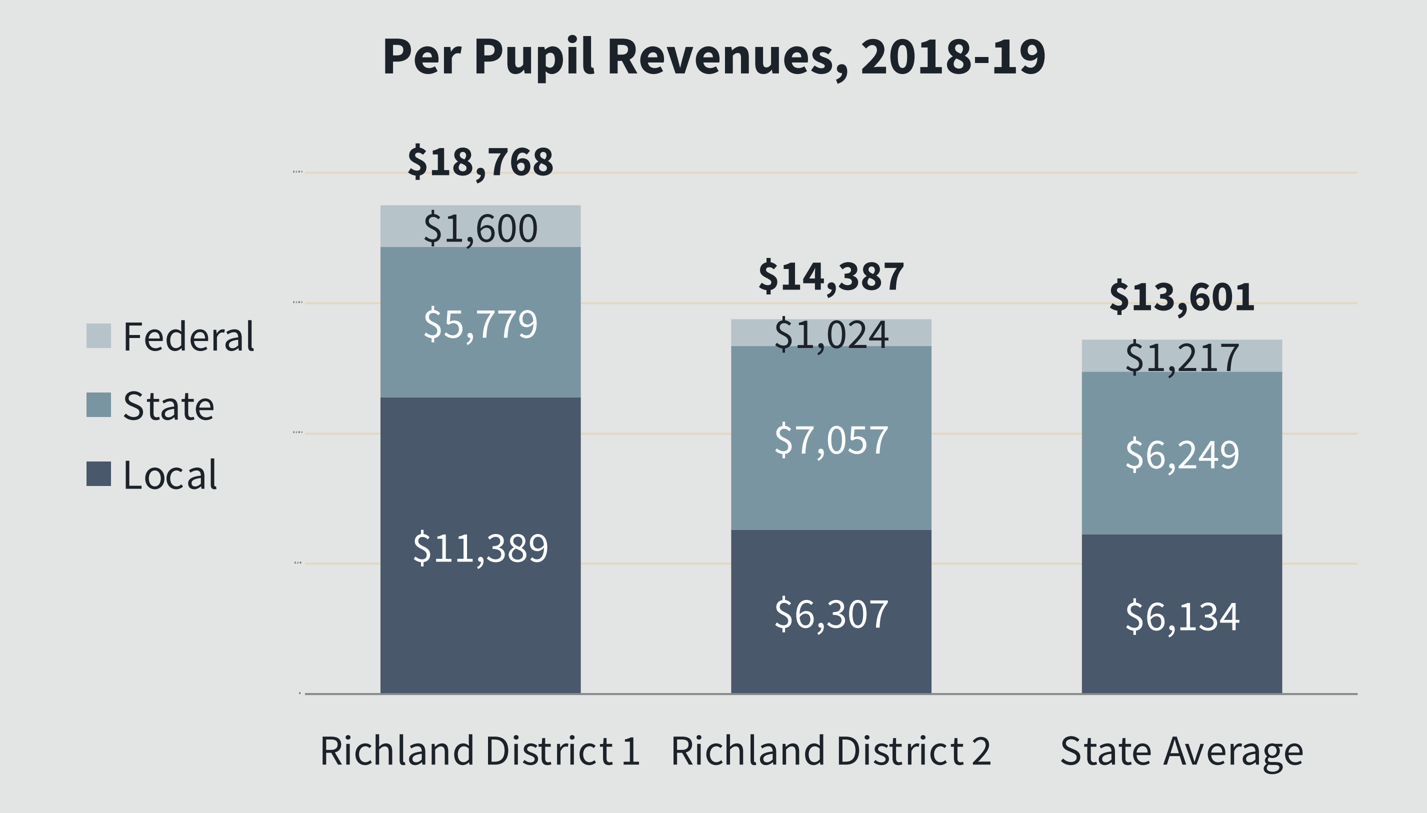
#2

Why is this important?

- RSD2 is gaining pupils and owner-occupied housing units which, due to Act 388, provide no revenue to support the new growth.
- Conversely, RSD1 is losing pupils and owner-occupied housing, as it either converts to commercial/rental or to non-profit. Due to Act 388, conversion to commercial/rental increases school operating taxes, even though it results in fewer pupils.
- RSD2 is losing commercial property, as it either converts to owner-occupied or ceases to grow.
- Both districts earn more revenues than their peer districts and the state average, particularly RSD1 owing to the outsized level of local revenues.







Sources: "Revenue Per Pupil Report by School District for 2019-20 Excluding Bond Revenue." South Carolina Revenue and Fiscal Affairs Office (RFA). Revised 9/30/19. School District Detailed Index of Taxpaying Ability dataset, Tax Years 2010 - 2018. (online: https://dor.sc.gov/lgs/reports-school-index).

3

Identify and implement competitive efficiencies.

3. Identify & implement competitive efficiencies.

Options

1 **Identify Cost Efficiencies**

Conduct a City and County efficiency study to identify areas to merge overlapping services, target service fees to those who use them, and make services less expensive.

2 **Identify Operations Efficiencies**

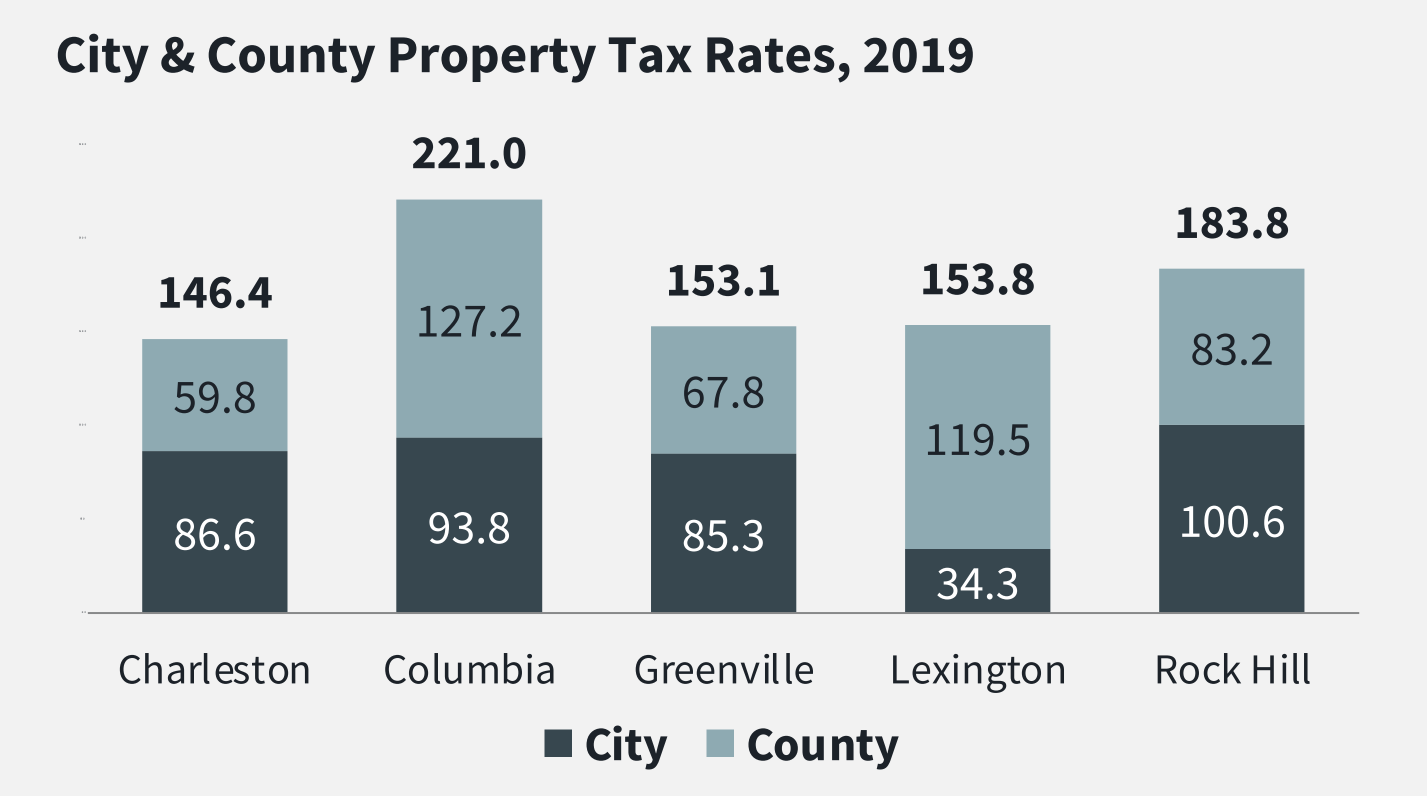
Reexamine City and County operations processes with an eye toward modernization of systems and processes to streamline and reduce long-term costs.

3 **Create Pro-Development Processes**

Remodel permitting, zoning, licensing, etc. processes with urban development best practices that are transparent, increase taxable parcels, provide quick and predictable action, and encourage growth.

The City and County have limited capacity to increase revenues through other fees and taxes. Combined, Columbia and Richland net higher levels of revenues per capita than other city/county peers except Charleston. School districts within the City also mirror that pattern. Efficiencies that reduce expenditures can be used to lower property and other taxes to rates that promote development, drive valuation and generate further tax revenues.

> *The depressed revenue from property taxes in Columbia and Richland County have made the City and County more reliant on other fees and taxes, many of which are generally higher than peer counties and further increase the cost of doing business, depressing growth even more.*



Why is this important?

In addition to a higher property tax, Richland and Columbia also have combined sales, accommodations and hospitality taxes that are higher than all peers except Charleston. Business license fees (for most businesses) are significantly higher than Lexington and Rock Hill and can exceed both Charleston and Greenville, dependent upon business type and size. Further, non-municipal areas in Greenville, Lexington and York do not have business license fees. Additional fee and tax increases would further increase the cost of doing business and depress growth.

Municipality	Charleston	Columbia (RSD1 / RSD2)	Greenville	Lexington	Rock Hill
Property Tax Millage Rate	301.1	551.45 / 656.65	356.0	566.2	431.5
Business License Rate*	$32 + $1.55 per $1K in gross receipts > $2K	$42.35 + $1.80 per $1K in gross receipts > $5K	$80 + $1.67 per $1K in gross receipts > $2K	$20 + $1.00 per $1K in gross receipts > $2K	$25 + $0.90 per $1K in gross receipts > $2K
Local Accommodations Tax	2%	3%	-	-	3%
Hospitality Tax	2%	2%	2%	-	2%
County	**Charleston**	**Richland**	**Greenville**	**Lexington**	**York**
Local Option Sales Tax	1%	1%	-	-	-
Other Sales Tax	2%	1%	-	1%	1%
Local Accommodations Tax*	2%	-	3%	3%	-
Business License Rate**	$30 + $1.15 per $1K in gross receipts > $2K	$26 + $1.20 per $1K in gross receipts > $2K	-	-	-
Licenses & Permits Revenue Per Capita	$36.94	$41.03	$25.85	$21.58	$30.89
Service Revenue & Charges Per Capita	$161.46	$138.27	$99.38	$73.54	$40.50
Bonds & Leases Revenue Per Capita	$257.51	$612.45	-	-	-
Property Tax Per Capita	$382.96	$238.24	$198.86	$327.55	$308.77

Sources: Fees & Rates: SC Association of Counties. Online: https://www.sccounties.org/research- information/local-taxes-fees-and-licenses. Business license Fees at individual City and County websites.

#3

4

Actively petition the General Assembly.

4. Actively petition the General Assembly.

State Law Options

1

Full Repeal of Act 388

Petition for the full repeal of Act 388, enabling accurate appraisals and broad-based equalization of school operating taxes across all property types.

2

Partial Repeal of 15% Valuation Limit

Option 2 modifies Option 1 to only petition for the repeal of Act 388's 15% appraisal limitation.

3

One-Time Waiver for Accurate Appraisal

Petition for a one-time waiver to accurately appraise all Richland County properties and apply all resulting revenue increases to corresponding millage rate decreases (net revenue-neutral).

The 15% limitation on property appraisal increases of Act 388 causes further increases in millage rates on all properties to make up for the artificially depressed valuations created by the law. This tax burden falls more heavily on owners of newer and more recently sold properties.

The long-term effect of the devaluation in real estate prices is exacerbated and will persist eternally due to Act 388.

> *Act 388 of 2006 limited property valuation increases to 15% every 5 years (unless the property is sold),*
>
> 1. *creating unequal tax burdens among those who own the same type of property;*
> 2. *requiring higher millage rates to make up for lost revenue due to depressed appraisals; and*
> 3. *permanently preventing counties from being able to make up for declines in property values*

#4

Why is this important?

In tax year 2019, 31.6% of City of Columbia parcels (residential and commercial with no tax exemptions) have a Taxable Value (TV) less than the Fair Market Value (FMV). The majority of parcels have a very high TV to FMV ratio, trailing off with very few low TV to FMV ratio. A significant part of this gap between TV and FMV is a result of the 15% valuation limitation of Act 388 as well as the ATI Exemption.

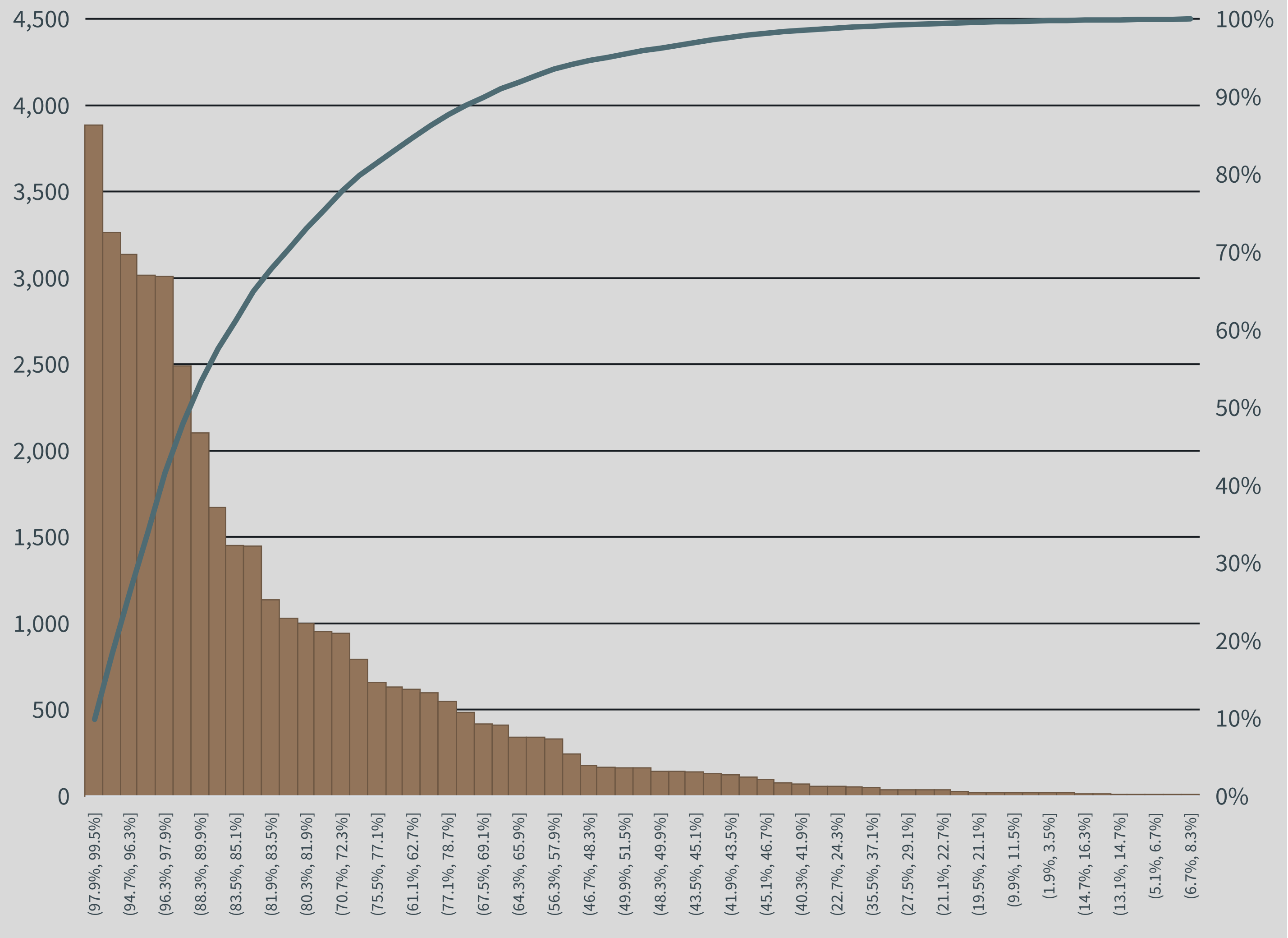
Act 388 15% Valuation Limitation Issues

Creates Inequality Among Landowners Those who recently bought a property will face significantly higher property taxes than their neighbors who have owned their property for a longer period of time.

Causes Increase in Millage Rates on all properties to make up for artificially depressed valuations, more heavily falling on owners of newer and more recently sold properties.

Prevents Recoupment of Valuation Declines Counties and municipalities cannot fully recoup lost taxes due to economic declines in property values, even when they rebound.

Number of Parcels by Taxable Value to Fair Market Value Ratio *(for parcels with <100% Ratio)*



31.6%

Percent of Columbia. properties with Taxable Value < Fair Market Value

$541M

Gap between Taxable Value and Fair Market Value

Source: Assessor's Office of Richland County.

The Road Forward

Real change requires a **collaborative** effort of **data-driven**, well-thought out **solutions** that can be **implemented in phases** gradually over a period 5+ years.

Thank you!

City of Columbia

Property Tax Capacity Analysis

June 2020

ACUITAS
ECONOMICS