



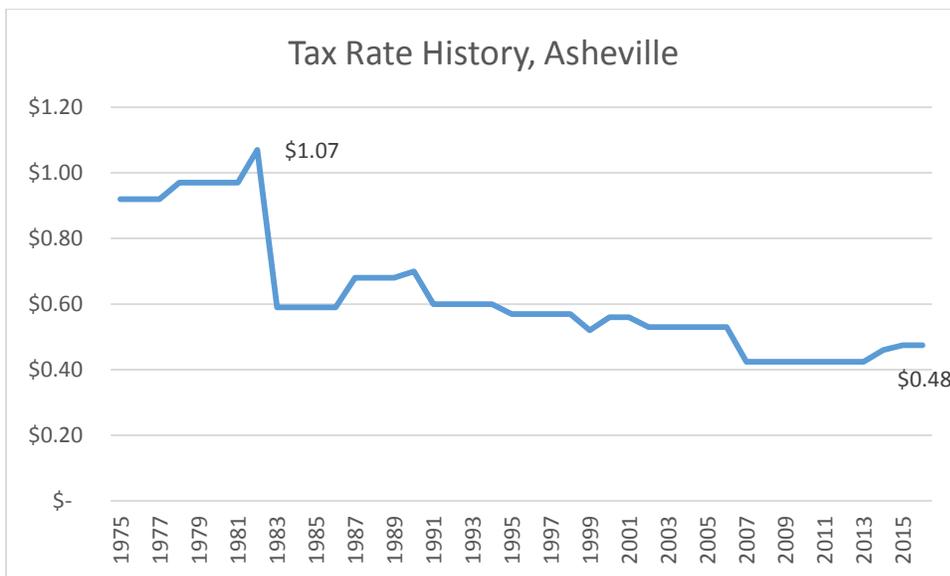
THE CITY OF ASHEVILLE

NORTH CAROLINA

PROPERTY TAX REPORT
September 13, 2016

Property Tax: History and Context

Over the last 50 years, the City of Asheville has had an ad valorem, or property tax, rate as high as \$1.07 per \$100 of valuation, and as low as 42¢ per \$100 of valuation. Currently, the City’s property tax rate is 47.5¢. The highest property tax rate, \$1.07 was effective in 1982, a year in which the country was in a first valley of the “double-dip” financial recession of the 1980s. Revaluation in 1983 showed the short-lived recovery with a rate of 57¢, but that rate crept up to 70¢ by 1990. Since then the rate has stayed between 42 and 57¢, even during the recent Great Recession. A graph of Asheville’s property tax rate from 1975 to present is below.



Statutorily, the City is limited to an operating and maintenance property tax rate of \$1.50, though the total rate can be higher with debt service related property tax, the pennies driven by debt issue like the referendum being considered for November. However, the State would likely step in before a City reached the maximum statutorily allowed rate and mandate budget cuts. Statewide, assessed property tax ranges from five cents to nearly eighty-five cents. The highest property tax rates are seen in the some of the smallest communities. Beech Mountain (pop. 350) and Littleton (pop. 659) have rates of .7320 and .8000 per \$100 valuation, respectively. Beech Mountain is a mountaintop resort community with few full-time residents but a winter population as high as 10,000. Littleton is a community in Halifax County (Roanoke Rapids area) that has struggled with population decline with the closing of textile mills. The lowest rates are likewise seen in small communities, including Bolivia, Fallston, Boardman and

Bogue, all of which have a rate of 5¢ per \$100 valuation. Extremely low rates like this are usually found in rural areas with few services and minimal infrastructure, or newly developed and incorporated areas with little infrastructure maintenance and some services provided by larger towns or cities nearby.

Benchmarking

It is important to be able to benchmark the City's property tax rate relative to the rate of other North Carolina cities, particularly those that are similar in population and other measures. Below is a table of the largest 25 cities in the state (26, including Asheville), their population and current tax rate.

Some of these cities are located in counties that have a special additional sales tax for transit. While these funds are usually remitted to a transit authority or county, the cities nevertheless benefit from having to dedicate less funding from property tax to a transit system. Because Asheville's transit system is funded through property taxes, these cities should be noted. Property tax rates in those cities might be higher without the additional revenue stream dedicated to transit. Table below.¹

City	Tax Base (2015)	Tax Rate	Population	Per capita Debt	Additional Revenue
Charlotte	89,423,229	0.4687	803,000	1,851.00	.50% Transit Tax
Raleigh	52,605,030	0.4038	432,000	2,151.00	
Greensboro	25,225,899	0.6325	281,000	1,174.00	
Durham	24,557,250	0.5912	244,000	840.00	.50% Transit Tax
Winston-Salem	19,999,730	0.5400	238,000	1,352.00	
Fayetteville	13,880,620	0.4860	208,000	87.00	
Cary	22,730,606	0.3500	148,000	1,196.00	.50% Transit Tax
Wilmington	13,163,028	0.4600	114,000	1,255.00	
High Point	8,943,773	0.6640	109,000	635.00	
Asheville	11,152,264	0.4750	89,000	234.00	
Greenville	5,896,816	0.5400	88,000	290.00	
Concord	9,511,578	0.4800	85,000	508.00	.50% Transit Tax
Jacksonville	3,537,844	0.6420	76,000	268.00	
Gastonia	5,434,851	0.5300	73,000	526.00	
Chapel Hill	7,439,482	0.5240	60,000	714.00	.50% Transit Tax
Rocky Mount	3,969,576	0.5800	56,000	118.00	
Huntersville	6,202,499	0.3050	54,000	1,188.00	.50% Transit Tax
Burlington	4,565,012	0.5800	52,000	117.00	
Wilson	4,200,663	0.5150	49,000	486.00	
Kannapolis	3,553,380	0.6000	44,000	1,428.00	
Apex	4,994,966	0.3900	43,000	536.00	
Hickory	4,716,779	0.5000	40,000	28.00	
Indian Trail	3,674,544	0.1850	37,000	1,117.00	.50% Transit Tax
Mooresville	5,509,738	0.5800	37,000	1,867.00	
Goldsboro	2,349,087	0.6500	36,000	585.00	
Salisbury	2,828,276	0.6569	34,000	1,117.00	

¹ North Carolina Department of State Treasurer, Division of State and Local Government Finance, Analysis of Debt of North Carolina Municipalities at 6/30/2015. (Appendix A)

Including the cities with additional transit revenue streams, the average property tax rate is 51.27¢ per \$100 valuation. Excluding those cities, the average is three-and-a-half cents higher, 54.87¢.²

Per capita debt is an indicator that is used to evaluate the amount of debt a city holds relative to its population. In North Carolina, the per capita debt varies widely from a low of \$87 per capita to \$58,923 per capita. The average of all municipalities in the state is \$867, though the largest cities (pop. greater than 100,000) have an average per capita of \$1,428. Bald Head Island has the highest per capita in the state at \$58,923. Many of the beach communities have significant debt related to beach replenishment and storm recovery.

As of June 30, 2015, the City of Asheville had a ratio of \$234 per capita. This is a very low ratio, less than 1/3 of the average statewide. A detailed report on the debt, tax base, population and per capita ratio for all North Carolina counties and cities as of June 30, 2015, is available on the NC State Treasurer’s website.³ At the end of fiscal year 2015-16, the City of Asheville issued debt for the existing capital improvement program. With this additional debt, the City’s per capita ratio is now slightly higher than the state average, around \$932 per capita. Below is a comparison of Asheville to the NC cities closest in population, with debt per capita and the additional measure of the ratio of bonded debt to total appraised property value. This measure is used to evaluate a city’s legal debt margin, which is defined as the Debt Limit less outstanding debt. The statutory debt limit is 8% of the total taxable assessed value of property. So the debt limit for the City of Asheville in 2016 is defined as 8% of \$11.38 billion, or \$910 million (\$910,000,000). Current debt outstanding, including the \$45 million short-term construction debt associated with the existing CIP, is \$72 million, or less than 8% of the 8% limit.

City	Tax Base (2015)	Tax Rate	Population	Per capita Debt	Ratio: Bonded Debt to Base
Wilmington	13,163,028	0.4600	114,000	1,255.00	1.09%
High Point	8,943,773	0.6640	109,000	635.00	0.77%
Asheville	11,152,264	0.4750	89,000	932.00	0.74%
Greenville	5,896,816	0.5400	88,000	290.00	0.43%
Concord	9,511,578	0.4800	85,000	508.00	0.46% ⁴

At the current population of 89,248 (estimate 2015), a debt program of \$75 million would add \$843 per capita. Each million in debt adds slightly more than \$100 to the per capita ratio.

Much of our financial decision-making relies on comparisons to pre-recession data. Comparing the relative value of a dollar before the recession and today, is a key part of understanding the property tax impact on residents of the City.

The City’s tax rate in 2007 was \$.4238 per \$100 valuation. The cumulative rate inflation over that time was 15.9%. The property tax rate has not kept up with the increasing cost of providing city services. A

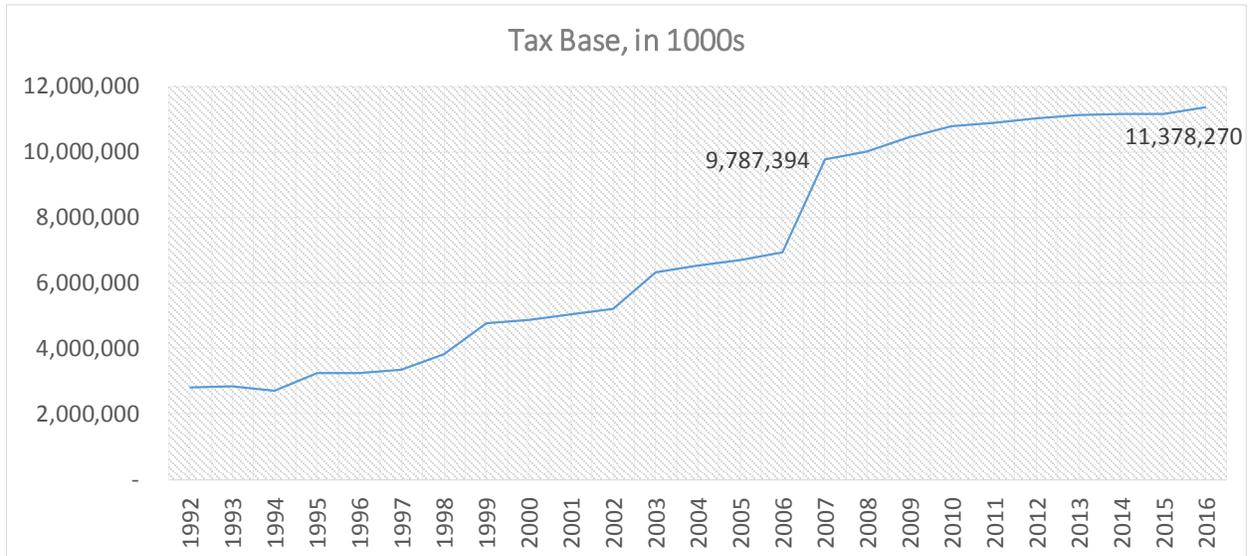
² North Carolina Department of Revenue, Gen 562 (By City) County and Transit Sales and Use Tax Rates for Cities and Towns. Dec. 2015. <http://www.dornrc.com/downloads/gen562bycity.pdf>

³ <https://www.nctreasurer.com/slg/Debt%20Management/DebtAnalysisReport.pdf>

⁴ Note that the per capita cited in the above table is based on June 30, 2015 *except* for the City of Asheville per capita estimate which is as of June 30, 2016.

comparable tax rate in 2016 would be \$.4910, not accounting for the loss of franchise taxes and business privilege license taxes, both of which revenue streams have been eliminated since 2007.

Below is a table that shows the tax base over time. Given real estate trends and other economic indicators, revaluation is expected to add to the tax base. The exact amount of the increase, both overall and to individual properties is unknown at this time, however, some potential scenarios for growth are considered (See Homeowner Impact below).



Homeowner Impact

The average price of a home sold in Asheville is trending at approximately \$275,000.⁵ With the current tax rate of .475/\$100 valuation, a homeowner with a \$275,000 home will pay \$1,306.25 in city taxes annually. Each additional penny on the tax rate increases that bill by \$27.50. See table below.

⁵ Asheville Chamber. Asheville Area Economic Indicators, April, 2016. <http://www.ashevillechamber.org/sites/default/files/April%2016.pdf>

Cost of each Penny on Tax Rate				
Home Value	0.01	0.02	0.03	0.04
100,000	10.00	20.00	30.00	40.00
150,000	15.00	30.00	45.00	60.00
200,000	20.00	40.00	60.00	80.00
250,000	25.00	50.00	75.00	100.00
275,000	27.50	55.00	82.50	110.00
300,000	30.00	60.00	90.00	120.00
350,000	35.00	70.00	105.00	140.00
400,000	40.00	80.00	120.00	160.00
450,000	45.00	90.00	135.00	180.00
500,000	50.00	100.00	150.00	200.00

It is also important to note that the same tax rate, with an increase in property value through revaluation, will also increase taxes. Below is a table of home values and the impact of revaluation given the existing tax rate.

Assumes Current Tax Rate: .4750

Current Value	Total Annual Taxes				Change in Annual Taxes		
	No Change	10%	15%	20%	10%	15%	20%
100,000	475.00	522.50	546.25	570.00	47.50	71.25	95.00
150,000	712.50	783.75	819.38	855.00	71.25	106.88	142.50
200,000	950.00	1,045.00	1,092.50	1,140.00	95.00	142.50	190.00
250,000	1,187.50	1,306.25	1,365.63	1,425.00	118.75	178.13	237.50
275,000	1,306.25	1,436.88	1,502.19	1,567.50	130.63	195.94	261.25
300,000	1,425.00	1,567.50	1,638.75	1,710.00	142.50	213.75	285.00
350,000	1,662.50	1,828.75	1,911.88	1,995.00	166.25	249.38	332.50
400,000	1,900.00	2,090.00	2,185.00	2,280.00	190.00	285.00	380.00
450,000	2,137.50	2,351.25	2,458.13	2,565.00	213.75	320.63	427.50
500,000	2,375.00	2,612.50	2,731.25	2,850.00	237.50	356.25	475.00

Depending on the revaluation and Council’s direction on the scope of a bond issue, the purchasing power of each penny on the tax rate varies. Below is a chart of the cost of debt with varying percent increases in the total assessed value after revaluation according to the scope of the referendum.

	\$30 million	\$40 million	\$50 million	\$65 million	\$75 million
Baseline	1.75¢	2.20¢	2.75¢	3.75¢	4.15¢
10%	1.25¢	1.75¢	2.25¢	3.25¢	3.70¢
15%	1.10¢	1.50¢	2.00¢	3.00¢	3.30¢
20%	.90¢	1.35¢	1.80¢	2.75¢	3.10¢

“Baseline” represents anticipated annual growth without revaluation, 1.5%.

The Market and Cost of Debt

Interest rates are near historic lows. While the Federal Reserve continues to suggest that interest rates will rise, the current climate is highly advantageous for debt issuance. Conservative estimates of 4.5%

interest on tax-exempt and 5% interest on taxable bonds assume that interest rates will increase over the five year in which the bonds will be issued. Even with presumed interest rate increases, the City is in an excellent position to issue bonds.

Key Takeaways

Property Tax

Asheville Property Tax Rate:	\$.4750
Average tax rate, 26 largest cities in North Carolina:	\$.5127

Per Capita Debt

Asheville per capita debt outstanding (2016):	\$932
Average of all NC cities with debt outstanding (2015):	\$867
Average of cities with population >100,000:	\$1,428

Legal Debt Limit

Legal Debt Limit (Asheville):	\$910 million
Debt outstanding as of 6/30/2016:	\$72 million
Percent of Debt Limit:	7.9%

Homeowner Impact

Average cost of home in Asheville (2016):	\$275,000
Current Annual Property Tax (\$275,000 home):	\$1,306
Current Property Tax per \$100,000 value of home:	\$475.00
Cost of each penny on tax rate per \$100,000 of home value:	\$10

Cost of Debt in Pennies according to growth in valuation (baseline = 1.5%)

	\$30 million	\$40 million	\$50 million	\$65 million	\$75 million
Baseline	1.75¢	2.20¢	2.75¢	3.75¢	4.15¢
10%	1.25¢	1.75¢	2.25¢	3.25¢	3.70¢
15%	1.10¢	1.50¢	2.00¢	3.00¢	3.30¢
20%	.90¢	1.35¢	1.80¢	2.75¢	3.10¢