

Just How Criminal is the Operation of Allegheny County's Office of Property Assessments?

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Northmont Presbyterian Church

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Questions to Answer in this Presentation

1. Some background on the subject matter
2. What is a median sales ratio?
3. What is the Common Level Ratio, and how is it used/abused in the appeals process to the County?
4. What is the complaint before Judge Hertzberg?
5. What did Hertzberg decide and what was admitted during depositions?
6. Why is the conduct of OPA a 3rd degree felony under PA Law?
7. Just how crazy does the assessment and sales data look?

Note: this presentation is the sole responsibility of the author.

1. Some background on the subject matter

1.1 PA has an archaic real property assessment system

1.1.1 Pa. is among a few that does not require cyclical reassessment

1.1.2 Pa. is among the few that provides NO state money to assessors for assessment or reassessment

1.1.3 Pa. counties spend about ½ of the national average per parcel on real estate assessment and administration

1.1.3 Everybody in state government knows the operation of real estate assessments in PA is at least 100 years overdue for reform (required cyclical reassessment, and carrots & sticks to get it done for each county).

1.1.4 I've been looking at this problem since moving here in 1979, and some of the issues are results of my going to the wrong goal line (base year assessment system)

1. Some background on the subject matter (2)

1.1.5 There are about 583,000 real property parcels in Allegheny County in 2022

1.1.6 About 29,600 properties are tax exempt in 2022

1.1.7 About 521,000 properties are residential in 2022

1.1.8 Non-governmental total assessed value is \$100 B in 2022

1.1.9 Residential property, by value is about 64% in 2022

1. Some background on the subject matter (3)

1.1.20 Since arriving in PA in 1979 I've been involved in various PA/Local tax studies:

Thornburgh Tax Commission, director of research 1979-81

Casey Local Governments Tax Reform Commission, 1987, voting member

Allegheny County property tax studies, 1994-5, for Tom Foerster

Sales Ratio Study for Philadelphia Controller, 2013

See various academic papers on PA's property tax,

www.andrew.cmu.edu/user/rs9f

1.1.21 The big tax problem in PA is an archaic, unsupervised property assessment system

1.1.22 It's fair to say that I am not particularly well-liked by any county executives.

2. What is a median sales ratio? What does an assessor do?

2.1 for an ordered set of numbers,

.5 ,.65 ,.75, .82, and 6.3

The *median* is the midpoint of the ordered distribution. Given the above 5 numbers, the median is .75. It is a more reliable measure of central tendency than the mean.

The mean of the above numbers is $(1/5) \times (.5 + .65 + .75 + .82 + 6.3) = .2 \times 8.48666 = 1.6973$ and is distorted by the very large 6.3 number

2.1.1 a sales ratio is the ratio of the assessed value of property in a given year divided by the sale price of the property in the same year. If a house was assessed at \$260,000 and sold for \$290,000 then the sales ratio would be $\$260,000/290,000$ or .89655

2. What does a local assessor do? (2)

2.2 Each year Allegheny County's office of property assessments (OPA) is required by law to give to the County Treasurer, each Municipality and School District a list of taxable properties and their fair market value in the jurisdiction. By law, the County Council must vote to approve the so-called "certified list" before it is transmitted. So, on 1/15/2023 the list was sent for use in collection of the property taxes in that year (2023) by each taxing jurisdiction; the list contains ownership information, and the estimated fair market value of each property.

2.3 An assessor estimates annually the total fair market value, in 2022 to be used for tax collection in 2023, for each property, and uses state designated assessment methods to determine the valuation of each property: sales, original cost, or income method.

2.4 OPA is required by law to transmit on a monthly basis any sales of real property to the PA State Tax Equalization Board: the sale price, the assessed value, and the type (25) of sale transaction which must indicate whether or not the sale is Valid, or Invalid. For example, sales between blood relations are typically deemed not to be "arms-length sales" and such transactions are not used to characterize the general level of assessments compared to market value.

2. What does a OPA salescode classifier assessor and/or computer program do? (3). Assigns a code per each transaction:

AA='AA: OPA: Undetermined Sale Not Analyzed' Invalid?	19='19: OPA: Invalid Sale Includes Personal Property'
0 ='0 : OPA: Valid Sale '	27='27: OPA: Invalid Sale No Assessed Valuation'
U ='U : OPA: Valid Sale Other '	33='33: OPA: Invalid Sale Sale Of Previous Foreclosure - Invalid'
UR='UR: OPA: Valid Sale Other '	34='34: OPA: Invalid Sale Short Sale - Invalid'
1 ='1 : OPA: Invalid Sale Sheriff Sale'	35='35: OPA: Invalid Sale Corporation Transfer'
32='32: OPA: Invalid Sale Court Ordered Sale'	36='36: OPA: Invalid Sale Quit Claim / Special Warranty'
2 ='2 : OPA: Invalid Sale City Treasurer Sale'	37='37: OPA: Invalid Sale Estate Sale'
GV='GV: OPA: Invalid Sale Government Sale'	99='99: OPA: Invalid Sale Corrective Deed / Duplicate Sale'
3 ='3 : OPA: Invalid Sale Love And Affection Sale'	BK='BK: OPA: Invalid Sale Bank/Financial Institution'
6 ='6 : OPA: Invalid Sale Changed After Sale'	DT='DT: OPA: Invalid Sale Date Of Transfer (Record Yr <> Sale Yr)'
9 ='9 : OPA: Invalid Sale Other Invalid Sales Indicated'	H ='H : OPA: Invalid Sale Multi-Parcel Sale'
13='13: OPA: Invalid Sale Exempt Buyer Or Seller'	N ='N : OPA: Invalid Sale Not Applicable'
14='14: OPA: Invalid Sale Time On Market (Insuff/Excess)'	PA='PA: OPA: Invalid Sale Preferential Asmt';
16='16: OPA: Invalid Sale Building Not Yet Assessed'	

Hypothesis: can reclassifying the nature of the transactions in a CLR force the CLR to be between 85% and 115%?

Yes, especially if OPA writes a computer program to classify or misclassify a property transaction based on the ratio in order to filter the sales ratio data to ensure that the median ratio across those transactions classified as 'valid' is between the magic 85% and 115% in a given year.

3. What is the Common Level Ratio (CLR), and how is it used/abused in the appeals process to the County?

3.1 The CLR measures how a County's base year assessment compares to the current fair market value, and is used in the local appeals process. In particular, for all valid sales in a given year, the CLR by STEB is the calculated, trimmed median from the distribution of sales ratios which are calculated as the ratio of each base year assessment for a parcel to its fair market value or sales price.

If the CLR is within 85 to 115% of the Predetermined Ratio chosen by the County, then the taxpayer appealing his new assessment must use the CLR as the comparison multiplier in the appeal. If STEB determines that the CLR is 87% in the year in question, the appellant must use 87% of assessed value in the appeal. If, however, the CLR is 60%, then the taxpayer may use 60% of the assessed value which will result in a much lower new, assessed value.

Suppose one buys a house, earlier assessed at \$100,000 and now at a sales price of \$200,000. Assume the school district appealed the assessed value and argued it should now be \$200,00. If the CLR fell from 87% to 60%, then the \$200,000 appealed value would drop from \$174,000 to \$120,000. If millage is .020, that would mean a tax savings of $.02 \times \$54,000$ or \$1,080!

4. What is the complaint before Judge Hertzberg?

4.1 Plaintiffs argued that Allegheny County artificially inflated the CLR by sending property sales data to STEB that only had been selected by a computer program to keep the CLR in the 85 thru 115% range. Plaintiffs also argued that the County's Chief Assessor did NOT have the requisite credentials required by County ordinance of some 10 years earlier.

Plaintiffs demonstrated that improper inclusions and improper exclusions of sales data kept the CLR at 81% when it would have been 63.5%.

5.0 What did Hertzberg decide and what was admitted during the depositions? What did President Judge do?

5.1 Plaintiffs convinced Judge Hertzberg that the nightly sales validation computer program improperly threw out about 5,600 warranty deeds for 2020 outside the .80 to 1.20 ratio interval and improperly validated family transfers and misclassified other transactions. Generally, lower ratios were tossed out to inflate the CLR to 81% in 2020.

5.2 Acting chief assessor admitted in a deposition that the automated nightly program operated to increase the CLR calculated by STEB. Acting chief assessor also admitted in a deposition that she did not have requisite credentials to be chief assessor.

5.3 Hertzberg issued a consent decree, but ultimately the County would not honor it.

5.4 Hertzberg then entered a preliminary injunction using the Plaintiffs' calculated CLR to 63.53% for 2020 sales [to affect tax year 2021]; when the County refused to make its own calculation public Hertzberg characterized OPA's conduct as "cooking the books."

5.5 President Judge Christine Ward on Jan 10, 2023 assigned all pleadings, objections, matters pertaining to appeals, discovery disputes and Eminent Domain cases to various judges [and not to Board of Viewers]. This basically put assessments and appeals in judicial receivership.

6. Why is the conduct of OPA a 3rd degree felony under PA Law?

3922. Theft by deception.

(a) Offense defined.--A person is guilty of theft if he intentionally obtains or withholds property of another by deception. A person deceives if he intentionally:

(1) creates or reinforces a false impression, including false impressions as to law, value, intention or other state of mind; but deception as to a person's intention to perform a promise shall not be inferred from the fact alone that he did not subsequently perform the promise;

(2) prevents another from acquiring information which would affect his judgment of a transaction; or

(3) fails to correct a false impression which the deceiver previously created or reinforced, or which the deceiver knows to be influencing another to whom he stands in a fiduciary or confidential relationship.

(b) Exception.--The term "deceive" does not, however, include falsity as to matters having no pecuniary significance, or puffing by statements unlikely to deceive ordinary persons in the group addressed.

Note: amount over \$2,000 constitutes a 3rd degree felony (up to 7 years jail time); \$50 would be a misdemeanor.

7.0 How Crazy Are the OPA and STEB Data on Real Property Sales in Allegheny County?

7.1 Across 67 Counties, % of sales which STEB said are valid are about 40%;

For the Allegheny County STEB data, the % valid is extremely low ranging from 13% to 33%;

7.2 How many sales in Allegheny County per year according to STEB, 2 OPA files?; up to 11% difference in raw counts per year depending on data source;

7.3 OPA Suspicious/Ambiguous Coding Categories Currently Tossed Out as Invalid have low Sales Ratios and highly variable number of counts/year.

7.1 STEB % Valid
Sales State Wide
Distribution across
67 Counties

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Min	0.4%	15.5%	15.4%	15.5%	8.9%	8.7%	13.6%	11.5%	5.0%
25th Percentile	26.9%	26.9%	27.5%	26.8%	28.4%	28.8%	28.2%	29.3%	28.8%
Median	39.6%	39.2%	38.2%	38.5%	38.4%	36.9%	37.0%	37.3%	35.9%
75th Percentile	54.6%	53.6%	49.4%	48.6%	49.1%	47.2%	46.9%	52.4%	49.0%
Max	99.8%	99.8%	100.0%	95.2%	95.9%	93.0%	98.4%	95.5%	94.2%
Allegheny STEB	31.4%	17.2%	17.3%	21.0%	23.4%	19.8%	13.6%	15.5%	22.0%
Allegheny OPA	16.6%	16.7%	21.3%	22.9%	18.7%	12.8%	23.2%	21.9%	22.6%

source: Prof. Robert P Strauss, Carnegie Mellon

4/16/2023

Table 7.2

Real Property Sales in Allegheny County from 3 data sources: STEB, OPA Sales, OPA Universe

Calendar Year	State	Allegheny County	Sales on OPA Universe File	OPA Sales Vs. OPA Universe		State Vs. County	
	STEB Web Site	OPA Sales File		OPA Sales - OPA Univ Diff	% Diff	STEB vs. OPA Sales File	% Diff
2018	34,650	36,567	32,493	4,074	11.1%	(1,917)	-5.5%
2019	33,549	35,783	32,313	3,470	9.7%	(2,234)	-6.7%
2020	34,614	35,409	31,635	3,774	10.7%	(795)	-2.3%
2021	41,433	40,328	36,669	3,659	9.1%	1,105	2.7%
2022	N/A	33,536	31,814	1,722	5.1%		

Source: Prof. Robert P Strauss, Carnegie Mellon

4/16/2023

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7.3 OPA Suspicious/Ambiguous Coding Categories Currently Tossed Out as Invalid and Associated Sales Ratio					
Distribution of Sales Ratios by Year					
14: OPA: Invalid Sale Time On Market (Insuff/Excess)	N Obs	N Used	25th Percentile Ratio	Median Ratio	75th Percentile Ratio
2012	6	6	58.7%	84.5%	282.5%
2013	11	11	67.7%	90.5%	202.3%
2014	2,736	2,734	68.8%	113.9%	209.4%
2015	3,107	3,107	70.4%	86.4%	180.8%
2016	2,609	2,608	68.0%	86.9%	179.8%
2017	3,052	3,051	64.7%	84.6%	172.1%
2018	3,043	3,043	61.1%	76.3%	137.8%
2019	3,217	3,215	63.7%	82.4%	153.3%
2020	5,136	5,135	60.0%	81.9%	139.2%
2021	5,201	5,197	51.3%	67.7%	108.9%
2022	2,860	2,841	51.1%	68.3%	105.1%

Definition of a Quit Claim (which is deemed not a valid sale by OPA and STEB)

A **Pennsylvania quit claim deed** is a form in which a grantor relinquishes all rights to a piece of real estate and transfers those rights to a grantee **without title protection**.

What differentiates the quit claim deed from other conveyance instruments is the lack of a promise of clear title and lack of assurances regarding the legitimacy of the grantor's ownership.

36: OPA: Invalid Sale Quit Claim / Special Warranty	N Obs	N Used	25th Percentile Ratio	Median Ratio	75th Percentile Ratio
2012	101	101	80.2%	96.3%	154.2%
2013	4,555	4,545	74.3%	84.7%	149.6%
2014	6,525	6,523	75.6%	88.3%	113.3%
2015	6,961	6,958	72.8%	85.3%	106.9%
2016	5,775	5,768	67.7%	78.8%	133.6%
2017	4,895	4,893	62.4%	73.0%	138.2%
2018	5,235	5,235	59.1%	70.3%	87.5%
2019	5,102	5,102	56.7%	68.0%	78.7%
2020	202	200	176.0%	460.5%	1807.5%
2021	208	206	121.0%	361.8%	1145.0%
2022	140	140	99.5%	233.5%	815.8%

9 : OPA: Invalid Sale Other Invalid Sales Indicated	N Obs	N Used	25th Percentile Ratio	Median Ratio	75th Percentile Ratio
2012	1,102	964	3081.0%	2725000.0 %	8990000.0%
2013	298	273	428.6%	3090000.0 %	8780000.0%
2014	811	810	62.2%	71.9%	85.2%
2015	525	525	56.7%	75.2%	145.9%
2016	866	865	55.1%	70.9%	120.0%
2017	1,267	1,264	48.7%	60.8%	73.4%
2018	1,456	1,456	50.6%	59.0%	68.6%
2019	4,377	4,377	53.4%	62.7%	72.3%
2020	5,402	5,402	47.6%	56.9%	66.3%
2021	7,171	7,171	40.6%	51.2%	62.5%
2022	2,360	2,360	33.2%	45.0%	64.3%

AA: OPA: Undetermined Sale Not Analyzed	N Obs	N Used	25th Percentile Ratio	Median Ratio	75th Percentile Ratio
2012	9,956	9,953	84.3%	98.3%	137.4%
2013	877	877	72.3%	84.9%	179.0%
2014	121	121	70.2%	81.6%	139.7%
2015	107	107	50.6%	79.6%	146.3%
2016	41	41	68.3%	79.9%	99.7%
2017	473	472	62.4%	76.9%	85.7%
2018	1,999	1,999	57.3%	72.2%	85.6%
2019	1,668	1,667	58.9%	71.8%	84.3%
2020	6	6	45.8%	56.1%	77.9%
2021	4	4	57.2%	80.2%	12250044.0 %
2022	5,610	5,608	45.6%	56.7%	70.9%

Summary:

For me, Much of OPA's data looks fishy and then some.

Questions? Comments?