Assembly Worksession on AIM 103-2026

Mayor Suzanne LaFrance

Department of Finance | Property Appraisal Division

Jack Gadamus, Municipal Assessor

&

Office of Internal Audit

Alden Thern, Internal Auditor

Agenda

1. Assembly Resolution (2026-73, As Amended) and Assembly Information Memorandum (103-2026)
2. Fully Exempt Property
3. Work Completed
4. Remaining Scope of Work
5. Improving the Review Process
6. Recovery and Fiscal Impact
7. Recurring Reviews

Assembly Resolution 2026-073, As Amended

1.1: Verification of continued qualification for fully exempt property

1.2: Identification and review of potentially non-compliant exemptions

1.3: Estimation of fiscal impacts associated with improperly exempted property

1.4: Evaluation and recommendation of enforcement mechanisms

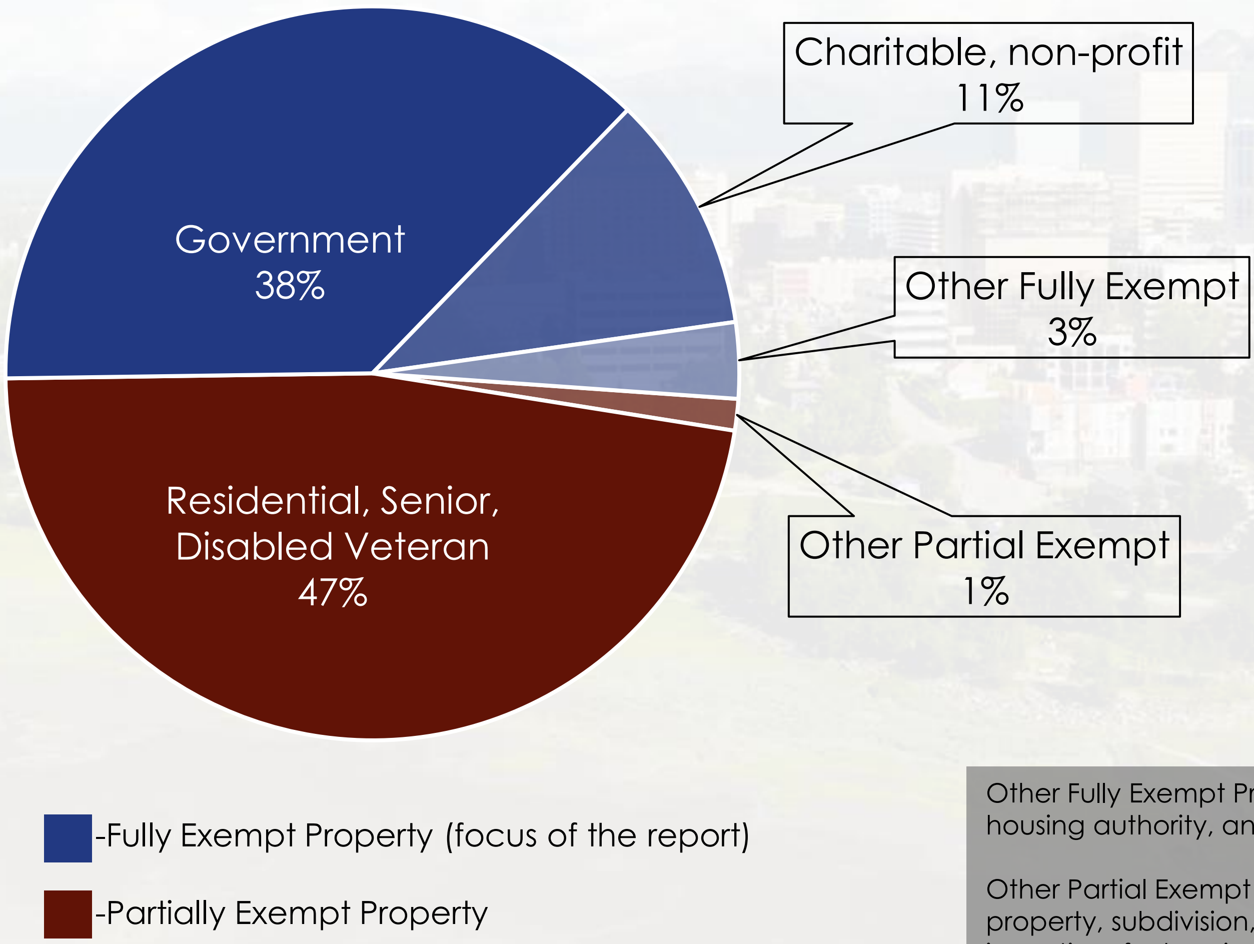
2.1: Examine options for property tax recovery

2.2: Development of a recurring five-year review

2.3: Assessment of transparency and public reporting options

3.0: Initial report on scope, methodology, estimated staff time and resources

Exempt Value by Exemption Type: fully exempt and partially exempt



Other Fully Exempt Property includes Native, utility, housing authority, and deteriorated property

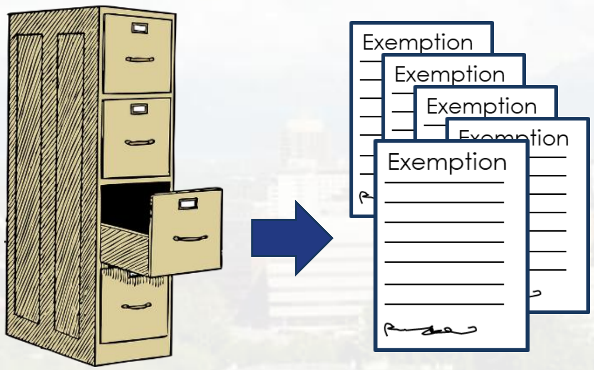
Other Partial Exempt Property includes personal property, subdivision, farm, economic development (tax incentives for housing included, and volunteer fire.

Not All Fully Exempt Property is the Same

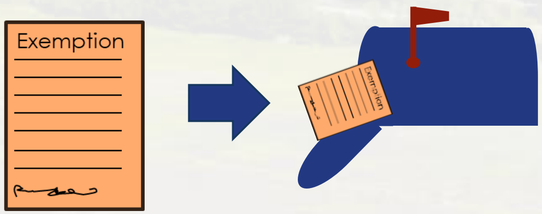
Primary Qualification Basis	Examples	Review Approach	Applications
Ownership-based	Government, Native, utility, housing authority	Verify ownership	**Not typically required**
Secondary purpose exemptions	Charitable leasing a portion, government-leased property, religious housing	Various, depending on statute but with a higher frequency	**Typically required**
Use-based / purpose-based	Religious, charitable, educational, hospital, cemetery, community purpose	Review purpose and use	**Required**

Exemption Review Process for Charitable, Religious, Non-Profit hospital

Step 1: Manual review of exemptions



Step 2: Flag exemptions and require "Annual Certification"



Common reasons to flag an exemption for follow-up include incomplete documentation, perceived change in ownership or use, or a report from a concerned citizen.

Step 3: Work with property owner to verify eligibility

For charitable, religious, and non-profit hospital exemptions, the property owner must demonstrate that the property continues to be used exclusively for the stated purpose.

Step 4: Make a determination and send a determination letter

Sending a denial initiates the appeal process. Charitable, religious, and non-profit hospital exemptions may request an Administrative Review or appeal directly to the Superior Court

What Has Already Happened Before the Resolution?

2023

Restructured the Customer Service Team:

- Now the Administrative Services Team
- Dedicated 55% of one full-time position (FTE) to exemption review on fully exempt property

2024

- Restructuring complete
- Reviewed physical records
- Linked records to CAMA*

The result:

- ~100 high-priority
- ~550 medium-priority exemptions
- ~20 were audited

2025

- Continued to review physical records
- The Division requested annual certification on ~60 exemptions

The results:

- Failed to submit: 1
- Late submission: 1

2026+

Current scope of work (SOW):

- ~20 high-priority exemptions
- ~550 medium-priority exemptions

Estimated completion timeline is over five years with no changes

Current Scope of Work

Recommendation to maintain the current scope of work:

- ~20 high-priority exemptions
- ~550 medium-priority exemptions

Current capacity/constraints:

- ~2,000 appeals in 2026
- Limited staff time allocated to exemption review
- March 15th Annual Certification Deadline

Estimated date of completion is ~2032

What Can We Do to Speed Up Exemption Reviews?

Increase Audit/Review Capacity

Currently In Progress

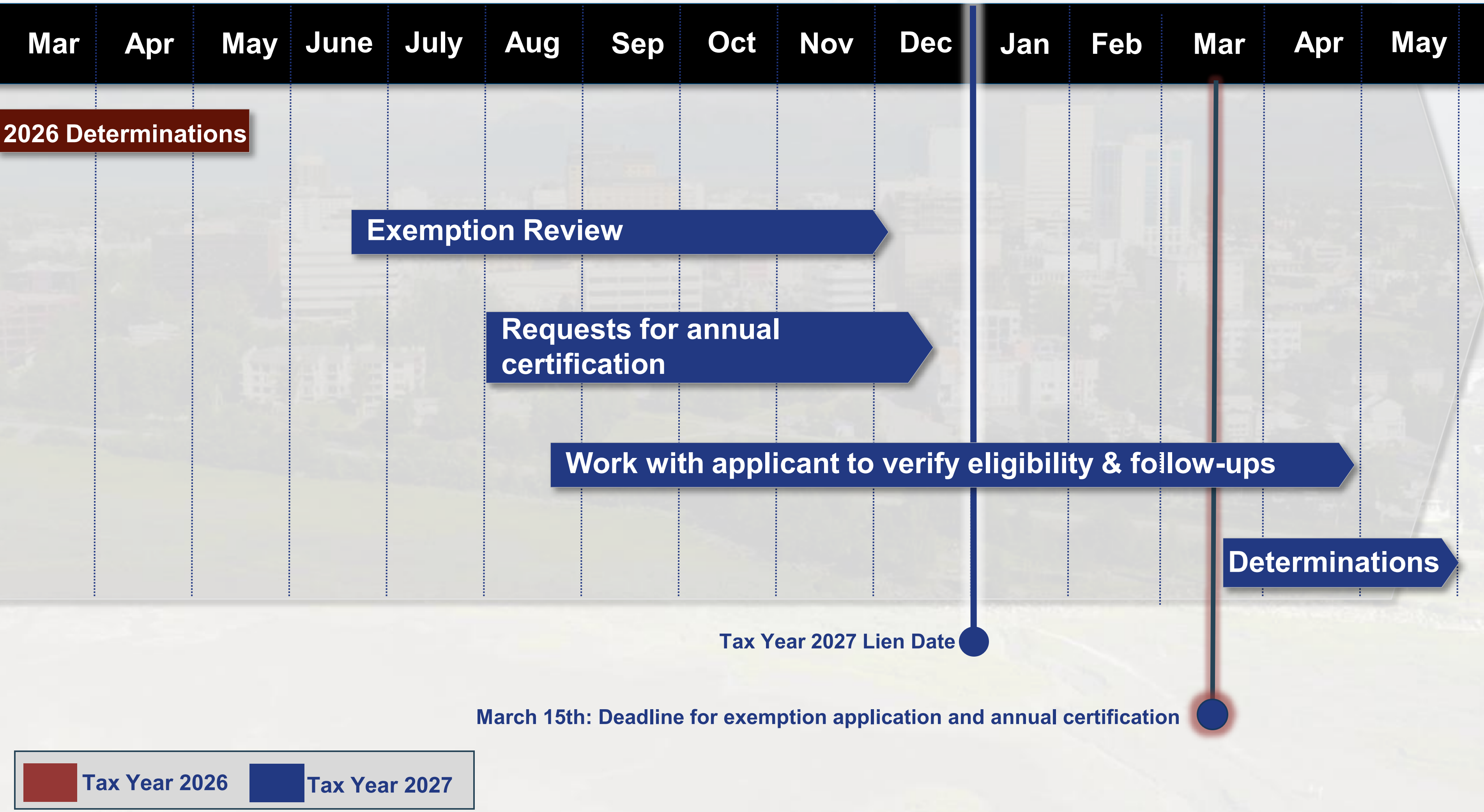
Change the Annual Certification Deadline

March 15th → 90-Days from Initial Request

Code Change Required

If both recommendations are implemented, the estimated completion date of the current scope of work would change from 2032 to ~2030

Current Timeline of the Exemption Review Process for an Existing Exemption



Proposed 90-day Timeline of the Exemption Review Process for an Existing Exemption

Estimated Fiscal Impacts from Potential Improperly Exempted Property

Using Empirical Evidence:

- Estimated impact from misclassified exempt property is estimated at ~$52.1 million of exempt value, resulting in ~$811,000 of revenue for a <u>future tax year*</u>
- This equates to 0.12% of the total property tax revenue levied for 2026

*Removing exemptions and taxing property in arrears is likely to be significantly more limited

Recurring Reviews Based on Risk of Non-Compliance

Primary Qualification Basis	Examples	Annual Review	Periodic Audit Cycle
Ownership-based	Government, Native, utility, housing authority	Verify ownership	**No audit cycle**
Secondary purpose exemptions	Charitable leasing a portion, government-leased property, religious housing, hospital	Various, depending on statute but with a higher frequency	**Three Years**
Use-based / purpose-based	Religious, charitable, educational, cemetery, community purpose	Review purpose and use	**Six years**

Recommendations Moving Forward

1. Continue the exemption review work already underway.
2. Increase dedicated review and audit capacity.
3. Change Annual Certification to a 90-day response deadline.
4. Build a recurring risk-based review program rather than a one-time audit sweep.

Thank You