

## **Amendments and Additions to the Objection Petition to the City of Gary's proposed budget for 2011**

1) It has been discovered that the property tax rates for certain portions of Calumet Township that do fund the budget of the City of Gary, are in excess of the DUAB-approved limits; and therefore should have their property tax rates for tax billing purposes corrected and have adjustments made to their real property tax liabilities. This corrective action may need to be made retroactively; and as a result of this correction, tax liabilities that are now listed as due and owing will likely need to be recalculated. Additionally, if these tax liabilities have already been paid, credits will need to be issued to the tax duplicates for the properties which were affected by this error in classification.

It has also been discovered that many properties within this same area of Calumet Township that funds the budget of the City of Gary; that are residential properties, are being billed at the commercial tax rates. This is also true of many residential properties in the City of Gary as well; and therefore they should have their property classification for tax billing purposes corrected and have adjustments made to their real property tax liabilities. This corrective action may need to be made retroactively; and a result of this correction, tax liabilities that are now listed as due and owing will need to be recalculated. Additionally, if these tax liabilities have already been paid, credits will need to be issued to the tax duplicates for the properties which were affected by this error in classification.

2) I cannot be certain as to whether or not the amount deducted from the gross total represented by the listed net assessed valuation reflects the additional \$10,000.00 Homestead deduction available to qualified property owners. It seems doubtful that this additional Homestead deduction was calculated into the gross listed NAV; as the total listed NAV is quite similar to the total listed NAV prior to the period that the increased Homestead deduction went into effect (the increase from 35K to 45K). We believe that it is incumbent upon the DLGF to investigate whether or not the proper adjustments were in fact made to the total listed NAV to reflect this change in state law.

3) I would ask the DLGF to provide the amount of the percentage of the billed tax rate that is earmarked to go towards exempt debt service. It was thought to be .04%, yet it appears that instead .4% is being charged to taxpayers for the repayment of this exempt long-term debt. At this rate of .4%, it would seem that it would not take very long to retire this debt service which has been referred to as: "long-term exempt debt". I raise this issue because for the past two years, the effective tax rate on property tax bills for various classifications of non-Homestead property appear to be just about .4% higher than the DUAB-approved rates. When I inquired as to why they were this much higher, I was told because there was an additional amount being charged for exempt long-term debt. But when I look at the chart that describes the percentage amount being charged above and beyond the DUAB-approved rates, this exempt long-term debt is charged as an additional percentage that is shown to be .04%, and not .4%.

4) It has been discovered in many cases, that the Calumet Township Assessor; and/or the Lake County Assessor, has improperly listed the assessed values of many tax-exempt properties as zero. While it may be true that these tax-exempt properties will ultimately have their total assessed values subtracted from the gross NAV total, it is an improper procedure to list these properties' assessed values at zero.

For several reasons they should be listed with the CTA and/or the LCA at their true assessed values; and that any partial and/or total reductions in assessed values should be introduced at the level of the Lake County Auditor; being based on the proper and applicable filings for whatever deductions apply to the specific property in question. For example: all city-owned property should not be receiving a zero-assessed value; they should be assessed as would be any other property(ies) that are taxable. For comparison purposes, all properties, regardless of their tax status, should have a listed assessed value based on their market value-based assessed value.

If these properties, that may currently be eligible to be tax-exempt, are transferred to an entity at some point in the future that is taxable; then it should have an established AV which could then be carried forward to the new owner(s). Otherwise, it is possible that upon a transfer from a tax-exempt entity to a taxable entity, one or more years of billable taxes could be lost while the system catches up. Certainly, until the CTA and/or the LCA were to be made aware of the ownership change, several years could possibly have elapsed.

Additionally, if these tax-exempt properties remain listed with a zero AV, there will be no incentive for their owners to file the annual paperwork to maintain the property in this tax-exempt status. It then will not be known whether or not these affected properties will still be in compliance with state law as to being eligible to receive any full and/or partial tax exemptions. So, with the zero assessed value; instead of normal assessed value with a full deduction; even if the exempt status were to be revoked due to some non-compliance issue, the billable taxes would still be zero; and would remain so until either the CTA and/or the LCA were to become aware of the change in tax status and were then to assess the property and enter its non-zero AV as taxable. This is not the procedure by which properties should be listed with the CTA and/or the LCA.

It has also been discovered that these zero AVs are being carried forward to the Lake County Treasurer, and as such, are listed with the LCT with no assessed value. When this zero AV is multiplied by whatever the annual tax rate happens to be; the net tax bill is zero. While the net bill for certain properties may be the same; this is not the procedure by which properties are to be exempted from being taxable. They are instead supposed to have their actual AV listed by the LCA and/or the CTA; and then they are to have whatever their percentage of deduction listed on the tax bill by the Lake County Auditor. In the case of a city-owned property; its AV should be listed as the actual AV of the property; and then on the tax bill, the entire listed AV amount should be deducted, thus giving it a zero tax bill. It is not to be done in the manner which it is being done at present. This improper method of listing non-taxable properties with zero assessed

values instead of listing their actual assessed values and then having the Auditor apply any applicable deductions, thus reducing its property tax *liability* to zero; is a procedural error in assessing and having established the total listed NAV.

5) Since this seemingly irregular practice concerning the errant listing of non-taxable properties with zero AVs has been occurring over the last two years, one would expect to see larger variations in the total GAV figures which were submitted by the Lake County Auditor between the years this irregular practice has been in effect and applied. It is therefore suspected that the total GAV values are not representative of the subtraction of all of the former *actual* AVs, and the substitution of these *zero* AVs. It is possible that the previous number was submitted by the Auditor and that it is not reflective of the GAV with these zero values in place; instead of their actual real values. This practice should be investigated by the DLGF; and if it is found to be in error, the Auditor should be required to make any and all appropriate corrections in the method by which they have established these submitted figures for both the GAV and NAV for Calumet Township; and any other areas which have been affected by the application of this irregular practice.

6) I would suggest that there is a significant amount of assessed value that no longer exists, still being carried within the total NAV amount which has been submitted to the State for approval. In a great many cases it has been found that improvements which are long since gone, and have likely been demolished over the last ten years, are still being listed. It has been my personal experience to find this in a significant number of cases. As this ghost assessed value no longer exists in reality; there is little if any likelihood that there will be any taxes collectable on the improvement value of any specific property. Additionally, as it is the normal practice to have the value of the improvement listed on the same key number as the land; it is unlikely that any taxes will be collected until the AV is corrected and reduced accordingly to an amount which no longer includes the long-since-demolished improvement's value (which is usually the majority of the value associated with a specific key number).

7) It has also been my experience to find that even after successfully prosecuting an appeal of an assessed value which had been under appeal, that the new value is not always entered; even though the taxpayer may have already received the appropriate notifications from the CTA and/or the LCA. Therefore, the listed NAV may still contain inflated and errant AVs which have already been corrected at the local assessor level; but have not been fully processed and are therefore not accurately represented in the listed total NAV.

8) Through cursory research, it has been found that there are many improper Homestead exemptions listed on commercial residential rental properties. It has also been discovered that there are many multiple Homestead exemptions being carried by the same owners of property. Over the past several years, the Auditor has publicly stated that the system was being purged of all Homestead exemptions and that all people claiming these Homestead exemptions would have to come in and reapply. This may have gotten rid of some of them; but obviously there are some flaws in the process

at some level, as many are back and seem to be fairly pervasive throughout the city. The possibility that the desired process has been corrupted at some point should not be entirely overlooked.

9) Included along with this letter is a list of properties being offered at what is referred to as a: "Commissioners' Certificate Sale". You should notice that there are over 12,000 separate parcels listed in this publication. Approximately 90% of the parcels on said list are situated in Gary and/or the portion of Calumet Township that also funds this proposed budget. As required by IC 6-1.1-17-0.5 (4), any properties that there is a high likelihood that the taxpayer will not pay taxes in the following year, are to be subtracted prior to the Auditor determining the total net assessed value for the particular taxing district. I would contend that the majority of the properties that are contained within the list which has been submitted to you would fall within this definition. I would also contend that the Auditor has not subtracted the assessed values of the properties contained within this list from total net assessed value amount for the City of Gary. This would seem to represent an egregious procedural error and as such the DLGF should reject this proposed budget until such a time as they've been able to conduct a thorough audit of the properties which were included in the amount reflected by the listed total NAV.

10) In regards to this upcoming Commissioners' Certificate Sale which is the subject of the advertisement in the publication which I have submitted to the DLGF at this hearing: it should be noted that this entire Commissioners' Certificate Sale is based on an errant interpretation of a statute which was intended to address the problem of vacant or abandoned structures. The Commissioners' and their agents have interpreted this to include all undeveloped property. Having done so, they have lowered the threshold for a property to qualify for a normal tax sale; and additionally, they have provided that a property which likely may not have even qualified to be offered at a Treasurer's Sale in the first place, to immediately be converted to what is being referred to as a "Commissioners' Certificate". Having been improperly offered for sale at a Treasurer's Sale; and having been improperly converted to a Commissioners' Certificate; and now being offered under the terms of this expedited Certificate Sale; the redemption period has been shortened to 120 days. This increases the likelihood that there will be a far greater number of total defaults, and as such, if the property is sold by these means, and if it is not redeemed within this expedited period, all previous taxes existing on the tax duplicate will be extinguished; and will not be chargeable as a matter of law. This is extremely important to consider as it is almost a certainty that the values of all properties contained within this list were included in last year's NAV, and as such, these values were used to support the funding of last year's budget, and were used to borrow TAWs. If these are now found to be uncollectable, how will these TAWs get paid back? It should be noted that some of these TAWs were funded by loans made by the Indiana Bond Bank. If the DLGF certifies this listed NAV, and later on it is determined that significant portions of the total listed NAV do not exist in reality; or exist, but represent AV which has very little likelihood of collectability; it would seem that some of this responsibility may fall on the DLGF and actually exculpate the actual departments and/or individuals that are responsible for the errors; and in effect indemnify the

responsible parties from any recourse of action which may be applicable. For this reason alone, I would plead with the DLGF to thoroughly investigate any and all aspects of this proposed budget, and the methods of calculating the total NAV which is being relied on to fund it; and not to simply perfunctorily approve it without investigating any or all claims which are being made.

\*Additionally, due to numerous other irregularities within the current tax sale system as it is being conducted within Lake County, the maximum number of total defaults should be expected.

11) Additionally, it is suspected that there has been no reduction in the listed total NAV to take into account property(ies) which are part of a bankruptcy estate(s); as is required according to IC 6-1.1-17-0.5. Since apparently there was no adjustment made as is required by this statute, this total listed NAV is in error to a substantial degree and the proposed budget which is based upon the total NAV amount; which does not reflect the subtraction of the assessed values of all properties which are part of active bankruptcy estates; should be rejected as there will not be enough AV to support it. This failure to subtract the AV of all properties which are part of bankruptcy estates represents a procedural error in assembling and subsequently submitting the AV totals to the State for approval.

12) With the information that is available, it is difficult to determine whether or not the Trending factors which were determined by the DLGF: 2% increase for commercial properties; and 2% decrease for residential properties, have been properly applied to the different classifications of property and if the total listed AVs for these respective classifications are representative of these adjustments. Through fairly cursory research, it has been discovered in many cases that neither the 2% increase has been applied to all commercial properties; and neither has the 2% reduction been applied to all residential properties. I was not under the impression that the implementation of these two different Trending factors--as seemingly painstakingly determined by the DLGF--was optional.

In fact, and in the practice as observed in Calumet Township, neither of these DLGF-determined Trending factors were uniformly applied to the respective property classifications as they were supposed to be. I would assert that this failure to comply with the implementation of the trending ratios that were provided to the Calumet Township Assessor's office would represent a procedural error, and as such, assert that the NAV is in material error and should be rejected; and that an audit be conducted of why the DLGF-supplied trending ratios were or were not applied uniformly as was required.

13) Also, it should be noted that the certified total NAV for 2010, was \$2,139,261,350.00. In 2011, the total listed NAV amount now being submitted for certification by the DLGF is \$2,217,537,380.00. This represents an increase of \$78,276,380.00. I am not aware of any such significant increase in the total NAV for the City of Gary and the portion of Calumet Township that is to fund this proposed budget. I

am however aware of a larger amount of assessed value which has been lost over the course of the last year. Since there can be no actual assessed value to support this significant upswing in total listed NAV, and since there does not appear to be any subtractions in the total listed NAV to represent all of the actual assessed value that has been lost, I would contend that a substantial procedural error was made in these calculations; and that as such, this proposed budget should be rejected until the State can do a complete audit of the properties listed therein this listed amount of total net assessed valuation for the City of Gary and the portions of Calumet Township that fund this proposed budget.

\*Note: If the 2% increase for commercial property and personal property was properly implemented; and if the 2% decrease for residential property were also properly implemented, these adjustments would represent an upswing in the total listed NAV of approximately \$8,000,000.00; not nearly enough to explain this 78.3 million dollar increase in total listed NAV.

14) What likely does explain this mysterious increase in the NAV of real property for the City of Gary/Calumet Township are the numerous examples of improperly applied Trending assessments for the 2010, payable in 2011 tax year. With very little effort, numerous examples of wildly fluctuating AVs can be found. Without any discernible pattern, the AVs of various classifications of real property can be observed to fluctuate significantly from year to year. Rather than observing incremental changes, one can easily find no shortage of examples whereby the valuation history record's path seem to possess the characteristics of a roller coaster.

15) And pertaining to the personal property NAV listed as approximately 641-million, it should be noted that after the subtraction of the amount represented by US Steel's personal property amount, there is still approximately 308-million in personal property in Gary/Calumet Township. As Gary's business community has been decimated over the past decades; and when one compares Gary's NAV of personal property with that of Hammond, a city with a vibrant business community that is both fully functioning and fully populated, it is hard to imagine where this supposed 308-million of NAV for personal property could be. Hammond, a city that one would have to look fairly hard to find any abandoned property; and is a city that still has businesses in operation on almost every available parcel of property, only has a total NAV of personal property of 87-million higher than that of Gary; exclusive of US Steel.

I ran some totals for comparison purposes of other communities. I took the three most vibrant, built-out communities: Merrillville, Schererville, and Munster. They collectively added up to 359-million in personal property NAV. These communities are bastions of prosperity. As another comparison: every other community within Lake County excluding these three and East Chicago, Whiting, and Hammond; added up to 545-million in personal property NAV. All one would have to do to become convinced that something is awry with the personal property NAV totals for the City of Gary/Calumet Township is to take a drive around the city. I cannot even begin to imagine where all of this supposed NAV of personal property could be hiding.

16) It should also be noted that the Lake County Commissioners have engaged in a practice whereby each Commissioner has been allowed to handpick an attorney to act as a collection agent for the County in the collection of both real and personal property taxes which are in some stage of delinquency. These handpicked attorneys have to do no more than to send out a form letter, and for this service--which could easily be handled in-house by the County, they are then entitled to 15% of any taxes owed. This is a pretty sweet gig for these lucky attorneys; because they really don't have to do anything as far as collecting the debt. The County, through the tax sale system, provides the most rigorous collection mechanism possible; yet even though it is most likely that it is the tax sale system which is the encouragement needed to impel taxpayers to bring their taxes current, these lucky attorneys--these chosen few--still get their 15% reward. This 15% reward also represents 15% of tax revenue which will not be received by the County and then be made available to the respective taxing unit to which it should be directed. Taking into account the significant number of properties within the City of Gary that may fall within this status, it is entirely possible that a fairly significant portion of delinquent tax accounts will only produce for the County and respective taxing district; 85% of the amounts actually showing as due and owing.

It should also be mentioned that these contracts for collection of various types of delinquent taxes were not required to be put out for bid. Again, each Commissioner was given the opportunity to submit their own choice. There was no competitive bidding whatsoever.

\*\*\*There is simply no amount of additional tax burden that the DUAB is empowered to levy and foist upon the already-strained backs of Gary taxpayers that could sufficiently balance this budget as it has been submitted. I plead with the appropriate members of the DLGF and the State Board of Accounts that are tasked with the oversight of the financial affairs of the City of Gary, to demand a full and thorough examination of any and all records which pertain to the approval of this budget as it is submitted; as it relies on certain assessed value predictions to be funded. It is incumbent upon these two departments--and any other State personnel and/or departments under whose purview these matters fall--to do so to protect not only the taxpayers of Gary and Lake County; but all other taxpayers within the State of Indiana from any liabilities which may come to exist from the approval of this budget which may be found to have nowhere near the revenue available to fund it as it has been submitted.

I would also plead with the DLGF and the SBOA, and any other departments that are responsible for the approval of the certified NAVs to conduct a thorough and comprehensive audit of both the gross and the net assessed values for the City of Gary and the portions of Calumet Township that also fund the City's proposed budget.

Sincerely,  
Andy Young