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Taxes Are Reassessed in Housing Slump

By [JENNIFER STEINHAUER](#)

LOS ANGELES — Home owners across the nation are looking to county governments to reassess the values of their homes in the face of flattening and falling prices that have befallen scores of markets. Downward assessments, done at the request of homeowners or pre-emptively by government, appear to be most pronounced in areas where the housing market was exploding just a few years ago, or where economic conditions are poorest.

In Maricopa County, the largest in Arizona, a “large percentage” of the one million single-family home owners will see their houses reassessed at lower rates in February, said Keith Russell, the county assessor. In Phoenix, the largest city in the county, housing prices fell 8.8 percent over the last year, according to the S&P/Case-Shiller index, which monitors the residential housing market.

Among the roughly 200,000 parcels in Lucas County, Ohio, 7,083 owners requested reassessments in 2007, about 10 times the yearly average, said Anita Lopez, the assessor, who ran for office on a campaign to adjust assessments.

“Citizens know the market is slow if not declining,” Ms. Lopez said, “and they are informed and feel comfortable in challenging their county values. People here can’t sell their homes, they have less money, and they don’t understand why the government is asking for more money in a declining housing market.”

Local governments, which rely heavily on property taxes, will have to find ways to replace lost revenue or face having to cut services, lay off staff members or delay projects. The possibility of those losses has alarmed officials in areas already facing large numbers of foreclosures and slumping sales, products, in part, of the mortgage credit crisis that has rippled through the country. [Sunday Business.]

“Government has been the beneficiary of increasing home prices,” said Relmond Van Daniker, the executive director of the Association of Government Accountants. “And now they are on the other side of that, and they will have to reduce expenses.”

While every state and local government has its own methods for assessing home values for tax purposes — some do it annually, some every five years, and everything in between — many counties are hearing from residents that they would like their homes reassessed, or have taken steps to bring the taxes down of their own volition.

While in some areas, a county or city is required to make whole any loss in revenues to schools, public education is a frequent beneficiary of property tax revenues. “They are obviously concerned,” Ms. Lopez said about her county’s school systems.

No one has aggregated the total number of counties reassessing home values, and many counties take at least a year to catch up to the marketplace. In some places where reassessments are rising, the numbers have yet to approach historical heights.

For example, in 2007 roughly 1,800 homeowners asked for reassessments in Los Angeles County, far above the average of about 500, yet far below the tens of thousands of homeowners in Los Angeles who looked for tax adjustments during some years of the downturn in the 1990s. But elected officials and property tax experts said that the numbers were notable and that they expected them to grow in 2008.

In San Bernardino County near Los Angeles, tens of thousands of owners of the 860,000 homes will have their assessments lowered in the coming year, said Bill Postmus, the assessor, rivaling the numbers during the California real estate crash of the 1990s.

"You should see more of this activity," said Chris Hoene, director of policy and research at the National League of Cities. "It is mostly in areas most likely to be seeing some decline, like Southern California, Florida, and big cities in the Midwest," rapid growth areas that are now seeing the other side of the curve.

The United States Conference of Mayors recently released a report showing that the value of taxable residential land had declined by \$2.9 billion in California from 2005 to 2008 based on current tax rates, and by hundreds of millions of dollars in other major cities. "We are hearing a lot about this housing market change and its effect on city revenues every day," Mr. Hoene said

Cities where home values have fallen the most are the obvious first place to look for residents clamoring for reassessments, but that is not always the case. Some states, like California, Michigan and Nevada, have statutory caps in property tax increases, which mean the market value of single family homes almost always exceeds the assessed tax values, except in a major downturn.

However, even in California, if a home buyer made his purchase during a market top in the last several years, he might be in the position of qualifying for lower assessed values. For instance, in Santa Clara County, where pricey Palo Alto and San Jose are located, 17,758 properties were reassessed downward for the 2007-2008 tax period, compared with the same period from 2000 to 2001, when the number was closer to 300.

"Obviously 2001 was the dot-com boom," said Larry Stone, the Santa Clara assessor. "And the whole assessment role in my county was carried by a very hot residential market," which has substantially cooled.

In his area, prices, and therefore values, remain strong in high end residential areas with great schools, Mr. Stone said. The coming reassessments are driven in large part in the lower and middle markets, especially the condo market, where the greatest part of the subprime lending problems have occurred.

Indeed, areas with high levels of foreclosures, vacant housing and a reduction in prices expect to see adjustments to the property taxes continue, which is bad news for local governments.

"Rising tax values are not usually a popular thing," Mr. Hoene said, but homeowners tend to accept it, even begrudgingly, when they know the market value of their home is on the rise. "But the minute you think that your local government assessment practices are out of whack with what is happening in the market," he said,

“you will not accept it.”

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