

BEFORE:
A Biddleville house, near Johnson C. Smith University, as it appeared about six years ago.



COURTESY OF MECKLENBURG COUNTY



T. ORTEGA GAINES - ogaines@charlotteobserver.com

AFTER:
New owners spent about \$200,000 transforming the house as the neighborhood becomes one of the latest to attract big investment.

FORECLOSURES MAY SHIFT TAX BURDENS

CLICK TO SEE HOME SALES AND TAX VALUES IN YOUR NEIGHBORHOOD

See details on 31,000 Mecklenburg County home sales analyzed at www.charlotte.com/news

■ Also, see the Observer's map on area foreclosures at www.charlotte.com/foreclosure

Bite from 1A

and the impact of foreclosures. Experts estimate foreclosures will cost hundreds of millions in lost property tax dollars.

It's too early to quantify the potential tax bite of Mecklenburg's foreclosures.

Taxpayers won't receive notices of new valuations until early next year. Elected officials won't set tax rates using those new values until mid-2009.

Overall, single-family Mecklenburg houses that sold in the past two years, fetched an average of 22 percent above tax values, the Observer found. Those increases, coupled with strong appreciation in commercial properties, mean the overall tax base is likely to grow.

In the past, an overall gain in property values often prompted elected officials to lower tax rates. They aim for what's called a revenue neutral point - a tax rate that generates about the same total amount of money.

But the county has had nearly 11,000 foreclosures since the last revaluation. Foreclosed houses often sell at big discounts, and that also hurts the value of surrounding houses. Concentrations of foreclosures have an even greater impact on values.

The Observer has previously found the densest concentrations of foreclosures are in dozens of lower priced subdivisions built within the last decade. Some already are suffering decay and rising crime. Dealing with those problems costs taxpayer dollars. So will falling values.

"We are connected," said Jennifer Roberts, chairman of the Mecklenburg County commissioners, who will set county tax rates. "In the end, it impacts everybody."

A shifting burden ahead

This revaluation comes amid worries about falling home prices and sluggish sales.

The Charlotte area has fared better than most because job growth has continued drawing people and fueling home sales. The area also didn't see explosive price growth during recent boom years and likewise hasn't seen a sharp pullback.

By one measure, the region's homes have shown a five-year appreciation rate of nearly 28 percent. That's similar to the appreciation rate the Observer analysis found for Mecklenburg.

Appraisers will set property values, effective Jan. 1, 2009, for the county's 350,000 residential and business properties. Those values are the basis of tax bills that generate much of the money to run the county, Charlotte and surrounding towns.

Even if commissioners cut the tax rate, homeowners in areas that have seen above-average appreciation are likely to see bigger tax bills. On the other hand, they have been getting a tax break during years their home values rose above the tax assessment.

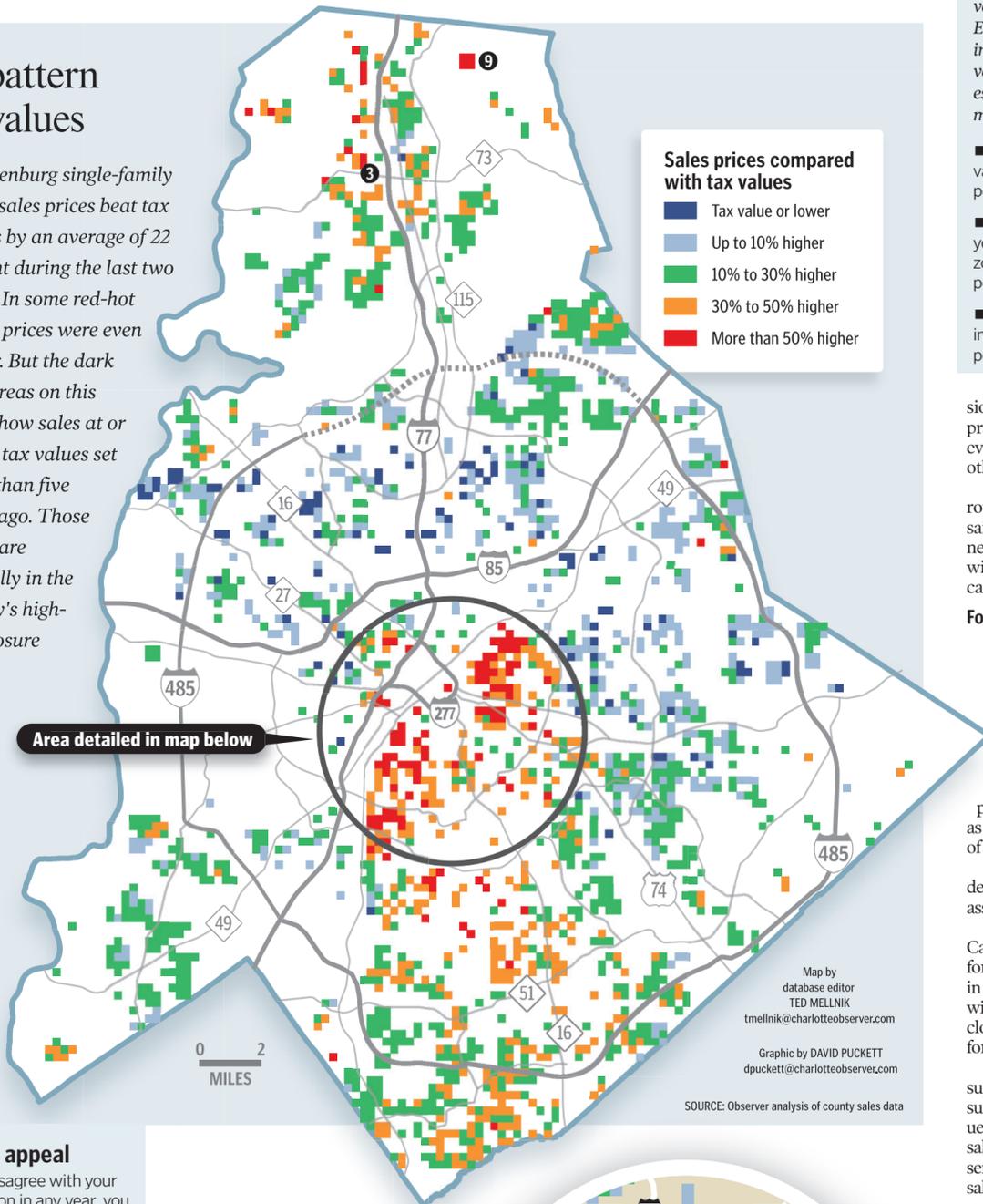
"There's definitely a tax burden shifting," said Michael Doney, a Realtor who lives in Biddleville and sells houses in the emerging inner-city area near uptown. "If we have a better neighborhood for whatever reason, then I guess we pay the taxes for it."

Mecklenburg appraisers have already set values countywide based on one measure, the cost to build properties. They won't divulge those values because it's an interim step. Now they're comparing those assessments with actual sales to identify differences.

Appraisers' decisions are not driven by tax revenue needs. Their goal is to set tax values that

A pattern of values

Mecklenburg single-family home sales prices beat tax values by an average of 22 percent during the last two years. In some red-hot areas, prices were even higher. But the dark blue areas on this map show sales at or below tax values set more than five years ago. Those areas are typically in the county's high-foreclosure zone.

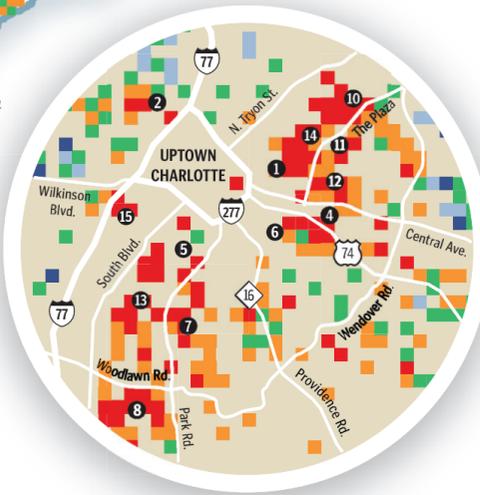


You can appeal
If you disagree with your tax valuation in any year, you can appeal by May 15.

Hot 15 neighborhoods

Inner-city neighborhoods and the South Boulevard light rail corridor are among the areas showing the biggest gains, according to Observer analysis. Here are hot neighborhoods, listed in alphabetical order, that had at least 30 sales in the last two years. See map above for numbers 3 and 9 in northern Mecklenburg.

- | | |
|------------------|---------------------------|
| 1 Belmont | 9 McConnell |
| 2 Biddleville | 10 North Charlotte (NoDa) |
| 3 Birkdale Green | 11 Plaza Hills |
| 4 Commonwealth | 12 Plaza Midwood |
| 5 Dilworth | 13 Sedgfield |
| 6 Elizabeth | 14 Villa Heights |
| 7 Freedom Park | 15 Wilmore |
| 8 Madison Park | |



"We have neighborhoods where the sales are hot," Hicks said. "We're trying to figure out how we're going to get to the values."

But sales lag tax values in a swath of homes, starting around Interstate 85 west of downtown, arching northward to Independence Boulevard on the eastside. That's also the county's foreclosure zone.

The swath is home to the bulk of houses that have sold for less than tax value or shown modest gains of 10 percent or less.

"This is the first time that this has been a real factor in the Charlotte-Mecklenburg market," Hicks said of the foreclosure surge.

Some sales below tax value

Cynthia Yeldell's 2003 property value notice held a happy surprise: The tax value of her new house was nearly \$10,000 more than what she paid a few months earlier.

Then came the foreclosures, and the renters who didn't tend their homes along Braveheart Lane in northwest Charlotte's Oakdale Village. Yeldell says she has heard gunshots. The community of 73 houses, built several years ago, has had at least 28 foreclosures, nearly 40 percent, according to county records.

Houses that sell, regularly fetch prices below tax value and their initial sales prices.

One, which had not been a foreclosure, sold in January for 25 percent less than its original price. A foreclosure sold in February for 45 percent less.

Seven Braveheart houses listed for sale are priced below their 2003 tax value, one by 30 percent. Six of those also are listed at less than their original sales prices just a few years ago.

Oakdale Village is part of the Brookshire Boulevard corridor running northwest from uptown. Hicks says that at this early stage, appraisers have noticed weaker values in the region. The road, also called N.C. 16, dissects a wedge of high-foreclosure neighborhoods west of I-77.

The Oakdale Village subdivi-

What happens to your tax bill?

You'll get your new property valuation early next year. Elected officials will set rates in mid-2009 using the new values. Here's an early estimate of how tax bills might change:

- **Tax decrease** if your home value falls or rises up to 10 percent.
- **Little or no tax change** if your value is in the average zone, up 10 percent to 30 percent.
- **Tax increase** if your value increased more than 30 percent.

sion is a smaller area than appraisers use to set values. However, its neighbors include other high-foreclosure areas.

"I love my house, but the surroundings could be better," said Yeldell, who works at a nearby distribution center. "I wish I could afford better, but I can't, therefore I'm stuck here."

Foreclosures elsewhere

In California's pricey Monterey County, home to actor Clint Eastwood's multimillion-dollar properties, the tax assessor last year lowered values an average of 10 percent on about 800 homes. This year, he expects to cut values on as many as 7,500 houses, about 10 percent of the county's houses.

"We've never seen this sort of decline," said Steve Vagnini, the assessor.

Monterey, like other parts of California, is suffering both high foreclosures and a steep plunge in housing prices that exploded within the last few years. Foreclosures are the dominant issue for Mecklenburg.

Assessors generally aren't supposed to consider foreclosures when setting property values because those are forced sales, not market sales. The Observer analysis also used market sales data, as provided by the county.

Hicks and others say appraisers pick up the impact of foreclosures because they depress the selling price of nearby homes. But some say there's a tipping point at which foreclosures themselves must be factored into valuations.

Guy Griscom, the president of the assessors group, is a 43-year industry veteran and assistant chief appraiser for the Texas county that includes Houston. This year, he expects to reduce values for about 11 percent of homes, mostly in the \$80,000 to \$150,000 range and hard hit by foreclosures.

"The foreclosures have become the market," said Griscom, who heads the county appraisal department. "That's what's driving these reductions."

The foreclosure-driven devaluation is a first for the county, and officials haven't yet tallied the lost tax revenues, but they will, Griscom said. He didn't know of a municipality that had yet made that calculation but said he expects many soon will.

Mecklenburg appraisers say they're evaluating the impact of foreclosures.

"If it becomes something that absolutely begs to be considered, then we will do so," said Eric Anderson, the county's assistant assessor.

Stella M. Hopkins: 704-358-5173