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Foreclosures affect valuations

By Zack Colman and [Paul Goodsell](#)

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Sanjeev and Bhawana Rathore bought this house near 168th and V Streets in a foreclosure sale last October for \$189,000. Now they are protesting its \$247,600 tax valuation set by the Douglas County Assessor's Office.

Shattered shingles, gashed gutters and tattered tiles — Sanjeev Rathore says his suburban Omaha home has it all, and then some.

The 34-year-old purchased the house in the Mission Hills neighborhood, near 168th and V Streets, in a bank foreclosure sale last October. He and his wife, Bhawana, 35, knew it was a fixer-upper and paid \$189,000, much less than the price of other neighborhood homes.

Now the Rathores are protesting the \$247,600 tax valuation set by the Douglas County Assessor's Office.

“Initially, the bank put it up for the assessed value, and no one bid on it,” Sanjeev Rathore said. “So what does that say about the assessed value? It doesn't speak to the market.”

Weaknesses in the housing market could drive protests this month to county boards of equalization across Nebraska. Property owners have until June 30 to challenge their valuations.

If they're successful, the homeowners might be able to reduce their property tax bills. If the Rathores' valuation dropped to their \$189,000 purchase price, for example, they would save \$1,200 on next year's taxes, assuming no change in tax rates.

Winning a valuation protest isn't guaranteed, however, even for homeowners armed with a recent sales contract or a laundry list of their house's flaws.

Last year, 56 percent of property owners who protested in Douglas County had their valuations changed. In Sarpy, 53 percent were changed.

County assessors say they took into account the housing market's problems in the new valuations they set this spring. Assessors in both counties reduced more valuations in 2010 than they raised.

But a World-Herald review last month showed that one out of every four houses sold recently in the two counties was assessed too high. That includes some houses whose valuations had been reduced but sold for even less.

“It is a buyer's market,” acknowledged Barry Couch, chief deputy assessor in Douglas County. The average selling price of homes in the county has dropped every year since 2006.

Douglas County Assessor Roger Morrissey said the local downturn hasn't been steep compared with what happened in California, Florida and Arizona. Omaha-area housing prices grew more slowly than in other parts of the country, and they haven't fallen as fast.

“In the last couple years, it has gone down a little bit,” Morrissey said. “But some neighborhoods stayed pretty steady.”

In some cases, Couch said, a low selling price is proof that the market has continued to slide. Other times, it could be just a great deal or a house in lousy condition — not an indication of broader market trends.

In Douglas and Sarpy Counties, referees hired to weigh valuation protests have to sort out those issues when making recommendations to county boards.

Bank sales of foreclosed property can complicate the picture.

Nearly 1,500 Douglas County homes sold in 2009 — 10.8 percent of all sales — were foreclosed properties sold through banks, according to the Multiple Listing Service.

Ryan Blumkin, head of the tax protest division at Coldwell Banker, said foreclosure houses typically sell for less than neighboring homes and often are neglected and fall into disrepair.

County assessors tend to discount the significance of those sales, contending that banks might sell below market value to move properties off their books. Douglas County's Couch said there are plenty of nonbank sales that give a better picture of the housing market here, unlike places like Florida, where foreclosures are rampant.

"I'd argue the opposite," Blumkin said. "If it wasn't at market value, the bank wouldn't have sold it. Banks are very smart people."

If a house sells at a low price after a long time on the market and repeated price reductions, Blumkin said, that's the true market price for the house.

But Couch said houses that take too long to sell can acquire a stigma that drives their value down even more.

In the Rathores' case, Couch said, it's clear that the county's valuation didn't reflect the poor condition that helped drive the house's price below that of its neighbors.

Since the purchase, Sanjeev Rathore said, he has spent \$15,000 to \$20,000 on repairs, including painting the house, carpeting the basement and replacing the broken refrigerator, washer and dryer.

But it still needs new windows, a replacement roof and a level, instead of lopsided, deck. Rathore estimated that his house would bring only \$200,000 at this point.

"It's a pretty disheveled house," he said. "I think we got what we paid for."

Contact the writer:

444-1114, paul.goodsell@owh.com

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