

Housing valuations heading back down

BY TOM SHAW
WORLD-HERALD STAFF WRITER

Betty Becher was surprised last year to learn that her house was worth two different amounts.



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There's what she and her husband paid in February 2008 for their three-bedroom ranch home in northwest Sarpy County: \$243,500.

Then there's the taxable value determined by the Sarpy County Assessor's Office: \$254,600.

The \$11,100 difference will cost the Bechers an extra \$300 on their 2008 tax bill, part of which is coming due this month.

The Bechers aren't alone.

Nearly four of every 10 houses sold last year in Douglas and Sarpy Counties were overvalued, based on a World-Herald analysis of 2008 valuations and sales records. The analysis showed that 2,884 of 7,554 residential properties were assessed above their sales prices.

As a result, those homeowners will pay more in 2008 property taxes than if the valuations better matched sales prices.

Part of the problem stems from the pace of figuring property tax bills in Nebraska. The bills coming due this month generally are based on valuations set a year ago — relying on sales information stretching back two more years. The lag is especially significant now, with the recent economic downturn and sluggish housing market.

The assessors in Douglas and Sarpy Counties recognize the disconnect between valuations and the housing market. They are preparing to lower a number of home valuations this spring.

In fact, for the first time in at least a decade, a majority of the houses being reassessed this year in both counties will receive valuation reductions rather than increases. But those valuation changes won't affect property tax bills until next year.

"Sales are off," said Douglas County Assessor Roger Morrissey. "We've lowered values in areas that have seen steeper declines."

Douglas County will lower the valuations on 14,509 homes by about 3 to 5 percent. The affected properties, however, represent a fraction of the county's homes.

The valuations for most of the 175,000 houses in Douglas County will stay the same. Morrissey said that while some neighborhoods need reductions, many areas have flat home prices.

Sarpy and Lancaster Counties both plan to lower valuations on the majority of homes. In Sarpy, with a total of about 42,000 homes, valuations on 31,990 homes will decrease by about 1 percent.

"We're seeing a lot of areas that are going down by a

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Questions and answers on property-tax bills

Will the overassessments on properties in Douglas and Sarpy Counties lead to higher property tax bills?

Yes, certainly, on the tax bills due this month. What happens with next year's tax bills depends on new valuations and on the property tax rates set later this year by city and county governments and school districts. Several officials said it's too early to tell how much these tax rates will change - or if they will change at all. Economic conditions, state-aid formulas and other factors influence local budgets.

Will the overall value of property in Douglas County or Sarpy County decline this year compared with last year?

No. Even with the planned reductions in some home valuations, both counties' tax bases will increase this year after factoring in new construction and existing commercial and agricultural properties. But the rate of growth will be smaller than in past years.

How is my property tax bill calculated?

Property tax bills are based on both the county's property valuation and tax rates set by local governments. Property

little," said Sarpy County Assessor Dan Pittman.

In many other parts of the state, valuations will remain largely unchanged this year, said Ruth Sorensen, the state property tax administrator. She said home sales prices appear to have leveled off.

Douglas County and other parts of the state could be deluged with protests this summer if many homeowners expect lower valuations because of the sluggish market.

Despite what's happening in Sarpy and Lancaster Counties, Morrissey said he saw no reason to lower valuations on a large scale. He noted that that the housing market in Omaha is better than in cities on the coasts.

In some ways, the current overassessments in Douglas and Sarpy Counties stem from catching up to rising market conditions in past years.

The state requires residential valuations to be set between 92 percent and 100 percent of market value. So for years, as the housing market flourished, valuations increased in both counties.

For several years, Douglas County's problem was that many valuations were substantially below market values.

The Omaha metropolitan area housing market began to cool off in late 2007. Buyers weren't willing to pay as much for homes, especially more expensive houses. More and more homes sold for amounts lower than their valuations.

But just as it took the counties years to catch up with rising valuations, it takes time to wind valuations back down to match lower sales prices.

In Douglas County, 38 percent of the houses that sold in 2008 had sales prices below their valuations, The World-Herald's analysis showed. In Sarpy County, it was 40 percent.

The World-Herald's analysis found 32 neighborhoods in Douglas County where at least 10 houses sold last year for less than their valuations.

The county plans to lower the valuations in 15 of those neighborhoods this year. Those valuations will be used in factoring tax bills due next year.

That decision was made after looking at sales not only in the two-year window ending in June 2008, but also at sales since then, to better reflect the housing slump.

The assessor will spend another year collecting more information on the 17 other neighborhoods. At this point, Morrissey said, valuations as a whole in these neighborhoods are still in line with sales prices.

Diamond Head, near 156th and Blondo Streets, is one neighborhood slated for valuation reductions.

Fred Hromas bought a house there last May for \$185,000.

But the county had valued the property \$31,000 higher. That means Hromas will pay an extra \$635 in property taxes this year when his 2008 bill is due.

"I thought it was high," the retired farmer said of his valuation. "I just figured I'm new here, and I don't know what other people are paying" for similar houses.

In Sarpy County, The World-Herald's analysis identified 14 neighborhoods where at least 10 houses sold last year for prices below valuation.

Thirteen of those neighborhoods will see valuation decreases this year — including the Bechers' Bellbrook neighborhood, near 192nd and Harrison Streets.

Betty Becher is frustrated by how long it takes for valuations to reflect sales prices. She got her tax value notice three months after she purchased her home for \$11,100 less.

Not happy, she picked up the phone and called the assessor.

"Why are you assessing us more than what we paid for the house?" she asked.

She found out that when assessors revalued the Bechers' house, they reviewed sales of similar properties over a two-year period ending in June 2007. The timing meant that her valuation didn't reflect what was happening in the current housing market.

Becher was told the market trends wouldn't trigger lower valuations until this year.

She said assessors should review the most recent sales figures when setting valuations.

valuation notices for 2009 will be mailed out in May. Local governments will set their budgets this summer and determine tax rates this fall. Property tax bills based on that information will be due next year.

Do Douglas and Sarpy Counties reassess all properties annually?

No. The two counties handle valuation changes differently. Sarpy County places new valuations on most properties annually. As a result, changes tend to be gradual. Douglas County revalues only a portion of properties each year. The assessor elects not to revalue areas where overall valuations match up with sales prices. Under this method, individual valuations might remain unchanged for a few years before being adjusted.

Does the state review the accuracy of county valuations?

Yes. The state requires counties to set home valuations between 92 percent and 100 percent of market value. Counties are graded on overall sales, not by individual house sales or neighborhood sales. Douglas and Sarpy Counties met state standards for 2008.

What about Pottawattamie County, in Iowa?

The method for figuring property tax bills in Iowa differs from Nebraska's. In Iowa, tax bills are figured on only a portion of a home's total property valuation.

- Tom Shaw

Assessors say no matter what they do, they are chasing a moving target.

Meanwhile, Becher said the price declines continue in her neighborhood. She pointed to a nearby house that is listed for about \$30,000 less than the county valuation.

"They keep dropping the price, dropping the price, dropping the price," Becher said of the owners, who put the house up for sale last summer.

• **Contact the writer:** 444-1149, tom.shaw@owh.com

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