

Priciest homes underassessed

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WORLD-HERALD STAFF WRITERS



The mistake Jean Stothert, City Council member 5909 S. 118th Plaza **1993 sales price:** \$410,000 **2009 valuation:** \$341,900 In 2006, the valuation dropped 20 percent. Stothert said she raised the matter, and the assessor said it was correct. Real estate agent Peter Manhart pointed out the low valuation. County officials recently found it was based on a flawed square footage and will raise it in 2010.

WORLD-HERALD EXCLUSIVE

Seven years ago, Frederick Hosman bought a 5,000-square-foot brick house on 1.6 acres in central Omaha's Loveland neighborhood. He paid \$850,000.

But when Hosman pays his property taxes, the bill is based on the county's assessed valuation of just \$736,900.

The gap between those two values is saving Hosman nearly \$2,300 in property taxes this year alone. And he's fought hard for those savings. Twice, he asked the Douglas County Board to reduce his valuation. Twice, the board agreed.

"I just want to be treated equally," said Hosman, saying the below-market valuation is fair in light of the assessed valuations of nearby houses.

Hosman's situation is far from unusual among higher-priced houses in Douglas County.

A World-Herald analysis found that homes selling recently for \$500,000 or higher were much more likely to be underassessed for tax purposes than homes in any other price category. That indicates the owners of those higher-priced homes are more likely to be paying less than their fair share of property taxes.

Omaha real estate agent Peter Manhart considers that an outrage. He has been waging a mostly lonely crusade for more than a year, researching valuations and house sales of prominent and well-to-do Omahans and trying to draw attention to valuations he contends are out of line.

"It's very easy to find undervalued properties," Manhart said. "This could be done much better."

He took his case to the Omaha City Council's budget hearing this month. He singled out Mayor Jim Suttle, former Mayor Hal Daub and others, telling council members that the city loses substantial revenues through low valuations. If assessed values were higher, Manhart said, the city's financial woes would be lessened.

The World-Herald concluded that some, but not all, of Manhart's valuation complaints are justified. In some instances, Douglas County Assessor Roger Morrissey has decided to seek higher valuations, in order to correct mistakes or oversights.

State law calls for valuations to be set between 92 percent and 100 percent of market value. It also requires valuations to be equitable within an area, regardless of the percentage.

As a group, Douglas County's valuations meet the state standard. But individual valuations vary widely. The World-Herald reported earlier this year that a rising number of valuations now are above market values because housing prices have declined.

But that doesn't prevent thousands of houses — modest as well as lavish — from being valued well below their selling prices.

For this report, the newspaper compared 2009 valuations to prices paid from January 2008 through last month.

Among homes that sold for \$500,000 or more, 37 percent were assessed below the state's acceptable range. For all other sales combined, 27 percent were underassessed.

Meanwhile, higher-priced homes that sold in this period were far less likely to be overassessed.

Barry Couch, the chief deputy assessor, said the Assessor's Office doesn't ignore expensive houses — or target them for extra scrutiny.

"To tell me we are underappraising rich people, I've got a problem with that," Couch said.

Expensive houses tend to be assessed below their selling prices for a number of reasons:

Valuation protests. A home-owner can protest a valuation even if the house sold for more than the valuation. The property owner can cite flaws and provide comparisons with other houses based on the price per square foot and other features, regardless of the selling price.

Mistakes. Sometimes the Assessor's Office has incorrect information about a house or loses track of an individual property or group of homes. When those things happen, valuations can be flawed or remain stagnant for years.

Unique houses with hidden features. County appraisers seldom know about interior features — from custom kitchens to finished basements — that can make a big difference in a house's selling price. And higher-end houses can vary widely in quality, so assessments based heavily on square

footage are crude approximations of true value.

Limited sales information. Relatively few expensive homes are sold each year, making it harder to gauge the market. Among the sales studied by The World-Herald, about 200 houses sold for \$500,000 or more, while about 5,600 houses sold for \$100,000 to \$249,999.

Individual sales prices that don't reflect the broader market. When the county sets values, it reviews entire neighborhoods at the same time. New valuations are based on computer models that consider size, features and condition. The models might work perfectly for some houses, but a buyer might have found a bargain or might have paid too much. That can be true for any type of house, but there's more room for variation with expensive homes.

David Woodke, who sold his house last year for about \$200,000 more than his assessed valuation, said he got top dollar partly because his Westchester neighborhood is so popular.

"I got lucky," he said. "I had an attractive house for the right buyer."

Woodke said he has seen other houses in the area sell at a premium price.

"When rich people buy a house," he said, "it's a lot different than the market value."

Manhart often compares selling prices of individual houses to their most recent county valuation. But Morrissey said it would be too simplistic for his office to match valuations exactly with sale prices.

Instead, he said, he has to set valuations through an orderly, neighborhoodwide review that aims to be fair to each property owner and equalizes valuations among similar properties. Otherwise, property owners would have a strong case when protesting.

Morrissey said he's trying to make better use of information from sales listings. The listings can give his appraisers a better understanding of the house's amenities and why it sold at a certain price.

"We're not mind readers on people buying and selling houses," said Couch, the deputy assessor.

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