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## Welcome

Dear clients,

Summer has already set in, the academic year has come to an end at the time of writing and for us at SiRuDo Realty it is the time of the year to talk about County and City taxes but also about the new Tax Assessments that all of you received a few weeks ago. As shocking as some of these valuations may be, they do not come as an entire surprise.

In order to clarify the background of why some of you may have noticed a jump in property taxes as high as 110%, I have decided to focus this entire newsletter on this topic.

While the content may not necessarily be your favorite topic; the explanation, the background, the clarification and the future of property taxes may catch your interest nevertheless.

Happy reading,

Nick Doms

## Content

### **The Rise and Fall of Property Taxes**

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## **The Rise and Fall of Property Taxes**

I can easily imagine what some of you may have thought when you received your new Tax Assessments from Chatham County.

Rest assured, you are not the only one, although I understand that it is but a small consolation.

There is however an interesting explanation behind this recent tax hike, but I will have to take you back in history.

The year is 2011 and the financial crisis and the housing bust are now in full swing with short sales, foreclosures, negative equity stakes and a complete mismatch between the number of sellers and potential buyers.

That was the picture back then and as we know, the Federal Government was already deeply and enthusiastically embedded in TARP and other band-aids.

Chatham County decided to do its part and help homeowners by drastically reducing the tax value of some, if not most, of the properties.

The reduction amounted to 100% in some cases, while other properties saw a 50% to 75% reduction.

While this seemed like a good idea at the time, two major problems were brought to the attention of the Board of Assessors by yours truly:

- The reduction was inconsistent among demographics and was not based on a general factor across the board nor was it based on any valuation factor that could be substantiated with applicable market conditions.
- The lower assessment would automatically lead to higher millage rates therefore mitigating any sizable value reduction over time while penalizing homeowners once the housing market corrects itself in due time.

The latter is exactly what I predicted and warned against back in 2011.

This is now of course water under bridge, so to speak, but nevertheless a truthful statement.

While valuations have remained steady between 2011 and 2014, the same cannot be said about the applicable County or City millage rate.

Since 2011, the combined millage rate for both County and City taxes has increased from 39.349 promille to 41.112 promille in 2013.

The new applicable millage rate for 2014 is still being discussed and scheduled for three public hearings this month.

The “tentatively adopted” new millage rate will be 41.106 but the reduction of 0.006 is due to the re-appropriation of \$4 million of SPLOST VI (2008-2014) and should be considered a rebate of previously collected taxes to homeowners rather than a tax reduction.

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Since I am not politically inclined and I call a cat, a cat rather than using euphemistic terminology, I refer to this as a mandatory rebate.

The above “tentatively adopted” millage is also based on the assumption that the City of Savannah can balance its 2014-2015 budget while keeping its current millage rate at 12.48.

That is highly debatable, given that the City faces a shortfall of \$6 million annually due to the redistribution of LOST funds in favor Chatham County.

So here we are in 2014 with tax assessments that far outweigh any reasonable fair market value increase over the past year.

How can this be explained?

The Board of Assessors has realized that the major value adjustments of 2011 were not entirely justifiable and were poorly calculated, i.e. without any rational, mathematical or financial formula that would be considered accurate and applicable.

In my opinion, the 2011 adjustment was a simple and emotional correction that was executed in a sheer panic attack to try to calm the local waters amidst a housing meltdown.

Today however, and in light of ever more complex budget shortfalls and through the use of realistic mathematical value comparisons, most buildings were and are completely undervalued, hence the steep value hikes.

It needs to be noted though that value mistakes made by the Board of Assessors in 2011 should not simply be corrected under the disguise of market comparables.

Nobody can justify a Year-over-Year value adjustment of 110% or more. That would simply mean we would all be rich and famous after selling our properties to retire somewhere in the shade of a palm tree.

No, according the latest statistical data released by both the National Association of Realtors and Case-Schiller, home values have increased 6% on average Y-o-Y (May 2013 to May 2014) and that is a very accurate figure.

That obviously now begs the question of how to handle these new assessments and what can or could be done about this.

Before I answer that question and give you my advice, I need to fully disclose what my current position is besides being CFO of SiRuDo Realty, LLC.

I have been appointed to the Board of Equalization for a three-year term starting November 2013 through 2016.

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In that capacity and as a member of the Board, I handle tax appeal cases as they are being submitted and they present themselves.

It is therefore my duty to inform you that should you decide to file an appeal and such were to come in front of me for ruling, that I will recuse myself from the case to avoid any and all potential conflict of interest.

Having said that, I can give you unbiased advice in general on what steps to take or how to handle your assessments should you choose to file an appeal with the Board of Equalization.

First and foremost, your appeals have to be filed and stamped no later than June 23<sup>rd</sup>, 2014 in order to be considered. There may be a few exceptions granted but that is the general deadline.

If you opt to appeal, wait for confirmation of the hearing date and prepare to defend your appeal in person or through a designated Power of Attorney.

Your appeal can be successful if you base your reasoning on the following:

- Property values in Chatham County and in general have not risen by more than 10% in comparison to 2013.
- The average sale price of homes in Chatham County, excluding short sales and/or foreclosure, has not risen by more than 10% on average.
- The comparables, as presented by the Board of Assessors, may reflect the accurate fair market value of the homes in question, however such comparables do not indicate that said home values have increased by 110% (TBD) over the course of one fiscal year.
- Rather than adjusting my home value to match the Board's comparables, the proposed adjustment should not exceed the annual increase of the comparables used in my assessment.
- If the Board of Assessors made a mistake in 2011 by undervaluing my property, then an adjustment to correct said problem could be deemed fair and understandable but such correction should be made over a period of time (three years) rather than immediately and completely.

The above is simply a mere suggestion and is based on the appeal I would file if needed. There is of course no guarantee that the Board of Equalization will accept your rational reasoning, but they should at the very least consider its value and fairness.

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