

The City Council of the City of Charlotte, NC, convened for a Dinner Briefing on Monday, January 3, 2011, at 5:17 p.m. in Room 267 of the Charlotte-Mecklenburg Government Center with Mayor Anthony Foxx presiding. Present were Councilmembers Michael Barnes, Jason Burgess, Nancy Carter, Patrick Cannon Warren Cooksey, Andy Dulin, David Howard, Patsy Kinsey

ABSENT UNTIL NOTED: Councilmember Edwin Peacock, III, Warren Turner

ABSENT: Councilmember James Mitchell

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ITEM NO. 1: 2011 REAL PROPERTY REVALUATION

Mayor Foxx said one topic on the agenda tonight, and it is a very important topic. It has to do with revaluation. As you know, we have reached the statutory limit in the County and revaluation has to be done every eight years, and this is the eighth year. The County is going through the process now of working through the revaluation. In past years, the City Council has had a practice of revenue neutral budgets meaning that we have typically calibrated down the property tax rate to a revenue neutral level. In other words, year to year, the same revenue, lower tax rate to accommodate the growth that we see in property values. We will hear tonight for the first time since this process has been going on about what the County is forecasting in terms of revenue for the coming year and the revaluation, so I'm anxious to hear this.

I also want to acknowledge to the Council that we just came out of a Retreat Committee discussion about budget and the economy and so forth. We are going to have ample opportunity to talk about how this impacts our budget process as part of our Retreat, so tonight is an opportunity to just hear about the revaluation itself and ask some general questions about it.

Curt Walton, City Manager, said I would like to introduce Garrett Alexander. He is the Mecklenburg County Tax Assessor. Mecklenburg County is the tax agency for the City of Charlotte and the other six Towns in Mecklenburg County. It is one of the functionally consolidated services, so Mecklenburg County provides this on our behalf as they do on behalf of the County, the unincorporated areas, and the other Towns. The information has started to come out more and more now about the revaluation, so we wanted to give you an update more on process at this point because it is not exactly completely, but it is nearing completion, so I will turn it over to Garrett to make the presentation.

Garrett Alexander, Mecklenburg County Tax Assessor, said I'm going to try to go through this slide show as quickly as possible – not too quickly, but quickly enough to allow you time to ask questions. My concern is that we are able to answer any of the questions you have. The City Manager is correct. It really is about process right now. The values are not final, so you are not going to see final values in the slide show tonight. We are going to talk about some of the mechanics. The values you see in here tonight are sales analysis – what we have seen from the marketplace. I appreciate the opportunity to come and to talk with you, and I'm going to kind of proceed, so logistically if you want to stop me on any slide or point, if you will do that, I will talk. Otherwise, I will just kind of go through. Any questions before I start.

The 2011 revaluation is here. As has already been pointed out, the last time we did a revaluation was January 1, 2003. We were prepared in 2009 to present the reevaluation, but as all of you know, this great recession began and things were of such a concern that the Board of County Commissioners wisely postponed that to allow time to analyze the impact that was having on the marketplace. The effective date of appraisal was going to be January 1.

I was asked to give a little explanation about my office as the County Assessor, a little clarity. Since I don't interface with you very often, the County Assessor is an appointed official, appointed by the Board of County Commissioners to a term of office. I was originally appointed to office in January of 2004 and began an unexpired term of the previous successor in February of 2004 and have been reappointed following that by the Board of County Commissioners.

Administratively, the Office of the Assessor is located in the Land Use and Environmental Services area of County government. It reports through LUESA to Bobby Shields, who is the general manager under County Manager Harry Jones, and then administratively through Mr. Jones to the Board of County Commissioners. The responsibility of the assessor is founded in the General Statutes – 105.294 sets forth the premise under which the assessor will be appointed, and 104.296 describes the powers and duties, so everything we do in my office is because there is a statute that says we must do that, and it prescribes exactly how we are to do that.

As I stated when I began, we are going to revalue all the property. January 1st being the reappraisal date, that is, the date everything becomes effective, we have analyzed the market now for the last couple of years – since 2009 – and all of the work that has gone into that analysis is being put into our databases, it's being further analyzed, and we are preparing to send the notices of value. If you will remember the schedule of the values was adopted by the Board of County Commissioners back in December.

We went through a process of presenting schedule, and that process began early in 2010. The schedule of values was prepared by June of 2010, and at that point, the Board of County Commissioners had appointed the Citizens Revaluation Advisory Committee. That is a separate group of individuals not connected with my office – indirectly through appointment, and their job is to come in and analyze the work we have done in the schedule of values to provide information, the assist in the valuation process. There is a great deal of expertise on that board, and through about August of 2010, we worked with the Citizens Revaluation Advisory Committee to finalize those schedules to get them ready for the presentation to the Board of County Commissioners. They were presented to the Board in September of 2010, and we began a long process, statutorily required process, for their adoption, which includes public advertisement at various levels. A public hearing had to be held. Following the public hearing, they had to adopt them. Following their adoption, they had to be available for appeal, and they became final on December 18, 2010. There were no appeals to the schedule of values, which I think speaks to the integrity of the work that was done.

Those schedules, even though they began early in 2010 in their development, have been constantly updated, and as late as December 30th we were analyzing market sales for residential properties. We were analyzing commercial information. We were updating things like our capitalization rates, our rents and vacancies and things of that nature to the end of the year to get ready for notices to go out.

Notices look like they are going to go at the end of January, early February. My expectation – the next event that you should see, major event – is that at the first Board of County Commissioners meeting in February I will actually be presenting some revaluation information. That will be just prior to the mailing of about 275,000 residential notices of valuation. We'll allow about 30 days to go by while property owners receive those notices and begin the informal appeals process to my office, and as we finalize the commercial notices of value, and then we'll be mailing the commercial notices of valuation somewhere around the first of March. All the notices will have gone out by approximately the first of March. Those two will then be subject to the informal appeals process, and somewhere between April 1st of this year and May – the first Monday in April and the first Monday in May, we'll convene the Board of Equalization and Review, and they will then begin the formal appeals process for anyone who is not satisfied with their value and wishes to take it beyond the Assessor's Office.

While all this is going on, we are going to continually receive information. We don't always get everything we need, and this informal process helps us to receive additional information – things like more exact rent information by property as the individuals who own those properties give that to us. Citizens will be reviewing their property records. They will be notifying us of discrepancies or problems that we cannot see from the outside. While we have at some point in time visited every property, actually been through it, measured it, listed it, things change over time, and we don't go out and knock on every door prior to revaluation and examine the interior of every building and home, so oftentimes it's not until the revaluation begins that we see some of these changes that require us to adjust the value whether that adjustment be up or down. But through that process, the last bullet points out, my appraisers will be going through and continuing to update data in that process. That's kind of the calendar moving forward at this point for the process.

I know this subject has gotten a little bit of attention. We are looking at expanding the Board of Equalization and Review. First, let me say a few things about the Board of Equalization and Review. It, too, is a separately appointed body like the Citizens Revaluation Advisory Committee. All the members are appointed by the Board of County Commissioners. Most of the current board today served on boards during the last revaluation.

Councilmember Peacock arrived at 5:31 p.m.

Our Board of Equalization and Review was created by special legislation in 1981, and a lot has changed about Charlotte and Mecklenburg County since 1981. While a nine-member board was adequate at that time to handle the volume of appeals that was occurring throughout the year, today, especially given the fact that the majority of the members of that board are also businessmen and women who are gainfully employed every day, it gets a little hard sometimes at scheduling the volume of appeals that occur during a revaluation. In the last revaluation, we had over 3,600 formal appeals to the Board of Equalization. There were over 19,000 informal appeals to the Assessors' Office last time.

We are anticipating given all that has occurred with this recession that we may see as many as 8,000 Board of Equalization and Review appeals this time. It would be really, really hard if the current membership under its current organization of dividing into three panels to try to exhaust that timely throughout this year. The last time we stretched that over two years. In fact, when I was hired as the assessor, the Board of Equalization and Review had already gone on for 2003, and when I came in 2004, there were still a great deal of unresolved appeals, both to the Assessor's Office and to the Board of Equalization and Review.

That was one of the first issues that I had to consider as the new assessor – what would we do in the future to be able to expedite this. That is really, really important when trying to determine budgets and tax base. Getting a final base is really, really important, and I would hope not to have to stretch that over a few years. We are asking to repeal the current legislation, to change it to a form that a number of other counties in North Carolina have adopted, and that is to let the Board of County Commissioners create the resolution for formation locally as an ordinance, and then they can address the membership as we need it.

We would only need a membership of that size during the revaluation year. It would not be normal to keep that many members outside of that volume of appeals, but those are the kinds of things that the Board of County Commissioners would then be able to address locally that we will not have to go back to the Legislature as things change in the future and we need to make amendments. As I said, it has been done in a number of other counties throughout North Carolina and works very well. So, that's one of the things that is on the County's legislative agenda, and we'll hopefully be able to get the Legislature's approval before the final appointments to the Board of Equalization and Review in May of this year.

In assessing real property, there are two key elements that the assessor has to evaluate. The first is market value. North Carolina General Statutes require the assessor to use both a uniform assessment methodology and a uniform appraisal valuation standard. So, market value as defined by or true value defined by the statute as market value; that is, what a property is likely to sell for between a willing buyer and a willing seller. The other side of that coin is equity. Because of that uniform assessment standard, the assessor has to be sure that all property is valued equally. The purpose of a revaluation after all is equity. That's why we do a revaluation. Over time, the assessed value in relation to the market value gets out of kilter, and it's necessary for us to make adjustments.

In most counties in North Carolina historically, that has been an upward adjustment due to the nature of the appreciation of real property in North Carolina. It is possible that it could be a downward adjustment, and many have had concern would we properly assess that level given everything that has happened in the local economy. But these are the two key points that I think are important for everyone to understand about a revaluation. As I said, market value is the most probably price that a property would bring in the open market.

Following the last reappraisal, we sought the assistance of the Board of County Commissioners in developing an in-house revaluation group where we could set aside a number of appraisers to spend their full-time efforts in the revaluation process, and that was done. Right now there are seven appraisers in that revaluation group. Prior to that, the same appraisers who were doing all of the new construction annually were also doing all the revaluation effort in addition to their job, and if you can remember back to 2003, there was a very active sales market. There was an awful lot of permits that needed to be picked up for processing – just that new growth that was there, and, again, that was one of the points I noticed that we needed some improvement in. So we asked the Board of County Commissioners for some support to create the revaluation group. Now we analyze all of the sales that are taking place countywide on a daily basis. One individual, whose sole responsibility is sales market analysis. We do know what property is selling for in Mecklenburg County, and we have spent a lot of time trying to determine what that is, and I'm going to show you a few slides that will reflect some of that in just a moment.

Again, that second piece being equity. Property need to be assessed in fairness so that no one group of properties is over-assessed in relation to another. That not only means in terms of properties within a given neighborhood, but it also means property types. So all of the personal property in the county and all of the business personal property in the county and all the real property in the county should all be as best it can be assessed at its market value. The exception in real property is that we fix that at the point of the revaluation date and with personal property we do that annually.

Because personal property is being assessed annually at 100% of value, as the real property markets change and we are not assessing property at 100% value, there is some standard set in there that says, for instance, the public service companies will get a reduction in the amount of property tax that they owe if the sales ratio in the county are (inaudible) percent. We work very hard at trying to maintain these relative levels of assessment and understand those because at the volume of public service company value we have in Mecklenburg that can be very meaningful.

This idea of equity includes the fact that real estate markets are not static. They are constant, and this recession has taught us many things about the real estate market. Some neighborhoods have experienced spikes in sales prices while others have declined. There are some slides in here that will give you an indication of what is going on there. We have to capture it the way it is when we set the new value. I'm going to talk about this sales ratio a little bit later as we get towards some of the slides that show you that comparison.

I also want to address some common concerns because I know as elected officials, government officials, you are getting questions from your constituents about the process – what is going on? One of the common concerns that comes up is the revaluation is done to raise the tax base. That is not true. As I told you, the revaluation is done to provide equity, but you will hear this said, so it's important to understand the assessor doesn't start out with any target. The Board of County Commissioners doesn't give him a target; the City Council doesn't give him a target. To me, he simply goes out and evaluates what the value is and assigns it whether it's high or low. If the market falls in every neighborhood in Mecklenburg County, my responsibility is to make sure I put the correct value on there even if that means the total tax base goes down for Mecklenburg County, but that is a common misconception that we have.

Another is that the Assessor's Office doesn't take foreclosures into account, and also it's not true. We are, and as this says while bank sales aren't typical arm's length transactions where they have come in and foreclosed on a property. If 15% or more of the sales in a given neighborhood are a result of foreclosure then they are going to be factored into our assessment. While that doesn't mean we are going to take that foreclosed as market value and assign that on the property, we are going to analyze its impact and try to understand what that level of foreclosure is doing to the market value of all the properties in a given neighborhood.

We use computers to track all the data that goes in the property valuation, an enormous process. While the computer process or algorithm came up with my value, nobody looked at it. Since 2003, we have put into place a lot of new technologies that allows us to look at properties in ways that we never have before. In some of the video presentations we have done, which are out on the revaluation Web site, we have showcased some of those technologies. We are looking at the properties. We are not only doing it with technology with things like oblique photography

and GIS applications, we are in the neighborhoods. We are looking to see what is going on with the market, we are examining houses. As I said, we haven't been to every house, but we have an awfully good idea of what is going on in every neighborhood

We will be spending the next few months tweaking the very last bit of market information to ensure that equity; that it not just touches one house because of one sale, but that we relook at every house or every commercial property based on the latest information in order to ensure that we have the proper value on that.

This slide shows the 14 market areas located in Mecklenburg County. These are the 14 areas that we have divided properties into to develop a market for valuation. Within these 14 markets, there are almost 1,400 tax neighborhoods. So, we have delineated property valuation to a very small level in Mecklenburg County. What I'm showing to the right is median sales prices. Because at the beginning I said I couldn't show you actual tax values yet because we are not done with the market analysis, we track what is happening with sales, and one way we like to look at it is where is that median, how we calculate that median value by statute to ensure uniform assessment.

As you can see, this begins in 2003. Each of those market areas are defined on the left, and the component portion that each one of those markets have to the total residential property base is reflected in that percentage, so, for instance, in East 1 at the very top, 5% of the total residential value is located in East 1. In 2003, the median value for real property was \$147,000 for residential property in East 1. You can see by 2008, that median had jumped to \$230,000. In 2009, right when we were ready to do the last revaluation, that had dropped to \$205,000. What was going on in the real estate market is being tracked and is being reflected here.

Now, I'm going to flip over to some more recent comparisons. What you have here is what occurred in the second and third quarter of this year. Since we are not finished with the fourth quarter, we don't know ultimately how this is going to play out. What we are learning about the fourth quarter though is in relation to second and third the market is down, so we are going to want to factor that in. Again, the assessor doesn't have a preconceived target. It's going to reflect what the marketplace says. But, you can see in East 1, that one that had dropped to \$205,000 by 2009, in the second quarter was up to \$225,000. Change in the marketplace. That may be a surprise to some people, but that's what is going on. By third quarter, that was up to \$264,000.

Councilmember Kinsey said could that be because it's only the higher priced houses that are selling?

Mr. Alexander said it's a number of things, but that's the median, so that's everything from high price to low factored in.

Councilmember Kinsey said I understand, but if more of the higher priced houses are selling would that not affect the median?

Mr. Alexander said if you do the math, sure, but I don't think it was just because there were more high priced houses selling. What we have seen is a lot of houses were selling. The reason the first quarter is not on here is because if you remember in the first quarter we had all these tax credits to stimulate home sales, and because we needed to analyze that to determine if a lot of those sales were sales that would have been postponed had that not been there and not necessarily a direct reflection on the market. Rest assured, all those first quarter numbers are going to be in the valuation. The sales years that this revaluation is developed on is 2009 and 2010, so all of the market from both of those years will be in the County valuations. When that fourth quarter analysis is finished later this month, all of that information will be put into the database, and those notices will be generated.

Councilmember Dulin said this is really interesting information. We are all sitting here. We are all doing the same thing all of Charlotte is going to do is we are looking at the numbers and you go right to where your house is to see where you are, and then you check the chart. Is it possible to bear down on it a little bit more and let us know how many houses? You said a lot of houses are being sold. Of course, not as many houses have been sold as in the years past, but can we

find out that end? We have been using E-1 as an example tonight that there were 72 houses sold in E-1.

Mr. Alexander said I don't have that data for you tonight, but we can tell you that. I'm going to refer to staff here in just a minute. In a normal year, my office was looking at a substantial volume of sales. I think for the year 2009 we analyzed something like 23,000 sales, and we were on for about 19,000 through the end of this year, so it was dropping from the normal 40 or so down to 19; is that correct?

Unidentified Speaker said through this year we have had under 7,000 qualified sales. It dropped dramatically.

Councilmember Dulin said what was that number, sir?

Mr. Alexander said 7,000 qualified sales.

Councilmember Dulin said it is just interesting. Obviously this is the median. Be interested – like a diving competition, you thought the high and you thought the low, and you find out where you are in the median. These numbers are interesting across the board, but, for instance, F-3, which is deep south Mecklenburg County, a high percentage of their real estate value, yet the real estate numbers there are in line with other parts or lower than E-1 in Chantilly, Elizabeth, but yet in S-3, with 15.77% of the housing base, those houses are not as urban as they are in town, and that's interesting. It's a much bigger area, of course.

Mr. Alexander said you are correct, but I think it's important to remember. These are not the kind of assessed values we are putting out there. This is just simply an analysis of what is in the marketplace today for the median sales price of residential property in those neighborhoods. So you can't just say, for instance, if you live in S-3 that I can apply that to my house. That neighborhood down the street where properties sell in the millions is going to be that.

Councilmember Dulin said what I'm trying to get to how I personally and some of my colleagues, I'm sure, I mean how we can understand this because starting tonight we need to help advocate for what we are trying to do for the County. My personal learning curve on this thing is going S-H-H-H.

Mr. Alexander said if my memory works correct, we have about \$62 billion worth of real property value in the City of Charlotte. It looks like we will probably be looking based on what we know right now six to eight percent increase in real property base countywide. How that is going to work out in Charlotte, I'll know in about a month. When we do the valuations, I can give you more accurate information about how it affects that base. We simply just can't do it before then because of the requirement to get all of the market and to be sure that by the time we send it out it is correct, and it takes a little time.

This is a slide that shows real estate appreciation throughout the state of North Carolina since 1992, first quarter of 1992. You can see that it peaked somewhere a little above 6%. -- that's over about 2006 – before the drop began and before it fell negative actually. There are 20 counties doing a revaluation in North Carolina next year, and each one of them will have a different scenario with where property values have gone. In Charlotte and in Mecklenburg County, we have been ahead of this bubble. Our values is increasing into 2007 when this began to drop off here, and we saw that peak in Mecklenburg about 2007. Then the rest of 2007 and 2008 came along, and we have been trying to recover ever since.

I spoke a minute ago about the assessment ratio. That's what we are calculating when we do a comparison of the current sets of value to the current marketplace. In 2009, if you remember, I had estimated that we were going to see countywide a growth of around 20%. At that particular time, the overall countywide sales ratio reflected that. Sales had dropped such that assessed values – the sales ratio was down to about 80%. This term for us is important, and for you it's important when you think about your budgets because any time the sales ratio is below 90% the public service companies, which are things like the utilities and the transportation agencies and the telecommunications agencies and things like that get a discount in the amount of tax that they pay. They get that in the beginning of the fourth year following a revaluation if it falls below 90,

and then they get it in the seventh years. Right now the current public service base is not assessed at 100% as we are below that threshold. When we do a revaluation this year, public service company value will go up again simply because we get to assess it at its full value. So when we provide the budget estimates for you later, we will be returning a value you have seen drop in your jurisdiction to its full value.

But the sales ratio also gives us some comparative analysis for tonight, and that is we can calculate the median ratio for every neighborhood, which we have done, and in those neighborhoods where sales prices have increased since 2003, that ratio will appear to be a number below one, so when we look at the following slide you will see that. If that remained unchanged, it is going to be one or very close to it, and where sales prices have fallen, that ratio is greater than one, and that will be reflected as well.

This is a map that we have in the County generic presentation until final values are done, and I know this is hard to see for you up here at this magnification, but in these examples of neighborhoods right here we have calculated that ratio, and these ratios fall in those ranges above and below one, and a number of them indicate that property values are going to go down. If that becomes the full market, but again, it's only a comparison because we don't have all the data to know everything today. Fairly soon, we will be able to give you data to show you what happens by neighborhood and that comparison to what happened on my street or in my neighborhood. Right now they are just estimates, and they are simply there to try to give us some idea of what is going on countywide.

What I did is in terms of a PowerPoint it is just too hard to get so much data in there. We arranged them by your Council districts, and when the final values are done, we will be able to give you this for your Council districts, and you can see how these compare to the actual. Many of the neighborhoods are showing an increase in value based on these median sales prices that we have on here. What happened in every neighborhood will be different though. Every neighborhood is not going to be the same. We have isolated it remember down to 1,400 different tax neighborhoods.

Councilmember Dulin said now that we have got the Council districts on here how can you help us educate our bosses? I'm sure there is going to be a Web site. As you know, getting as much information out there as possible is the key to the game particularly on something like this that nobody understands and that costs money. Tell us a little bit about this, now that we see our districts on there, tell us a little about –

Mr. Alexander said reval.charmeck.org. That's all you have to type in your browser. You don't need any of the http or www. You will be able to go to a site when we make it available to you to see the sales by your address. We are going to have a link on there that will show you the sales for 2009 and 2010. You type in your address, and it will take you to your neighborhood, to your sales, and you will have information about your individual neighborhood.

Councilmember Dulin said do you plan on giving that information out at the two announced County Commissioner neighborhood meetings, one this Wednesday and one coming up soon up north in County District 1?

Mr. Alexander said we won't have that information ready by then. That information won't be up until all the values are out. We have to make sure that the database is absolutely correct and those notices of value are absolutely correct before we put any of that out, and we are still doing the analysis on a lot of that sales information, but it will be out there soon. That's a big change over the last reval. There was not a tool out there like that at the last revaluation.

Councilmember Dulin said it seems to me, sir, that by getting that Web site at least up with information that people can get to to say this is the process, this is where we are, and when we get to this portion of the process, that's where we are going to push the go button.

Mr. Alexander said that information is already up at that Web site I just gave you. What's not up there is that sales information. That Web site has been up there, and on that Web site is a FAQ list, and there is a lot of detail about a revaluation and what you do. The videos have been prepared that explain the whole process up there. Interviews like this one which get tapes and

recorded that the County has goes out there, so we are putting every piece of information we can to help the public.

Councilmember Dulin said that's reval.charmeck.org?

Mr. Alexander said right. You can go there today and see that. A second part of that is that they are going – everybody that owns property is going to get a notice of valuation, and that notice explains the process about what the new value is. It will give them a place to put information if they want to appeal that value. If they want us to look at it, they put information on there. I can tell you what I have seen occur in Mecklenburg County in the past. We have had a lot of people just write too high on there and mail it back in. Well, it doesn't really tell us anything, and we go and look at the data and we can't tell why you think it's too high. So we are asking the public to explain why.

When the sales data goes up, go look at it. If you are seeing that you are assessed above those sales values then that empowers you to go out. You can go out and look at real estate look-up today, and you can see your property record card. You can examine to see if it's correct. I would recommend to everyone in the county to try to make sure their property record is correct, to make sure their assessment record is correct, and if they see something that is incorrect, we need to know that. But that form will give them an opportunity to provide that information to my office. That, I think, is going to help us a great deal in getting that out there.

Councilmember Howard said when you mentioned folks still write too high on it on the assessment are you telling them the kind of information they need to provide you to give you the kind of feedback you are talking about. I mean if you are not a trained appraiser or some sort, what you are going to see is it's just too high. Do you tell them what you would like to see to help evaluate that?

Mr. Alexander said that form gives them some general information, but it does by no means tell them exactly everything they need to put on there. They can contact our office if they need to know more detail about that, and the way to contact our office is very simple. Call 311. They will get you to someone at the Assessor's Office who can help you understand that, but typically when we are talking about residential home valuation, we need to know that an individual has compared it to similar properties in the neighborhood, and they are noticing that it is overvalued. We need to see things like recent appraisals that they might have had done as a result of a refinance or a mortgage loan or something like that. If that shows the value that is different, whether it's higher or lower, and believe it or not, once in a while we do get an appeal where someone is asking us to raise the property value. They are rare, but it happens. But not everything that they might have to give us for every specific property is out there.

It's different whether it's commercial property, industrial property, a residential property, but we do need to know why they think it is. For instance, if they look at their property record card, and it doesn't appear to be the right square footage based on an appraisal, we need to know that because it could have been years since we have been inside that house, and there could be changes and we don't know.

Councilmember Howard said is that the kind of information that you are putting down – square footage and other stuff? The people that this would affect the most to me would be the people with lower incomes and lower income areas. If they don't know they can do something different or if they don't know there is a formula to it, either they would just go with it or they may just be gone out of their home because of it, which kind of leads me to the people most affected by it, which would be our seniors. Is there something in what you are sending that talks about the homestead program – am I saying that right – Homestead Act, so they understand their appeals they can make if they reach certain criteria?

Mr. Alexander said the Homestead applications will be available in my office. That Web site I gave you will give them a lot of information about where they can go to get different information, but we are not going to have all the detail about the Homestead application on the notice of valuation. There is simply so much information that has to go on the notice of value when it goes out we can't get all of that on there. But if someone goes to our Web site or they call 311 about that, they will be connected with somebody that can give you the best available

information for their specific situation. Not every individual qualifies for the Homestead exemption. There is the Veterans exclusion. There is the circuit breaker portion of the Homestead exclusion, so there are a lot of different types of exclusions that could be applied to a residential property that it would be just impossible to get all that on the form. But they can find that information on our Web site.

Councilmember Howard said I would like to remind us that the people that I'm talking about are not going to have access to that type of information, so I would just hope we do something to try to help the most vulnerable especially in this economy.

Mr. Alexander said within my office one of the things we do is we make a special attempt to try to reach everyone that falls into those categories throughout the year going out and speaking to people about the Homestead exclusion, the Veterans exclusion. We are going to area churches, senior centers, just everywhere we think we can interface with a particular population group whether it would be a veterans group or a seniors group or something like that – we do, and we provide the presentation to bring attention to that. We do an awful lot of information on the Web site. For those people who don't have perhaps Internet access at home, they can visit one of the libraries and get access to that information. If they will go to reval.charmeck.org, they can follow the links to the Assessor's Web site or simply call 311.

Councilmember Howard said Councilmember Cannon was just mentioning that there is opportunity to put information in the water bills would be there. I'm actually also hoping that maybe since we have the media here that the story that goes out tonight is not just that revaluations are happening but there are outreach opportunities for people to get help if they need it especially with *The Observer* over there, Steve. I'm hoping we will get the word out that there is help out there for people – not that it's going up.

Councilmember Turner arrived at 6:08 p.m.

Mr. Alexander said impact on taxes. I know this comes up. Neighborhoods with the lowest current assessment rates show (inaudible). That is in property value, but we don't know that's tax value, and I want everyone to understand that just because they get an assessment value that value goes up does not equate to an increase in property tax. It was mentioned very early in the discussion tonight that revenue neutral has tended to be where the Council and the Board of County Commissioners have (inaudible). I'm sure you will be making those considerations that you receive more information about how much tax base is there. I want to caution everyone that again the increase in property value is not necessarily an increase in property tax. The tax rates will be determined much later in 2011. Neighborhoods with higher current assessment ratios will see less change. Some will see reductions.

Mayor Foxx said let me ask a question about revenue neutrality. So you go through this very extensive analysis in generating a framework for the actual property values, but when we discuss revenue neutrality, what is the process for developing a revenue neutral budget as it affects the individual property owner? How do you unwind that to get to an assessment?

Mr. Alexander said the revenue neutral process is not determined by my office.

Mayor Foxx said it's just the rate. The rate changes and –

Mr. Alexander said it's something that you do through the analysis of your entire budget. Your finance director, I'm sure, treasurer will be doing that for you. On the County side, it is the finance director.

Curt Walton, City Manager, said, Mayor, on the revenue neutrality on a house by house basis is impossible, so basically from an aggregate perspective, revenue neutral is that the City generates the same amount from property taxes had revaluation never occurred. There are too many variations though. I forget how many Garrett said, but basically you take the growth that would have occurred if there was going to be growth, and that is allowed to move forward, and then the tax rate is set so that it moves back to only that growth that would have occurred naturally had a rebound not occurred. There is no way on an individual basis, macro level. It's based on the dollar amount of revenue to the City.

Councilmember Carter said there is a statement on the screen that says that neighborhoods with the lowest current assessment ratios will see increases, and there is no way to provide a sliding scale to provide that neutrality.

City Manager Walton said, no, State law does not allow that.

Councilmember Carter said it will be built on the backs of the people who have the least. That's a problem for me.

City Manager Walton said keep in mind that means that those that have seen the greatest increase – it's the other way around. It's those whose property has decreased, for example, or has increased the least that would see the benefit. Those that have increased the most would see the higher. It's the ratio, and the lower the ratio, the more they benefitted from valuation.

Mr. Alexander said the lowest current assessment ratio is not the lowest value property or those neighborhoods we have seen the highest rate of foreclosures. Those are greater than a percent, not lower. I think what you are looking for in those two statements that with those values that have been over-assessed. The other properties, which are under-assessed, are going to be equalized and brought up and then everyone is paying their fair share.

Councilmember Carter said there are certain cases where in condo areas or townhome areas there has been an increase in rental property; in other words, investment buying of these properties. Is that taken into account as you evaluate a property?

Mr. Alexander said, yes, it is, and, again, we have a specialist in multifamily properties and the reval. Her responsibility is to determine those impacts, and we are aware of those. If anyone requests information, needs information about the revaluation, your constituents, by all means, there's the Web site. You can contact us through 311. We have a great relationship with the City and with 311. We will get an answer as quickly as is possible to get to an individual. I do want you to know one thing, and that is when we mail those 275,000 notices of value, people begin to return those things, and we are anticipating that over 40,000 individuals are going to return those to us for an informal review. There may be a little lag time, and that being put in the mail to us and us getting back to that constituent with an answer about that property, but in this reval, they will be notified as a result to them.

We have changed our operational focus to be when that form comes into my office it's scanned into the system, it's being assigned to the parcel. We have developed new systems to accommodate a communication process with the public so there won't be anyone saying like I experienced when I came in 2004 who had not heard from a notice that had been sent earlier. We are going to do our very best to timely as possible get back to people. But there will be some time in those early months when it will be a little slower. Simple mathematics. There are only so many people within the Assessor's Office to address that.

If any of you have further questions, all you have to do is let me know what they are, and I will be more than happy to provide you with whatever level of detail you need or whether you do that through your City Manager or however you choose to do that, please let me know. My email address is in the joint City/County Outlook directory, so you can get me very easily. Just simply look up Garrett Alexander, and I'm there, and you can get my email address, and you can contact me. In that information also are my contact numbers, and you can call me directly, and we will address that for you. When an individual contacts us though, I may not be the very best person for every citizen to talk to. It's probably more important that the appraiser who appraises that neighborhood who is familiar with their property is in touch with them. So it makes sense that the public follow this process in trying to get information about their assessment.

Councilmember Cooksey said quick basic math question. Let me make sure I understood what you are expecting. You are expecting about 40,000 of the informal responses and probably about 8,000 formal appeals to the board.

Mr. Alexander said yes.

Councilmember Cooksey said so roughly 20% of appeals you are expecting to make it past the informal stage. That's my math.

Mr. Alexander said not when you look at the total number of properties in the county. There are 360,000 properties.

Councilmember Cooksey said out of 360,000 properties, a little over 10% you are expecting to make an informal –

Mr. Alexander said about 7 or 8%.

Councilmember Cooksey said you know it's going to be more this year, and of those 40 that do the informal appeal, probably about 8,000 will go forward to a more formal – you are estimating.

Mr. Alexander said that's what we are estimating.

Councilmember Cooksey said is that kind of what happened last time in terms of the number that went informal to formal because I remember your number was lower for –

Mr. Alexander said we had 19,000 forms and 3,600 formal – about 7%. But it's still a lot

Councilmember Cooksey said absolutely.

Mr. Alexander said the real key is trying to do it very expeditiously – to get it done this year so when next tax year comes and you are trying to set your budget for next year, you know what they are. I suppose all of you know that my office works very closely with the City in providing those tax base estimates, and we will start doing that very soon. I will be meeting with the Treasurer's Office here and start talking about initial estimates. But, please understand, before we get all the notices of value prepared and out the door, we have an idea (inaudible – noise coming from the PA system). We have no historical point from the past to make comparisons about this time. If I had data from the '70s when we had the last big recession, I don't even think that would be meaningful in terms of comparison of what happened. So trying to tell exactly how much of an increase is there and when that competence rate is going to get to about 95% is going to be much more difficult, so I hope that you understand that as we move into it, and we'll do it as absolutely expeditiously as we can. I hope this has provided you the information you were looking for (inaudible). If not, please let me know.

Mayor Foxx said, Garrett, this has been very helpful. I think the other piece maybe deserves a little emphasis for my friends in the media is the fact that for many residents they have not seen a revaluation since 2003, and I don't think we can underscore enough the valuation isn't 2010 versus 2011, but it's actually an eight-year lookout that for some people is going to be a little bit of a shock. I'm glad you came tonight because I think one of the challenges is to over-communicate the process – over communicate what is going.

Another point of emphasis would be the revenue neutral issue that we just talked about which is that while it does mean the annual budget will be approximating what revenues would have looked like had the rate remained the same that to the individual property owner it may not equate to a flat amount of their taxes for the next year. Every time we have had a revenue neutral budget, my taxes have always gone up, and I don't think we should be over-promising to people what that looks like, but we'll keep working, and I think we ought to have a goal of a revenue neutral budget assuming no externalities as it relates to what the State may or may not do with local revenues and so forth. That ought to be our objective for sure.

Without any other comments, why don't we go ahead and adjourn, and we'll see each other next week.

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ADJOURNMENT

The meeting was adjourned at 6:24 p.m.

Ashleigh Martin, Deputy City Clerk

Length of Meeting: 1 Hour, 7 Minutes
Minutes Completed: February 22, 2011