

Prepare for sticker shock

Average value of homes in New Hanover doubling in revaluation

If you own property in New Hanover County, expect a piece of mail around Valentine's Day with some good news and some bad news.

The good news is probably not news to most: Someone believes your property is worth a whole lot more than it was years ago.

The bad news: That someone is New Hanover County.

For the first time since 1999, the county has reassessed property values, which it will communicate in notices that should hit the mail about mid-February.

Countywide, the average increase is more than double. In the beach town markets, the sticker will be a bit more shocking, with values, on average, almost 200 percent more than they were before.

But, while values have skyrocketed, the real impact on property owners' pocketbooks remains to be seen. The other piece of the tax bill equation — the property tax rates — won't be determined until later this year, when local elected officials vote on it.

To help you prepare, we've put together a special package that includes an explanation of the valuation process and a sample of the form you'll get with hints on how to read it.

REPORT CONTINUES ON PAGE 4A

REVALUATION CYCLES

North Carolina requires counties to revalue property at least once every eight years, but each county is on its own schedule.

BRUNSWICK Revalued as of Jan. 1. Notices expected to be mailed in early March. Revalued every four years.

NEW HANOVER: Revalued as of Jan. 1. Notices expected to be mailed in mid-February. Next revaluation due 2011.

PENDER: Last revalued in 2003. Next revaluation due 2011. Revalued every eight years.

1 A UNIT IN THE ISLANDER 1704 N. LUMINA AVE. WRIGHTSVILLE BEACH



1999 TAX VALUE: \$269,242
2007 TAX VALUE: \$818,358
INCREASE: 204%

2 1500 HERON RUN WILMINGTON



1999 TAX VALUE: \$389,254
2007 TAX VALUE: \$619,441
INCREASE: 59%

3 5480 EFIRD RD. WILMINGTON



1999 TAX VALUE: \$274,127
2007 TAX VALUE: \$414,203
INCREASE: 51%

4 118 FLORIDA AVE. CAROLINA BEACH



1999 TAX VALUE: \$193,025
2007 TAX VALUE: \$526,970
INCREASE: 173%

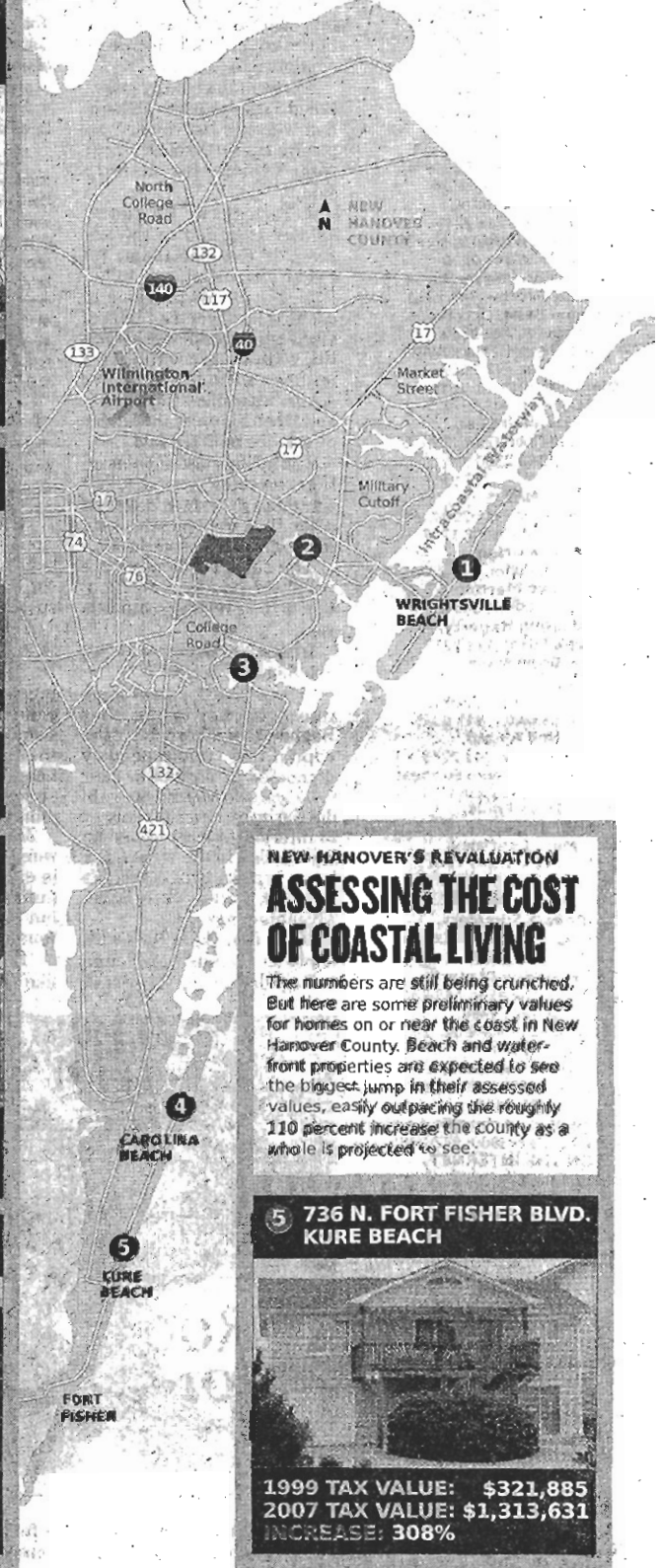
NEW HANOVER'S REVALUATION ASSESSING THE COST OF COASTAL LIVING

The numbers are still being crunched. But here are some preliminary values for homes on or near the coast in New Hanover County. Beach and waterfront properties are expected to see the biggest jump in their assessed values, easily outpacing the roughly 110 percent increase the county as a whole is projected to see.

5 736 N. FORT FISHER BLVD. KURE BEACH



1999 TAX VALUE: \$321,885
2007 TAX VALUE: \$1,313,631
INCREASE: 308%



SOURCE: New Hanover County

PHOTOS: TONY STEWART; GRAPHIC: NICOLE NEUMAN

Preparing for sticker shock

By Gareth McGrath
Staff Writer

When the clock struck midnight on New Year's Eve, New Hanover County suddenly got a lot richer—at least on paper.

Just how much wealthier, and how much heartburn it produces for property owners, will be determined early next month.

For the first time since Bill Clinton was president, New Hanover County is reassessing how much the roughly 97,000 homes, businesses, empty lots, crop fields and forested tracts in the county are worth.

The new values, although still being calculated, are retroactive to Jan. 1.

Preliminary estimates project New Hanover's overall assessed value of real property to jump from about \$21 billion, adjusted for inflation, to about \$37 billion.

The revaluation comes after the biggest increase in real estate values in the nation's history—and just as sales are beginning to cool.

The new assessed value will be used to determine what property owners pay in taxes, and that's why many homeowners, especially the elderly and those on fixed incomes, are so anxious.

"We don't know how worried to be," joked Fran Russ, a former mayor of Wrightsville Beach who still lives on the barrier island.

Revenue neutral?

County Tax Administrator Bob Glasgow cautions property owners to remember that a reassessment is a two-part process.

First, the new property values come out.

Then, usually a few months later, local elected officials adjust the tax rate to reflect the new values.

Whether that rate adjustment keeps total property tax revenue about the same remains to be seen.

"The board's goal will be for the revaluation to be revenue neutral," said Bill Caster, chairman of the New Hanover County commissioners.

Kure Beach Mayor Tim Fuller said the town will adjust its tax rate to revenue neutral and work from there. Fuller said it's too early to say if the budget will be revenue neutral.

Wrightsville Beach Town Manager Robert Simpson said he planned to submit a revenue neutral budget, and Tim Owens, the town manager of Carolina Beach, also said he planned to start at revenue neutral, but he said it's too early to forecast.

"We're really early in the budget process, so it's hard to tell," he said. "It would be nice to stay revenue neutral."

Wilmington City Manager Sterling Cheatham said he planned to talk with the city council during its Wednesday budget retreat about the city's options to pay for critical projects while keeping the property tax portion of the general fund revenue neutral.

"There will be a long list of needs that won't be met unless we find another revenue stream," he said.

Improving 'fairness'

But even if the adjustment is revenue neutral for taxing entities, the tax bill bite is still going to be deeper for some property owners than for others.

Why? Although values rose overall, those increases occurred at different rates. So, if the value of your waterfront property has tripled since 1999 while, on average, values in the county doubled, you should expect a roughly proportional increase in your tax bill.

For the sake of fairness, that's not necessarily a bad thing, said Mark Imperial, a political science professor at the University of North Carolina Wilmington.

"The problem is that people lose sight of the fact that revaluations are done to improve fairness," he said. "It's a progressive tax, like the income tax."

"If your taxes go up, that means your home, which is your best investment, has appreciated, and that means you've made money."

One county's experience

If Dare County's experience last year is any indication, folks

Values double and triple

on the water – or even close by – might want to sit down before checking their mailboxes as mid-February approaches.

The Outer Banks county, which like New Hanover saw a dramatic ramp-up in coastal property prices, saw its assessed value jump from \$5 billion in 1998 dollars to \$15 billion in 2005.

"We had plenty of sticker shock," said Dare County Tax Assessor Greta Skeen, noting that the value of some oceanfront lots increased sixfold. "We're not creating the market, we're just reading it, and sometimes that's hard for the public to understand."

In New Hanover, Glasgow said to figure out how property values were derived, owners should look at what's happening in their own neighborhoods. Appraisers still go out and measure homes and note their features. But the biggest factor in determining value for most properties is the market.

"I think the key is for property owners to know what properties are selling for in their area," Glasgow said. "That's the benchmark we are shooting for."

In 1999, the last time New Hanover County reassessed property, values jumped an average of 49 percent.

This time around, Glasgow said the average increase will likely be about 110 percent countywide and close to 200 percent in the three beach towns, where prices have exploded in recent years.

Carolina Beach and Kure Beach property owners are especially likely to see hefty increases, largely because their property values were relatively low back in 1999.

Those values and values countywide remained relatively stable for a number of years. In 2004, the county pulled the plug on revaluation because values set in 1999 were still at or above 90 percent of the market value at the time. It wouldn't have been worth the cost.

"We had less than a 10 percent change in five years, and it made sense to me to save the taxpayers between \$750,000 and \$1 million and not do that revaluation," Glasgow said.

Then came the real estate boom.

Glasgow said prices jumped 25 percent in the next two years, with beach and waterfront prices rising even faster.

"They've been discovered since then, and these values reflect that," Glasgow said. "They used to be bargains. They aren't anymore."

Imperial, the UNCW professor, said the revaluation is likely to fuel complaints by the three beach towns that they send truckloads of property tax money over the Intracoastal Waterway to the county but receive little in the way of county services.

That discontent surfaced last year, when the three beach mayors complained that their towns would each get only \$200,000 from the \$35.5 million joint city-county parks bond referendum voters approved.

"It's going to be even more difficult to ignore that reality after this assessment," Imperial said.

Worth the price

Russ, a Wrightsville Beach resident for nearly 35 years, said she knows her taxes are likely to go up.

She said she understands that, because the cost of everything is going up.

Russ said she just hopes the county commissioners and Wrightsville Beach officials don't use the revaluation as a pretext to jack up property tax revenue streams too much.

So what would it take for her to sell and leave Wrightsville Beach?

"A lot," Russ said with a chuckle. "I cannot imagine living anywhere else except on this beach, and there are sacrifices I'm willing to make to stay here."

"The quality of life we have here is second to none, and we're a very close-knit community, and the rising home prices are a reflection of that."

Staff Writer Chris Mazzolini contributed to this report.

Gareth McGrath: 343-2384
gareth.mcgrath@starnewsonline.com