

Federal Reserve Bank of Atlanta

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Moderator: *Welcome to the Federal Reserve Bank of Atlanta's Foreclosure Response podcast series. I'm Odetta MacLeish-White with the Federal Reserve Bank of Atlanta. Today we're talking with Susan Adams, director of research, policy, and information for Atlanta Neighborhood Development Partnership Inc., or ANDP. ANDP is a nonprofit established in 1991 to lead and coordinate community-based development throughout metropolitan Atlanta and the surrounding counties and municipalities. Over the years, ANDP has focused on housing development, lending, and public policy to support affordable housing and mixed-income communities. As the tide of foreclosures engulfed ANDP's target clientele, the organization decided to focus its efforts around neighborhood stabilization issues, including the need to address property tax disparities. Susan, thank you for joining me today.*

Susan Adams: Thank you for having me.

Moderator: *Susan, home sales prices and appraised home values in low-income neighborhoods have dropped significantly during this foreclosure crisis. Why is this issue particularly important for low-income communities?*

Adams: As home sales prices have plummeted, we at ANDP were concerned property taxes were not reduced accordingly, and the result is that you had property taxes that were out of line with true market values in high-foreclosure, predominantly low-income and minority neighborhoods. So the risk for property tax overpayment was potentially very high. Inflated property taxes are not only an equity issue, but it's also a neighborhood stabilization issue. Neighborhoods will not stabilize and begin to recover until prospective homebuyers invest in those neighborhoods, and when property taxes are too high, that's a deterrent to that investment. Until very recently, tax assessors, as a standard matter of practice, did not include foreclosed and bank-owned sales in the valuation process. So when you're in a community where foreclosures are really the market, then you can see how those tax-assessed values would not be reflective of the market.

Moderator: *We know that ANDP has studied the effects of depreciated home values and property taxes in neighborhoods hit hard by foreclosure. So what were some of your key findings?*

Adams: I'll talk first about the study that we released in October of last year. We looked at the fifteen ZIP codes with the highest foreclosure filing rate in metro Atlanta, and that spread across the five core counties—Clayton, Cobb, DeKalb, Fulton, and Gwinnett. What we found is that those fifteen ZIP codes were at risk to overpay their taxes by over \$71.6 million.

Let me give you a detailed analysis of one particular ZIP code. We'll talk about 30315, which is, if you are familiar with Atlanta, the neighborhood surrounding Turner Field Stadium. The median sales price in that neighborhood in the first six months of 2008 was around \$49,900, but the median assessed value for property taxes was \$140,900. The sales price was 35 percent of the tax-assessed value, leading to a potential overpayment for the individual homeowner of over \$1,400; \$1,400 is a lot of money. Particularly if you are living in a low-income neighborhood, struggling to get by, \$1,400 could mean additional mortgage payments that shouldn't be going to inflated property taxes. That was the key finding of our first report.

Our second report looked at sales data from the second half of 2008, and we found that as the foreclosure crisis wore on, home values and sales prices continued to plummet, and, as a result, the property tax overpayment risk increased by 66 percent for those fifteen ZIP codes alone. So the total property tax overpayment risk for those fifteen ZIP codes was over \$118 million.

Moderator: *Distributing the tax burden on low- and moderate-income families in a fair manner is an important goal, but in the process local governments find themselves with reduced revenues. This may mean a reduced capacity to provide services throughout the community. So what has been the reaction of local governments to the findings in your studies?*

Adams: Well, that's true—local governments are really strapped right now; these are hard times for local governments. But it's very important to remember that these are also very difficult times for local families who are struggling to get by. We were very cognizant of reaching out to local elected officials to explain to them our research findings. And the bottom line is that this is really an equity issue. Tax assessors are legally bound to get tax values correct, to make sure that tax values reflect current market values. So that is the law. That's point number one.

Point number two is that if the tax digest is ultimately to stabilize and recover and grow, you have to encourage reinvestment in these struggling neighborhoods. Otherwise, homes will remain vacant and the tax digest will deteriorate further. I think that local elected officials really understood those points, and as a result we actually had two DeKalb County commissioners participate in a media event where we rolled out the research findings from the first report. And then, subsequently, Atlanta City Councilwoman Joyce Sheperd introduced a resolution at the Atlanta City Council urging the Fulton County tax assessors to use innovative practices in valuing properties in high-foreclosure neighborhoods. And, at the Fulton County Commission, Commissioner Emma Darnell introduced a similar measure, and both were passed unanimously. So I think that demonstrates that there is support among local government officials who understand that it is important to ensure that families in high-foreclosure communities are not bearing more than their fair share of the property tax burden.

Moderator: *Susan, what were some of the outcomes from the release of these studies? And what lessons can you offer our listeners about the use of research and data to raise awareness about issues that may be impeding the recovery of low-income communities?*

Adams: In considering pursuing this study, we thought it was very important to find a respected and trusted research source, and we found that through Robert Charles Lesser & Co.; they're a national real estate advisory firm with an excellent reputation. We thought that solid data was critical to gaining the attention of the tax assessors, local elected officials, and others to this matter. So that was a very important first step. As a result of that, we did produce a very comprehensive report with data that was compelling; that was helpful to us in engaging the *Atlanta Journal Constitution*. As it turns out, the media became a critical component to this process. Reporter David Bennett at the *AJC* took a great interest in this issue, and he actually devoted seven front-page articles over eight months to the property tax disparity issue. It raised general awareness, and it just brought the issue front and center. That, in turn, inspired legislation at the Georgia General Assembly. And this legislation, which was passed at the end of last session, mandated that tax assessors across the state use and include foreclosed and bank-owned properties in their valuation process. Now the ultimate outcome—in May of this year, the *AJC* reported that 350,000 residential parcels in the five core counties were reduced in value for taxes.

Moderator: *You've told us a little bit about the first and second phases of your study, but we understand that there's a third phase. How has this been building on your previous work?*

Adams: We are in the midst of the research phase of our third study right now. What we are looking at for the third study is how tax-assessed values in 2008 compared to tax-assessed values in 2009. We want to see where tax-assessed values were lowered and by what percentage. We also want to track in which communities those tax-assessed values were lowered. The other element that we're adding to this study is a comparison of how low-foreclosure neighborhoods fared in the tax digest as compared to high-foreclosure communities, and we think that will be a very interesting analysis as well.

Moderator: *What outcomes do you hope to obtain with the third phase of this study?*

Adams: Well, with the third phase of the study we hope to identify, as I mentioned, how much taxes have been lowered—by what percentage—so we can determine whether or not tax assessors did follow the new Georgia state law. And we also hope that the *Atlanta Journal Constitution* will continue to report on this. They play a very important role as sort of public policy watchdog, and I think that their continued interest in this issue benefits us all.

Our approach from the very beginning of this project has been to work collaboratively with tax assessors and their boards, and we will continue to do that as the third phase of research is released. We feel that an open dialogue is very important. We have kept them informed at every step along the way with our previous two research studies, and we will continue to do that with the third and hope that, if we do find issues that we need to shed light on, we will work with them to identify solutions to address them.

Moderator: *Susan, thank you so much for joining us today.*

Adams: Thank you.

Moderator: *This concludes our podcast. We've been speaking with Susan Adams from Atlanta Neighborhood Development Partnership Inc. For more podcasts on this topic and others, visit the Atlanta Fed's Web site at frbatlanta.org. If you have comments or questions, please e-mail podcast@frbatlanta.org. Thanks for listening.*