

ATLANTA
NEIGHBORHOOD
DEVELOPMENT
PARTNERSHIP, INC.

Responding to the Foreclosure Crisis

UPDATED

Analysis of Home Sale Prices
and Appraised Home Values in
High Foreclosure Rate Neighborhoods

Report Prepared by

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Commissioned by
Atlanta Neighborhood Development Partnership, Inc.

Prepared by
RCLCO (Robert Charles Lesser & Company)



Atlanta Neighborhood Development Partnership, Inc. (ANDP) is recognized as metropolitan Atlanta's leading advocate for mixed income communities as a means of addressing regional shortage of affordable housing. The organization's mission is to promote and create mixed income communities through direct development, lending, policy research and advocacy that result in the equitable distribution of affordable housing throughout the metropolitan Atlanta region.

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Updated Analysis of Home Sale Prices and Appraised Home Values in High Foreclosure Rate Neighborhoods

The crisis in the American housing market has led to a dramatic increase in foreclosure rates across the country, and metro Atlanta has been no exception. As one of the leading housing advocacy groups in metro Atlanta, the Atlanta Neighborhood Development Partnership (ANDP) is interested in determining the relationship between home sale prices and home appraisal values in some of the metro area's most foreclosure-ridden neighborhoods. ANDP wants to ensure that, in light of the dramatic changes in the housing market, homeowners will be taxed on a fair appraised value of their home that accurately reflects true market conditions. ANDP initially hired RCLCO in the fall of 2008 to perform an analysis of home sale prices and appraised values in the five-county core of metro Atlanta in order to determine if a projected overpayment of residential property taxes does in fact exist in high-foreclosure neighborhoods. Through that analysis, RCLCO found a significant projected overpayment of taxes in neighborhoods with the highest rates of foreclosure.

As the housing market downturn, foreclosure crisis, and broader recession intensified in the second half of 2008, ANDP has commissioned an update of the initial study to determine how projected overpayments have changed in the past six months.

Summary of Findings

The updated study found conditions worsened in 21 out of 25 geographies studied. RCLCO studied 15 zip codes with some of the highest rates of foreclosure in metro Atlanta and found that those 15 zip codes would account for an estimated \$118.5 million in potential property tax overpayment, provided dramatic reassessments are not made in 2009. This overpayment is 66% higher than found in the first study. However, the rest of the metro worsened at a steeper clip, with the total metrowide overpayment increasing more than fifteen-fold. Whereas the highest-foreclosure zip codes represented 82% of the metrowide overpayment in the first study, that number fell sharply to 32% in the update. However, it is important to note these highest foreclosure zip codes are still bearing more than their fair share of the burden, and many of these areas have seen conditions deteriorate markedly. For example, Fulton County zip code 30315 saw its median sales price drop nearly 50% between the two studies. While this drastic change may not affect the absolute projected overpayment for the entire core metro very much, the drop nevertheless impacts the individual homeowners quite dramatically. In fact, the average homeowner in one of the highest-foreclosure zip codes is at risk of overpaying their property taxes by an estimated \$689 annually, which is significantly more than the metro average of \$436 annually, if values are

not adjusted. When the average sales price is compared to the average appraised value, homes in the 15 zip codes with the highest rates of foreclosure are overvalued by an average of 43%, whereas homes outside those 15 zip codes are overvalued by only 12%. The higher-than-fair-share potential for overpayment is further magnified in these highest-foreclosure neighborhoods as many of these neighborhoods are home to residents with more moderate incomes, making the cost burden more significant.

The deterioration of home sale prices across the core counties is due to numerous causes, including a high level of foreclosures flooding the resale market, continued high levels of new home inventory, and a deteriorating economy. As the underlying fundamentals for housing demand - including job and income growth - diminish and supply continues to increase, there has been downward pressure on home prices across the region.

The situation in the highest-foreclosure neighborhoods worsened as well, even in cases where conditions were already extremely poor. In Fulton County for example, Atlanta's Pittsburgh neighborhood saw the average home sell for roughly 26 cents on the dollar in the first study

when comparing the median sales price of the neighborhood to median appraised value. In the updated study, that ratio fell to 21 cents on the dollar. As a result, homeowners in this neighborhood are projected to overpay their property taxes by an estimated average of \$1,833, 17% higher than found in the first study.

Areas of Cobb and Gwinnett counties, including those that had been performing well in the first study, deteriorated markedly in the second half of 2008. The results of the fall 2008 study revealed that while those two counties performed well, there was evidence that foreclosures were beginning to affect sales prices and an increase in foreclosures could cause home prices to fall. Unfortunately, foreclosure activity increased or held steady in all five counties in the second half of 2008 according to foreclosure filing data from EquityDepot. As a result Cobb and Gwinnett Counties saw their ratios of sales price to appraised value drop 15 and five points, respectively. Both counties are now seeing the average home sell for around 90% of appraised values. The findings relative to each county are discussed in more detail below, as well as in Table 1.

Fulton County

Fulton County continues to provide a clear example of the localized effect of foreclosure clusters. The county control group saw the median home price sell for 69% of median appraised value, which translates to an average potential overpayment of \$496 per homeowner. However, the three zip codes with the highest foreclosure rates experienced median home sale prices that only achieved 36% of median appraised value. This equates to a projected residential property tax overpayment of \$1,360 per household, or a total of \$35.4 million in the three zip codes alone. The overpayment in those three zip codes (which only account for approximately 12% of homeowners) represents roughly 32% of the projected overpayment in Fulton County.

At the neighborhood level, the situation is even more striking, as median home sale price is only achieving 21% of median appraised value. This stark difference in sales price to appraised value is projected to lead to an estimated overpayment of \$1,833 per homeowner, which is one of the highest overpayments found in the study.

In looking at changes between the two studies, Fulton County saw a significant drop in the ratio of median sales price to median appraised value to 69 cents on the dollar, down from 101 cents on the dollar in the first study. It appears the deep discounts in the highest-

foreclosure neighborhoods, coupled with other economic forces, are putting downward pressure on pricing in many areas of Fulton County. The study found no significant shift in the location of home sales analyzed, which means that the poor performance of the county control group is not due to a lack of sales in areas with less of a foreclosure problem.

Clayton County

Clayton County continues to perform the worst out of all five counties studied, and conditions worsened in the second half of 2008. Whereas homes were selling for three-quarters of appraised value in the first study, that figure dropped to roughly half of appraised value in the second study. This represents a striking drop in home prices that has affected most neighborhoods in the county. Due to the widespread nature of depressed home prices, there does not appear to be much difference in the amount of tax overpayment in the highest-foreclosure zip codes or the selected neighborhood when compared to the county control group. Simply put, the housing market is poor throughout Clayton County and the overpayment of property taxes is not isolated to particular neighborhoods with the highest rates of foreclosures.

DeKalb County

DeKalb County continues to provide a striking example of how foreclosures can evolve from a localized problem to a more widespread issue. The county control group yielded a median sales price that was 82% of median appraised value, down from 88% in the first study. The imbalance between sales prices and appraised values widens when the areas with the highest foreclosure rates in the county are analyzed. The three zip codes with the highest rates of foreclosure in the county had a ratio of median sales price to median appraised value of 57%, much lower than the 69% found in the first study. The DeKalb target neighborhood fared even worse, with median home sale prices achieving only 53% of median appraised value, which again, was worse than the first study.

The foreclosure activity in DeKalb County did not increase significantly in the second half of the year. Nevertheless, the rate of foreclosures continues to be high and acts as a negative force, along with other economic influences, on home prices even in areas that are not experiencing the highest rates of foreclosure.

Cobb County

Although Cobb was the only county control group in the first study to record a net underpayment of projected property taxes, that is not the case in the updated study. The average Cobb County homeowner is now projected to overpay their taxes by \$214 annually. Cobb saw foreclosure activity increase markedly in the latter half of 2008, and the county appears to have passed the “tipping point” where foreclosures are now beginning to impact pricing in the overall market. All three of the highest-foreclosure zip codes saw statistically significant drops in the ratio of sales price to appraised value between the two studies (however the neighborhood did not). The highest-foreclosure zip codes and neighborhood continue to see average overpayments that exceed the county average.

Gwinnett County

Gwinnett is experiencing a somewhat similar situation to Cobb County. While the county control group performed relatively well in the first study, conditions worsened in the updated study. The average Gwinnett County homeowner saw their annual potential overpayment of taxes increase 369% to \$352. In the highest-foreclosure zip codes and neighborhood, the average potential overpayment increased significantly to \$453 and \$404 respectively. Similar to Cobb, Gwinnett County saw foreclosure activity increase markedly in the second half of 2008 to the point where it appears foreclosures are dragging down the entire county.

Impact on Homeowners and Local Government

The most significant finding of the updated study is the rapid deterioration of areas outside of the highest-foreclosure neighborhoods. Continued high rates of foreclosures, coupled with economic and housing market conditions, have expanded the property tax overpayment problem to the entire core metro area. There are certainly factors in addition to foreclosures that are driving home prices down, such as the national downturn in the housing market, high levels of oversupply in the metro Atlanta housing market, and the broader economic recession. Overall, existing home prices have fallen 12.1% metro-wide when comparing December 2007 pricing to December 2008 pricing according to the Case-Shiller Index (nationally home prices fell 18.6% in the same period).

Despite the overpayment problem expanding across the core metro area, homeowners in the highest-foreclosure neighborhoods continue to bear the brunt of the most severe drops in home prices and subsequently are experiencing some of the highest potential property tax overpayments. This study has shown that in most cases areas with the highest levels of foreclosures had a greater disparity in the ratio of home sale prices to appraised values when compared to their respective county overall. Foreclosures may not be the only factor driving down prices, but in places where foreclosures are clustered, home prices usually perform significantly worse than the metro or county average.

Unfortunately, the foreclosure crisis appears to be having a larger impact on home sale prices in lower income neighborhoods, as shown in Table 2. In nearly all areas studied, those with a median appraised value of less than \$150,000 had a greater disparity between home sale prices and appraised values than those with median appraised values above \$150,000. Furthermore, it appears the projected overpayment is greater in areas with a higher concentration of minorities, lower incomes, and higher unemployment. By most metrics, it seems as if the foreclosure crisis is having a greater negative impact on some of the metro area’s more disadvantaged neighborhoods. Coupled with the fact that prices are dropping rapidly in these lower income areas, the risk of overpayment of property taxes is likely to put an extra burden on homeowners, especially in a challenging economic environment.

The foreclosure crisis and national economic downturn have undoubtedly had a negative effect on local government as well, as disinvestment does little good for the tax digest. Ultimately it is up to the tax assessor’s office in each county to accurately appraise the properties on its digest. From RCLCO’s real estate market perspective, it is in the best interest of the tax digest for these hardest hit areas to recover as quickly as possible. Reinvestment, repopulation, and stabilization of these struggling neighborhoods would likely lead to a healthier tax digest in the long term. Currently, many of these neighborhoods are suffering from high rates of vacancy, increased crime, and general deterioration which represents a significant, albeit hard-to-quantify, cost to the county. A higher-than-deserved tax bill would only add to the reinvestment challenges these areas already face.

This analysis has shown that by identifying areas with the highest rates of foreclosures, some of the most egregious examples of potential property tax overpayment are also identified. If the tax assessor’s *(Continued on Page 9)*

TABLE 1: Under / Overpayment Analysis

Jurisdiction	Foreclosure Filing Rate ¹	Median Sales Price	Median Appraised Value	Ratio of Median Sales Price to Median Appraised Value	Projected Average Under/Over Payment ²	Projected Total Under/Over Payment ²
CLAYTON						
30238	4.0%	\$57,000	\$114,667	50%†	\$698	\$7,392,713
30274	4.5%	\$46,950	\$109,417	43%†	\$768	\$5,719,636
30296	4.7%	\$46,900	\$124,731	38%†	\$912	\$6,298,429
3 Zip Total	4.4%	\$51,206	\$115,885	44%†	\$778	\$19,410,778
Neighborhood		\$78,200	\$113,806	69%†	\$603	\$1,834,975
Control		\$65,313	\$125,547	52%†	\$931	\$58,576,171
COBB						
30168	3.2%	\$80,750	\$126,925	64%††	\$539	\$2,593,201
30127	2.2%	\$173,750	\$190,910	91%†	\$316	\$6,173,748
30126	2.0%	\$196,747	\$218,815	90%†	\$282	\$2,882,682
3 Zip Total	2.3%	\$167,601	\$190,248	88%††	\$337	\$11,649,632
Neighborhood		\$134,750	\$159,290	85%†	\$267	\$1,337,257
Control		\$165,000	\$182,250	91%	\$214	\$39,507,193
DEKALB³						
30038	3.7%	\$85,162	\$134,800	63%††	\$909	\$9,576,765
30058	3.8%	\$88,500	\$134,250	66%††	\$704	\$10,677,899
30032	3.5%	\$44,950	\$119,050	38%††	\$850	\$9,228,906
3 Zip Total	3.7%	\$74,604	\$129,894	57%††	\$806	\$29,483,570
Neighborhood		\$65,250	\$122,250	53%††	\$675	\$2,066,010
Control		\$140,200	\$172,000	82%†	\$517	\$87,032,663
FULTON						
30310	5.8%	\$26,250	\$125,200	21%††	\$1,677	\$11,875,065
30315	5.1%	\$26,488	\$137,250	19%††	\$1,904	\$12,516,826
30331	3.5%	\$75,450	\$150,000	50%††	\$890	\$11,021,440
3 Zip Total	4.6%	\$49,716	\$140,040	36%††	\$1,360	\$35,413,330
Neighborhood		\$29,900	\$139,300	21%††	\$1,833	\$1,571,739
Control		\$142,000	\$205,550	69%†	\$496	\$110,533,447
WINNETT						
30039	3.7%	\$140,700	\$166,850	84%††	\$555	\$6,795,487
30045	3.0%	\$158,828	\$176,350	90%†	\$472	\$7,594,117
30044	3.0%	\$128,883	\$155,000	83%††	\$380	\$8,151,406
3 Zip Total	3.2%	\$141,466	\$164,814	86%††	\$453	\$22,541,011
Neighborhood		\$128,020	\$151,600	84%††	\$404	\$1,148,850
Control		\$168,975	\$189,450	89%†	\$352	\$71,521,113
Metro Totals/Averages⁵						
15 Zip Codes		\$105,513	\$151,653	70%	\$689	\$118,498,321
5 Neighborhoods		\$101,405	\$139,657	73%	\$537	\$7,958,831
5 Counties		\$147,461	\$183,873	80%	\$436	\$367,170,586

† Indicates a statistically significant ratio of price to value exists (see methodology section for details)

†† Indicates a statistically significant difference compared to control group (see methodology section for details)

¹ Foreclosure filing rate calculated by Equity Depot² Overpayment values are positive, underpayment are negative³ DeKalb County provides rebates of county taxes to homeowners, funded by the Homestead Option Sales Tax or HOST. The rebate varies based on sales tax collections and the extent to which the county relies on HOST for capital improvements. This data does not reflect potential HOST funded rebates.⁴ While ratio shows potential for an underpayment, the methodology used to calculate payment yielded an overpayment. This methodology is more accurate for determining tax impacts on average residential homeowners, as described in methodology section.⁵ Tests of significance do not apply to metro averages. Price and value figures are weighted averages of median figures for each geography.

TABLE 2: Comparison of Demographic Indicators for Various Geographies

Jurisdiction	Average Under/Over Payment¹	Median Appraised Value	Race (% White)	Median Household Income	Unemployment Rate	% With College Degree	Median Age
CLAYTON							
30238	\$698	\$114,667	29%	\$48,705	3.37%	22%	31.81
30274	\$768	\$109,417	18%	\$42,294	4.85%	22%	31.23
30296	\$912	\$124,731	16%	\$52,620	3.98%	27%	33.79
Neighborhood	\$603	\$113,806	34%	\$55,103	3.61%	26%	31.79
County	\$931	\$125,547	29%	\$46,237	3.85%	23%	32.04
COBB							
30168	\$539	\$126,925	25%	\$42,360	4.02%	24 %	31.82
30127	\$316	\$190,910	64%	\$72,351	2.33%	35%	34.67
30126	\$282	\$218,815	48%	\$57,950	3.48%	31%	36.17
Neighborhood	\$267	\$159,290	44%	\$62,264	2.85%	38%	35.54
County	\$214	\$182,250	65%	\$65,836	2.74%	45%	35.37
DEKALB³							
30038	\$909	\$134,800	10%	\$60,382	3.07%	39%	34.12
30058	\$704	\$134,250	9%	\$53,101	4.15%	37%	32.16
30032	\$850	\$119,050	7%	\$41,096	5.57%	19%	33.62
Neighborhood	\$675	\$122,250	4%	\$49,933	3.73%	36%	32.22
County	\$517	\$172,000	34%	\$56,138	3.91%	42%	34.85
FULTON							
30310	\$1,677	\$125,200	4%	\$27,839	10.75%	14%	33.84
30315	\$1,904	\$137,250	15%	\$23,325	8.93%	10%	30.62
30331	\$890	\$150,000	4%	\$44,897	4.87%	32%	34.83
Neighborhood	\$1,833	\$139,300	3%	\$20,245	9.18%	7%	33.12
County	\$496	\$205,550	48%	\$55,722	5.90%	46%	34.99
GWINNETT							
30039	\$555	\$166,850	59%	\$68,651	2.25%	40%	35.69
30045	\$472	\$176,350	64%	\$59,301	2.50%	30%	33.34
30044	\$380	\$155,000	49%	\$62,877	2.56%	42%	32.69
Neighborhood	\$404	\$151,600	63%	\$58,714	3.78%	25%	32.74
County	\$352	\$189,450	61%	\$66,400	2.33%	41%	33.53

¹ Overpayment values are positive, underpayment are negative

SOURCE: Neilson Claritas, 2007

TABLE 3: Comparison of Indicators Between Studies

	Median Sales Price		Median Appraised Value		Sales/Appr. Difference		Statically Significant Difference Between Studies?	Average Under/Over Pymt		Estimated Total Under/Over Payment		Change in Med Sales Price	Change in Med Appr. Value	Change Sales-to-Appraised Ratio	Change in Avg Under/Over Payment	Change in Total Under/Over Payment
	JUNE	DEC	JUNE	DEC	JUNE	DEC		JUNE	DEC	JUNE	DEC					
CLAYTON																
30238	\$81,625	\$57,000	\$120,547	\$114,667	68%	50%	Yes	\$513	\$698	\$5,435,280	\$7,392,713	-30%	-5%	-18%	36%	\$1,957,434
30274	\$55,500	\$46,950	\$114,571	\$109,417	48%	43%	No	\$696	\$768	\$5,180,134	\$5,719,636	-15%	-4%	-6%	10%	\$539,502
30296	\$85,000	\$46,900	\$124,607	\$124,731	68%	38%	Yes	\$479	\$912	\$3,305,506	\$6,298,429	-45%	0%	-31%	91%	\$2,992,923
Total Zips	\$74,762	\$51,206	\$119,887	\$115,885	62%	44%	Yes	\$558	\$778	\$13,920,919	\$19,410,778	-32%	-3%	-18%	39%	\$5,489,859
Neighb.	\$100,000	\$78,200	\$135,929	\$113,806	74%	69%	No	\$555	\$603	\$1,689,192	\$1,834,975	-22%	-16%	-5%	9%	\$145,783
Control	\$89,416	\$65,313	\$119,559	\$125,547	75%	52%	Yes	\$453	\$931	\$28,471,390	\$58,576,171	-27%	5%	-23%	106%	\$30,104,781
COBB																
30168	\$124,000	\$80,750	\$129,980	\$126,925	95%	64%	Yes	\$302	\$539	\$1,453,475	\$2,593,201	-35%	-2%	-32%	78%	\$1,139,726
30127	\$177,700	\$173,750	\$185,180	\$190,910	96%	91%	Yes	\$176	\$316	\$3,441,432	\$6,173,748	-2%	3%	-5%	79%	\$2,732,316
30126	\$219,700	\$196,747	\$225,090	\$218,815	98%	90%	Yes	\$38	\$282	\$392,921	\$2,882,682	-10%	-3%	-8%	634%	\$2,489,761
Total Zips	\$182,630	\$167,601	\$189,285	\$190,248	96%	88%	Yes	\$153	\$337	\$5,287,828	\$11,649,632	-8%	1%	-8%	120%	\$6,361,804
Neighb.	\$132,500	\$134,750	\$145,860	\$159,290	91%	85%	No	\$214	\$267	\$1,069,350	\$1,337,257	2%	9%	-6%	25%	\$267,907
Control	\$207,325	\$165,000	\$195,625	\$182,250	106%	91%	Yes	-\$119	\$214	\$21,921,531	\$39,507,193	-20%	-7%	-15%	NA	\$61,428,723
DEKALB																
30038	\$105,527	\$85,162	\$130,200	\$134,800	81%	63%	Yes	\$461	\$909	\$4,856,538	\$9,576,765	-19%	4%	-18%	97%	\$4,720,227
30058	\$91,700	\$88,500	\$130,250	\$134,250	70%	66%	Yes	\$562	\$704	\$8,520,913	\$10,677,899	-3%	3%	-4%	25%	\$2,156,986
30032	\$65,000	\$44,950	\$117,200	\$119,050	55%	38%	Yes	\$408	\$850	\$4,430,284	\$9,228,906	-31%	2%	-18%	108%	\$4,798,621
Total Zips	\$87,755	\$74,604	\$126,360	\$129,894	69%	57%	Yes	\$487	\$806	\$17,807,736	\$29,483,570	-15%	3%	-12%	66%	\$11,675,834
Neighb.	\$69,500	\$65,250	\$122,100	\$122,250	57%	53%	No	\$594	\$675	\$1,818,201	\$2,066,010	-6%	0%	-4%	14%	\$247,810
Control	\$145,700	\$140,200	\$165,250	\$172,000	88%	82%	Yes	\$252	\$517	\$42,361,511	\$87,032,663	-4%	4%	-7%	105%	\$44,671,152
FULTON																
30310	\$38,500	\$26,250	\$120,600	\$125,200	32%	21%	Yes	\$1,464	\$1,677	\$10,363,308	\$11,875,065	-32%	4%	-11%	15%	\$1,511,757
30315	\$49,900	\$26,488	\$140,900	\$137,250	35%	19%	Yes	\$1,486	\$1,904	\$9,767,700	\$12,516,826	-47%	-3%	-16%	28%	\$2,749,126
30331	\$140,281	\$75,450	\$158,300	\$150,000	89%	50%	Yes	\$562	\$890	\$6,962,760	\$11,021,440	-46%	-5%	-38%	58%	\$4,058,680
Total Zips	\$89,799	\$49,716	\$143,659	\$140,040	63%	36%	Yes	\$1,040	\$1,360	\$27,093,767	\$35,413,330	-45%	-3%	-27%	31%	\$8,319,563
Neighb.	\$35,000	\$29,900	\$135,900	\$139,300	26%	21%	Yes	\$1,571	\$1,833	\$1,346,545	\$1,571,739	-15%	3%	-4%	17%	\$225,194
Control	\$190,361	\$142,000	\$188,900	\$205,550	101%	69%	Yes	\$101	\$496	\$22,583,076	\$110,533,447	-25%	9%	-32%	389%	\$87,950,371
GWINNETT																
30039	\$145,077	\$140,700	\$163,600	\$166,850	89%	84%	Yes	\$274	\$555	\$3,360,894	\$6,795,487	-3%	2%	-4%	102%	\$3,434,593
30045	\$155,000	\$158,828	\$157,550	\$176,350	98%	90%	Yes	\$112	\$472	\$1,794,604	\$7,594,117	2%	12%	-8%	323%	\$5,799,514
30044	\$165,289	\$128,883	\$174,000	\$155,000	95%	83%	Yes	\$107	\$380	\$2,292,992	\$8,151,406	-22%	-11%	-12%	255%	\$5,858,415
Total Zips	\$156,990	\$141,466	\$166,126	\$164,814	95%	86%	Yes	\$150	\$453	\$7,448,489	\$22,541,011	-10%	-1%	-9%	203%	\$15,092,522
Neighb.	\$151,050	\$128,020	\$153,400	\$151,600	98%	84%	Yes	\$144	\$404	\$408,906	\$1,148,850	-15%	-1%	-14%	181%	\$739,944
Control	\$176,251	\$168,975	\$187,200	\$189,450	94%	89%	Yes	\$75	\$352	\$15,272,097	\$71,521,113	-4%	1%	-5%	368%	\$56,249,016
TOTAL																
Zips	\$125,317	\$105,513	\$152,216	\$151,653	82%	70%		\$416	\$689	\$71,558,739	\$118,498,321	-16%	0%	-13%	66%	\$46,939,581
Neighb.	\$111,833	\$101,405	\$140,223	\$139,657	80%	73%		\$428	\$537	\$6,332,193	\$7,958,831	-9%	0%	-7%	26%	\$1,626,638
Control	\$174,203	\$147,461	\$180,055	\$183,873	97%	80%		\$103	\$436	\$86,766,544	\$367,170,586	-15%	2%	-17%	323%	\$280,404,042

FIGURE 1: Clayton County's Highest Foreclosure Zip Codes and Studied Neighborhood

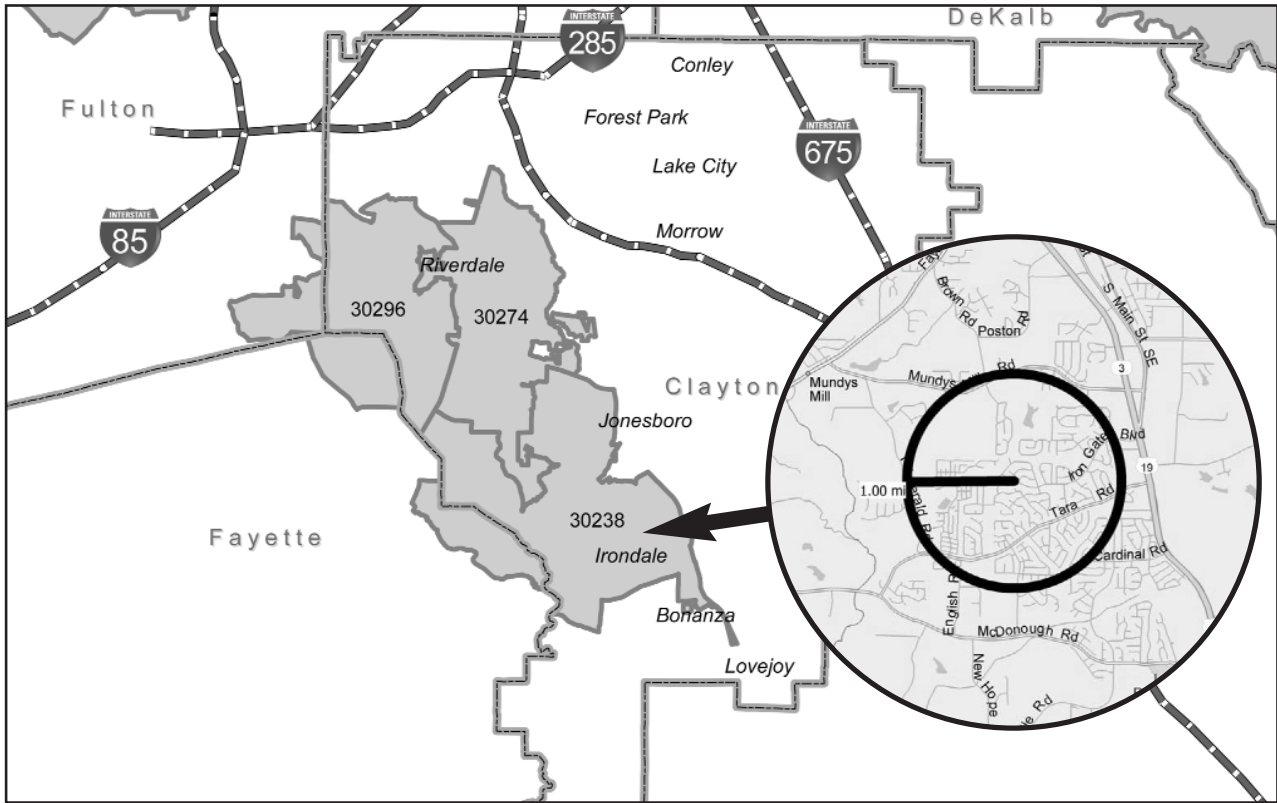
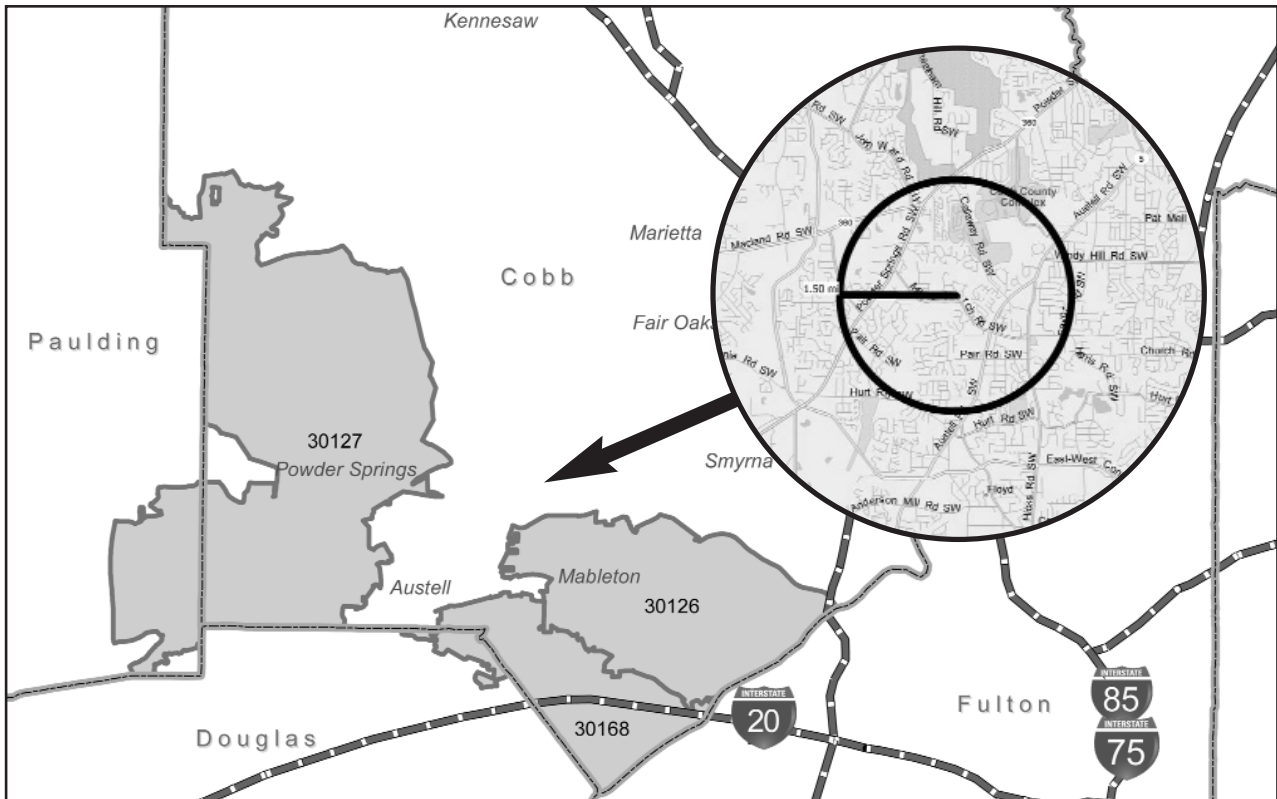


FIGURE 2: Cobb County's Highest Foreclosure Zip Codes and Studied Neighborhood



See Methodology section to learn how these zip codes and neighborhoods were identified.

FIGURE 3: DeKalb County's Highest Foreclosure Zip Codes and Studied Neighborhood

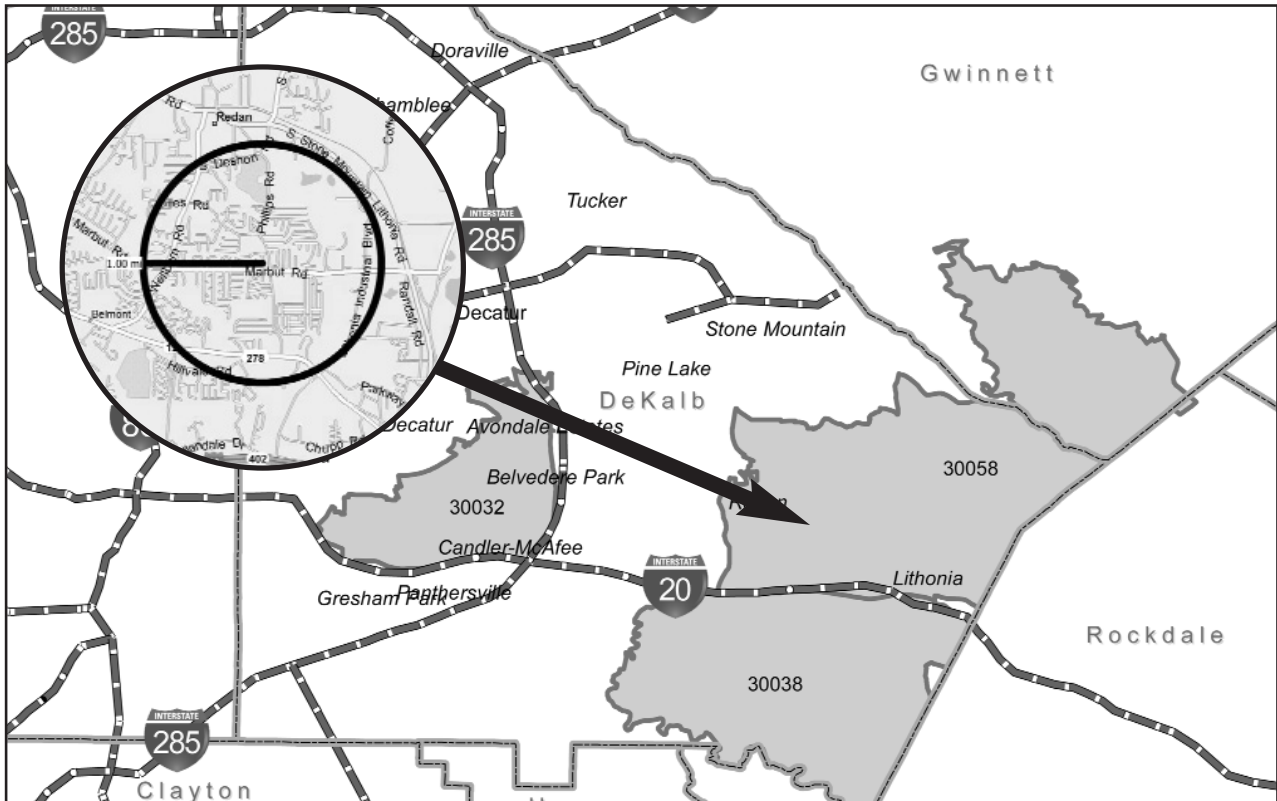
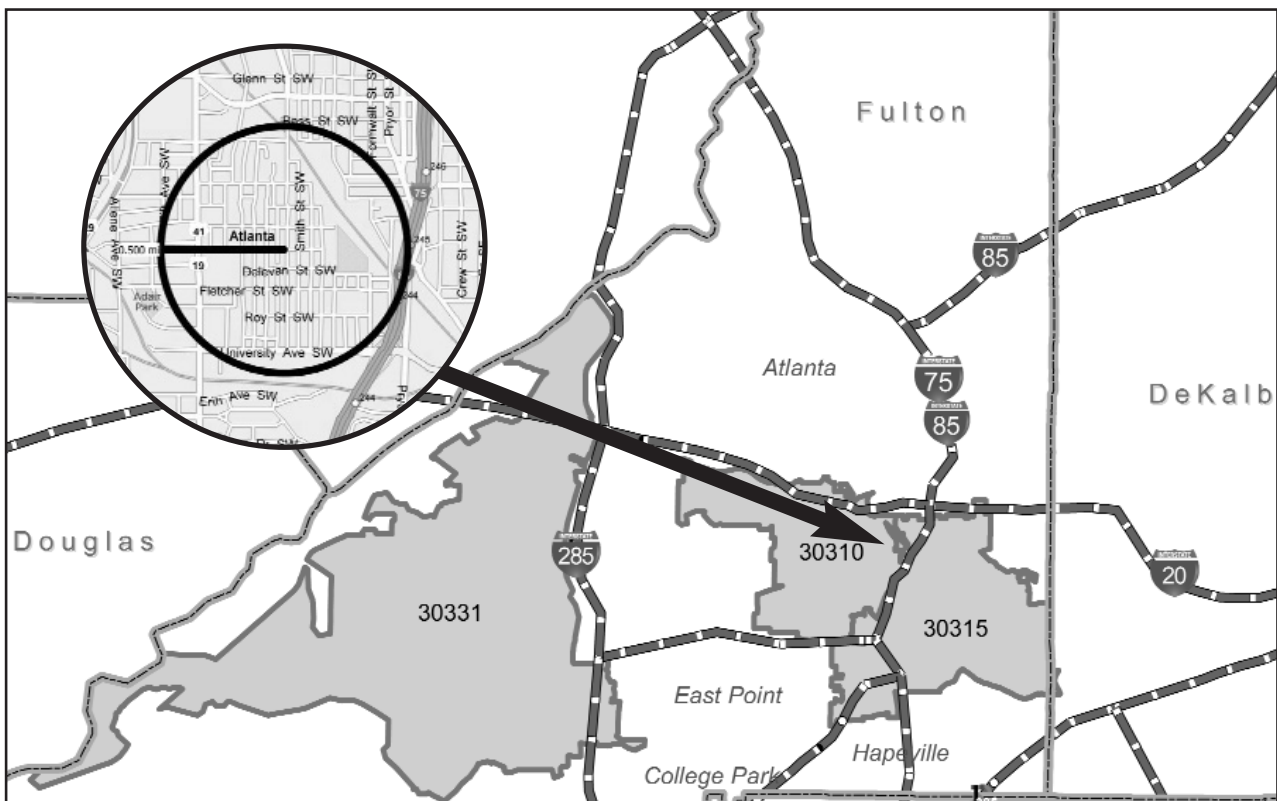
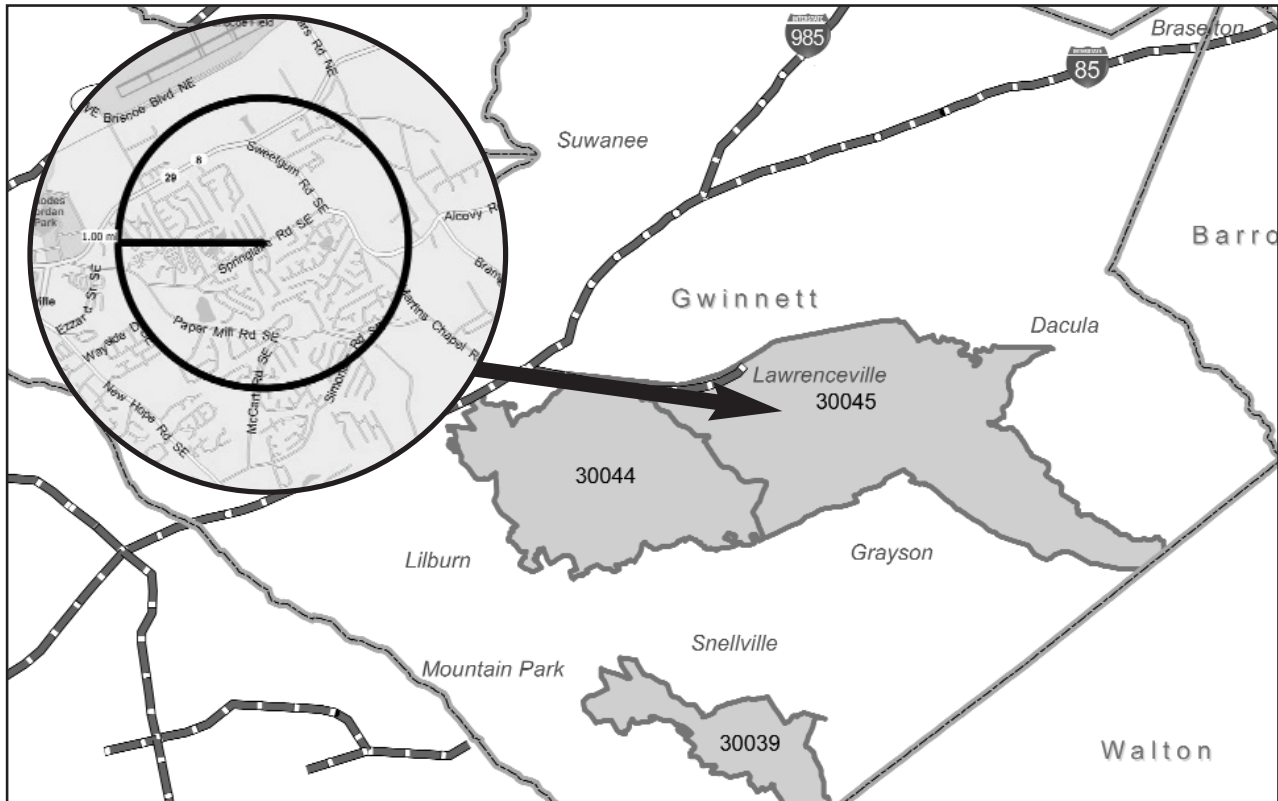


FIGURE 4: Fulton County's Highest Foreclosure Zip Codes and Studied Neighborhood



See Methodology section to learn how these zip codes and neighborhoods were identified.

FIGURE 5: Gwinnett County's Highest Foreclosure Zip Codes and Studied Neighborhood



See Methodology section to learn how these zip codes and neighborhoods were identified.

Impact on Homeowners and Local Government (Continued from Page 4)

offices are interested in quickly identifying neighborhoods where appraised values may be grossly misaligned with demonstrated home sale prices, monitoring clusters of foreclosures would be a quick and efficient way to do just that. Assessors will likely need to utilize new and innovative methods for valuing properties in areas with declining property values. Traditional methods of property valuation that exclude distressed assets may not yield accurate home values in many of the highest-foreclosure neighborhoods where distressed properties now represent the majority of sales activity.

Scope of Work

With dramatic increases in home foreclosure rates across the country, communities are struggling with a host of new problems, ranging from declining tax bases to increased crime. While much of the focus in the foreclosure crisis has centered on the impact to foreclosed homeowners, there are additional impacts felt by local government and those homeowners who remain in neighborhoods with the highest rates of foreclosures. Increased levels of crime and dilapidation of foreclosed properties appear to exert downward pressure on home sale prices in many neighborhoods, especially those with the highest rates of foreclosures. Although home sale prices are declining in many communities, home value appraisals, as conducted by county tax assessor's offices, may not be reflecting this decrease in value. In theory, if homeowners are being taxed on an appraised value that is greater than the home is actually worth, they are being levied a tax burden that does not reflect current market realities.

Atlanta has not been immune to the foreclosure crisis, and many neighborhoods in the metro area are experiencing unprecedented levels of foreclosures. As one of the leading housing advocacy groups in metro Atlanta, the Atlanta Neighborhood Development Partnership (ANDP) is interested in determining the relationship between home sale prices and home appraisal values in some of the metro area's most foreclosure-ridden neighborhoods. ANDP wishes to ensure that given the dramatic changes in the housing market, homeowners are being taxed on a fair appraised value that accurately reflects true market conditions. It is ANDP's hypothesis that there is a significant overpayment of taxes in neighborhoods with the highest rates of foreclosure.

ANDP hired RCLCO to perform an analysis of home sale prices and appraised values to determine if an overpayment of residential property taxes does in fact exist in the highest-foreclosure neighborhoods. RCLCO's analysis can be broken down into three main questions:

1. Where are the areas/neighborhoods with the highest rates of foreclosures in the core of metro Atlanta (Clayton, Cobb, DeKalb, Fulton, and Gwinnett counties)?
2. Is there a difference between demonstrated home sale prices and appraised values in those neighborhoods and how does it compare to county averages?
3. If a difference exists, how does it affect the

amount of taxes a property is paying and to what degree are neighborhoods with high rates of foreclosure under- or overpaying property taxes?

Tables 1 and 2 summarize the results of the analysis. Table 1 determines the relationship between home sale prices and appraised values and displays the analysis related to the under/overpayment of residential property taxes. Table 2 compares the geographies utilized in the study across a series of demographic indicators. A detailed explanation of RCLCO's methodology is also included at the end of this report, along with maps of the neighborhoods that were studied.

METHODOLOGY

The following section describes RCLCO's methodology for performing this engagement in detail.

PHASE 1 IDENTIFIED HIGH FORECLOSURE NEIGHBORHOODS

The updated study utilized the same geographies of analysis found in the first study. The process of selecting those geographies is described below.

The first step in this analysis was to identify the geographies that are considered to have high rates of foreclosures in the five-county study area (Clayton, Cobb, DeKalb, Fulton, and Gwinnett Counties). ANDP obtained information from EquityDepot on the five zip codes and 20 US Census Blocks with the highest rates of foreclosures for each county. The top three zip codes were then selected to study further. One smaller neighborhood in each county was also selected to analyze in depth. The neighborhoods were selected by mapping the high-foreclosure Census Blocks to determine where the concentrations of foreclosures were located in each county.

Next, ANDP obtained home sale data (closings) from the FMLS service for all residential for-sale product in the second half of 2008 for the five-county study area. Home sales in each of the fifteen zip codes (five counties with three zip codes each) were then isolated. Additionally, similar home sales data was gathered for the five neighborhoods by selecting a radius of sales that encompassed the desired neighborhoods (see Figures 1 through 5 for neighborhood maps). In cases where the

number of sales in a zip code or neighborhood exceeded 100, a random sample of 100 sales was taken. Additionally, a control group was established in each county by randomly selecting 100 sales from the entire set of sales data for each county. The control group is necessary in order to place the analysis of high foreclosure areas in the context of the county overall.

It is important to note that FMLS data was utilized because it represents arms-length transactions. Auction sales of foreclosed properties on courthouse steps are therefore not included. Use of FMLS data somewhat mitigates the extreme effect auctioned properties could have on median home sale values in these geographies.

PHASE 2 COMPARED HOME SALE PRICES TO HOME APPRAISAL VALUES

To match home sale prices with appraised values, we utilized the county tax assessor's offices' online databases to look-up appraisal information for the specific addresses provided in the home sale data gathered in phase one. We conducted this analysis across the desired geographies (zip codes, neighborhoods, and control groups). Once all the appraisal information was entered, the difference between sale price and assessed value was calculated. This was accomplished by dividing the median home sale price by the median appraised value for each geography. A ratio of less than 100% means that the median home sale price is less than median home appraisal value. A value of greater than 100% means that median home sale price is higher than the median home appraisal value.

A test of statistical significance was then performed for each geography to determine if any difference in sales price to appraised value is due to actual differences in the two, rather than random chance. To test the statistical significance of this ratio, a Wilcoxon matched-pairs test with a confidence level of 95% was performed on the sales prices and appraised values for each geography. Please note that this test of statistical significance is not performed on the median values used to calculate the ratio described in the previous paragraph. Rather, this test matches the sales price to the appraised value for each individual sales record. The difference between those two values is then compared across all the home sales records to determine the probability that the actual difference between the sales

price and appraised values is not zero. For any geography where the test was positive, it can be interpreted that RCLCO is 95% confident that there is in fact a difference between sales prices and appraised values in that geography.

A second test of statistical significance was performed for each geography to determine if the ratio of sales price to appraised value was different from the county-wide control group. A Mann-Whitney test with a confidence level of 95% was performed on the ratio of sales prices to appraised values as compared to the same ratio for the control group. This test analyzes the ratio of sales price to appraised value for the individual records in a given geography, and compares the ratio to the same metric for the respective county control group. The test then calculates the probability that there is in fact a difference between the geography and the county control group. For any geography where the test was positive, it can be interpreted that RCLCO is 95% confident that the ratio of sales price to appraised value is different than the ratio for the county control group.

A third test of statistical significance was performed for each geography to determine if the ratio of sales price to appraised value for the updated study was different than that same ratio for the original study. A Mann-Whitney test with a confidence level of 95% was performed on the ratio of sales prices to appraised values as compared to the same ratio for the initial study. This test analyzes the ratio of sales price to appraised value for the individual records in a given geography in the updated study, and compares the ratio to the same metric for the same geography in the first study. The test then calculates the probability that there is in fact a difference between the two studies. For any geography where the test was positive, it can be interpreted that RCLCO is 95% confident that the ratio of sales price to appraised value in the updated study is different than the ratio found in the original study.

PHASE THREE CALCULATED TAX UNDER/OVERPAYMENT

The final step of the analysis was to determine the amount of tax under/overpayment in the geographies based on the established differences in demonstrated home sale prices and county tax assessor appraised values.

First, the millage rate for each geography was determined in order to calculate the amount of taxes a property would pay. In geographies that contained multiple jurisdictions, the millage rate for the jurisdiction that encompassed the most area in the geography was used. Table 3 displays the millage rates used. Please note that DeKalb County provides rebates of county taxes to homeowners, funded by the Homestead Option Sales Tax, or HOST. The rebate varies based on the sales tax collections and the extent to which the county relies on HOST for capital improvements. This study does not reflect potential HOST funded rebates which may overestimate the actual potential for overpayment.

Next, utilizing the same FMLS home sales data for each geography from phases one and two, an estimated property tax was calculated for each home sale based on two values of the home: home sale price (sales price property tax) and appraised value (appraised value property tax). Sales price property tax was then subtracted from appraised value property tax for each record, yielding the under/overpayment for that property. The average (mean) under/overpayment was then calculated. A positive value indicates overpayment, whereas a negative value indicates underpayment.

Due to the rapidly changing nature of the housing market, this is an extremely difficult number to estimate. RCLCO arrived at an estimate for ownership housing units by using a combination of data from the US Census Bureau and Nielsen Claritas. There were two components of the analysis: occupied ownership units and vacant ownership units. For occupied units, RCLCO obtained a 2007 estimate of occupied ownership units from Nielsen Claritas. For vacant units, Nielsen Claritas reports vacant properties in a manner that includes both ownership units and rental units. To determine the number of vacant units that were in an ownership-only situation, the US Census 2000 rate of vacant units that were in an ownership situation was utilized. Estimated occupied ownership units were then added to estimated vacant ownership units to yield estimated total ownership units.

Lastly, RCLCO calculated the total under/overpayment by multiplying the average (mean) under/overpayment by the estimated total number ownership units.

TABLE 3
SUMMARY OF MILLAGE RATES

JURISDICTION	MILLAGE RATE
Clayton – Unincorporated	32.52
Cobb – Unincorporated	28.75
DeKalb – Unincorporated	33.30
Fulton – Atlanta	42.42
Fulton – Unincorporated South Fulton	34.28
Fulton – Unincorporated ¹	36.44
Gwinnett – Unincorporated	30.11

¹Average of City of Atlanta, Unincorporated North Fulton, and Unincorporated South Fulton

SOURCE: Georgia Department of Revenue, 2007 Millage Rate Table

To estimate the total under/overpayment in a given geography, it was necessary to estimate the number of residential properties that are in an ownership situation.



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