

Understanding the Board of Equalization & Review's Role in the 2025 Reappraisal

The Durham County Department of Tax Administration would like to provide additional context regarding the 2025 Reappraisal and the information referenced in the recent INDY Week article. Over the past six years, Durham County has experienced significant growth in real estate values. Assessed real property values increased from approximately \$43 billion in 2019 to more than \$70 billion during the reappraisal period in 2025, the highest valuation growth from a reappraisal in over 40 years. This level of appreciation naturally resulted in a higher volume of appeals than is typical in a reappraisal year. Overall, there were 10,533 appeals. In historical reappraisals, appeals ranged from 4,500 to 7,500.

During every appeal cycle, property owners have the right to present information they believe is relevant to determining the fair market value of their property. The County's appraisers are required to review all credible information submitted, and the County's recommended value may be adjusted when the evidence supports a correction. In 2025, both residential and commercial property owners submitted materials that resulted in a wide range of adjustments. Because commercial properties represent a large share of total taxable value, changes in that sector have had a proportionately greater impact on aggregate assessed values.

The Department of Tax Administration's role in the appeal process is to review appeals in accordance with state law, evaluate the information provided, and offer updated recommendations when supported by reliable market data. In turn, the Board of Equalization & Review (BoER) serves as an independent, neutral decision-making body. Under State law, once an appeal has been filed at the County level, the BoER is the only entity with the power to change the assessed tax value. The BOER consists of qualified real estate professionals appointed by the Board of County Commissioners and is charged with deciding cases based on the information presented by both the appellant and the County.

When a case comes before it, the BoER is authorized to affirm or adjust the County's initial value. As is typical, most value adjustments occurred on the BoER's consent agenda. This portion of the agenda allows the BoER to consider whether to accept a joint recommended value submitted by the County and a taxpayer. The appeal process at the County level ensures that taxpayers concerned about their property valuation receive multiple layers of review. It is important to note that the BoER adjudicated an unprecedented number of cases and worked through the caseload as promptly as possible while maintaining the thorough review required by law. The 2025 appeal cycle extended past January 2026 due to the record number of appeals. While the goal is always to conclude hearings by early January, completion was not possible under these circumstances. Other counties completing reappraisals during this period faced similar timing challenges.

The timing and volume of the BoER hearings delayed the reporting of the final total assessed values. The Department of Tax Administration provided regular updates to County and City budgeting staff in February, March, and April. By the second update, it appeared likely that the final total assessed value would fall short of initial estimates. The February report indicated the City's total assessed value at \$62.6B. By March the value had decreased to \$62.1B. The final report, provided in April, revealed the City's total assessed value was \$60.1B. While the magnitude of the decrease was uncertain until the final report was issued, the Department of Tax Administration warned the City and County staff that the ongoing appeals were putting downward pressure on the final value.

Market conditions during the 2025 reappraisal created unique challenges, particularly within certain commercial sectors. While overall commercial real estate values continued to rise, some property types, such as offices and certain multifamily properties, were affected by elevated vacancy levels and other factors linked to broader economic trends, including lingering impacts of the COVID-19 pandemic.

These conditions led to greater variation between the three legally recognized approaches to determining market value. The sales comparison and cost approaches generally reflected strong values, while the income approach, which is sensitive to vacancies, rents, and expenses, indicated lower values for some properties. When robust market data is available to all parties, the three valuation approaches tend to arrive at similar values. When the different approaches lead to disparate values, discerning the fair market value of a given property can prove difficult.

The selection of an appraisal approach is guided by the principle of determining a property's highest and best use. This requires identifying the use that is legally allowed, physically possible, financially feasible, and most productive for the property. Essentially, these factors determine the use that would generate the greatest value. This is a fundamental concept in real estate appraisal and ensures that property valuations reflect the property's full potential under current market conditions. It is important to note, however, that the County's appraisers do not simply replace market data with owner-submitted information. County appraisers are required to consider all relevant data, and in some cases, individual components such as rental figures or capitalization rates may be adjusted if credible evidence supports the change. This is true for both residential and commercial appeals.

With respect to concerns about data quality, the County did not receive "bad" data. Differences observed between the County's data, vendor data, and owner-submitted data were largely the result of timing within a rapidly changing market. Data collected across a two-year analysis period reflects normal variations produced by evolving economic conditions. Again, appraisers consider all relevant data unless it is flawed or unreliable. And while trends are helpful, the ultimate question in property tax appeals is the fair market value of property on January 1st of the reappraisal year.

As for BoER minutes, the Department maintains BOER minutes as required by statute. Some requests for BoER records involve confidential taxpayer information protected under N.C.G.S. 153A-148.1 and

160A-208.1. These statutes strictly prohibit the disclosure of taxpayer income or gross receipts information. As a result, it often takes more time to process these types of requests, as the County must identify and protect all confidential taxpayer information before release. Ultimately, the County has complied, and will continue to comply, with its obligations under North Carolina's public records laws to provide all non-confidential information and redact protected content where statutorily required.

Durham County remains committed to a transparent and legally compliant reappraisal and appeals process, carried out in accordance with North Carolina law and professional appraisal standards. Please see the attached Frequently Asked Questions (FAQ) document on the overall reappraisal process for additional information.