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KRUEGER REALTY NEWS

**Insider News and Views about Real Estate in Hidden Meadows.
To our customers and all the residents of the country town of Hidden Meadows.**

What's New In and Around Hidden Meadows

“The Haves and the Have Nots”

In Hidden Meadows the title phrase describes a situation that has existed for several years and still exists today. What may you ask is it that some have while others do not in our wonderful community? High speed Internet access!

Some people could care less, for others it is an absolute necessity of life. Since I deal with new people moving into our community questions on Internet access are quite common. I have seen homes not having high-speed access eliminated from a potential Buyer's list of prospects. Many people now depend on Internet access for work as well as for pleasure. With advances in personal computers the size of files and the ability to transmit them has increased to such an extent that the only practical way to exchange this data is via a high-speed connection. I can still remember the time I upgraded the first dial up modem I ever had from a 300-baud to a 2400-baud dial up modem; I thought I had gone from a bi-plane to a jet in terms of transmission speed.

So who provides what and where in Hidden Meadows? Cox Cable serves the covenant area with high-speed Internet service. I use their service in my office on Mountain Meadow Road. I have found it to be very satisfactory, the speed compared to dial up is fantastic and I have not experienced any outage problems. The lucky residents who live in the covenant are definitely in the “Have” category.

In the acreage areas it is a different situation. I live in the acreage area and will share with you my experiences over the last six years. We who live in the more remote areas of Hidden Meadows are unfortunately in the “Have Not”

category. Well not quite totally in the “Have Not” category. There are now some alternatives to dial up.

When I moved to the acreage area the best dial up connection speed I was able to achieve was 24K, it is still the same today. I was told that this is due to the fact that I am located quite a distance from the telephone company central station. Distance from the central station was the same reason given to me for not being able to get a DSL line. Frustrated with my dilemma I began a quest to improve my Internet connection situation.



My first attempt at improving my situation was to speak to Orion Cable Systems. Many Meadowites may not know that there is another cable TV provider that serves some areas outside of the covenant. Orion is that provider. For a time Orion offered an interesting version of higher speed access. Their system used TV cable for the download and a dial up connection for the up load side. The system architecture was poor and customer support nonexistent. It was an improvement from straight dialup and I was able to self-support it for several months. One day I received a call from the subcontractor of Orion who informed me they would be sending a representative by in a couple of weeks to pick up my cable modem. Low subscriptions made the venture unprofitable not to mention poor service taking its toll on the few subscribers they did have. So exit Orion and I am again a “Have Not”.

After a few months of agonizing with dialup a new emerging technology seemed to hold promise. Enter Hughes satellite Internet connection.



Hughes the forerunner of Direcway was just starting to offer their service to Southern California. Their system was the satellite version of what Orion had offered, satellite for the download and phone modem for the upload side. Support was better although sometimes it took days to respond. It beat straight dialup so I endured. The next enhancement in the Direcway system was satellite down and satellite up. With this I was able to dispense with one phone line.

This satellite up and down version (DW4000) was what I used for about three years. My home network shared the Internet connection via a host computer that connected to the satellite modem and other machines on our network connect as clients through the host. I received complaints from the number one client user my wife Sandra whose connection speed was always slower than mine at the host machine. This situation was addressed by an enhanced upgraded modem (DW6000), which acts like a router so all networked machines are treated equal.

I would rate the support from Direcway as fair to good once you get through holding to get to tech support. Performance is good on the download side but poor on the upload side. If you have large files to upload you may not be too enamored with the service. The other undesirable characteristic of any satellite system is latency. Latency is the miniscule delay that is experienced due to the distance from your local dish to the satellite in orbit. This delay albeit very small can cause problems, most often it will not allow you to stay connected to a corporate virtual private network (VPN). VPNs are always scanning to confirm you are securely connected, with latency it thinks you are not there and disconnects you. Bottom line, satellite is better than dialup but not compatible for use with corporate VPN systems. Depending on your situation you could be a "Have" or "Have Not".

There are two other satellite service providers. Starband and WildBlue. WildBlue is a new entry. They have a local Escondido representative, James Doyle and their pricing structure is more competitive than Starband or Direcway.

About six months ago I switched to a Wireless Internet Service provider (WISP). WISP utilizes a transmission point that broadcasts a wireless signal that is received via a small dish antenna that connects to a local home network router. Valley Center Wireless is my current provider. All machines on my local network are treated equally and speeds are comparable to DSL service. There are no latency issues. I have been quite pleased with the service thus far and have had no serious service problems. Sandra is happier with the system and can connect to her corporate VPN and has equal speed on our home network, which makes life much easier for me. So for now I am again part of the "Have" category.

There is however a significant requirement for those who are among the "Have Not" group that must be met before they can join the "Haves" with WISP. The service requires a direct line of sight to one of Valley Center Wireless transmission points. The principal transmission point serving Hidden Meadows is located near Red Mountain in Valley Center. This is the conical shaped hill with a water tank and transmission towers located on top. If you are located in a low spot you most likely will not be able to take advantage of this service alternative.

For anyone needing additional information on how to become a "Have" in the Internet world please don't hesitate to give me a call at 760-749-3999.

Income Tax Time 2006 - Benefits of Homeownership



For better or worse Tax Time has come and gone for most filers. It is nice to be done with the myriad of forms and schedules that comprise a typical return.

The California Association of REALTORS... (C.A.R.) decided to take a closer look at the benefits that go along with homeownership. Let's take a look how this affects homeowners this tax season.

In the midst of tax season, homeownership has well-established (and well-deserved) tax benefits. Homeowners not only enjoy a roof over their heads, they have a long-term nest egg investment and are able to save on their taxes because of it. As a result of the Mortgage Interest Deduction (MID) portion of the Federal tax law, homeowners are allowed to reduce their taxable income by a sizable amount. But how much do homeowners actually save? How much more do they save in taxes over their renting counterparts?

In the last several years, we have seen homeowner's equity gains—in other words, "return-on investment"—rise steadily with an average return of over 20 percent per year because of record increases in home prices. Make that comparison with your stock portfolios or even your 401k performance, and real estate has offered quite a good return on your investment.



Yet along with home equity gains and overall appreciation, there are other huge tax advantages to owning your own home—interest & property tax deductions. For example, a homeowner who has purchased a home at the median price in 2005 would have paid \$524,020 for that home. With property taxes at the going rate of about 1 percent of the property value, the property tax deduction for that home would be approximately \$5,240 a year. In the first 12 months the interest paid on that home loan would total \$24,470 (Interest calculated assuming a 20% downpayment with 5.87 percent fixed-rate mortgage – Freddie Mac).

Therefore, that homeowner's total MID and property tax deduction for the first year of homeownership would be \$29,700. If the owner falls in the marginal 25 percent tax bracket, the total tax savings in the first year of owning the home would be around \$7,430 (\$29,700 interest paid & property taxes multiplied by the 25 percent marginal tax bracket). The IRS allows the homeowner to deduct the entire amount of interest paid on a home loan up to \$1,000,000 (\$500,000 if married filing separately) as long as the owner includes Schedule A on IRS 1040, the loan is in the owner's name, and the mortgage is secured by collateral (usually the home itself—IRS Publication 936). The long-run tax savings would be over \$36,000 if the homeowner holds onto that home for five years (assuming no change in the tax bracket).

Put differently, the current tax system helps homeowners because it makes homeownership more affordable. For example let's take a look at two different households. One is a first-time buying household who bought their home during 2005 for \$445,400 (assuming 85 percent of the median price in California for 2005). After accounting for mortgage interest and property tax deductions, their taxable income would be \$87,150. Assuming these new homeowners had no other deductions their total taxes owed to the IRS would be approximately \$15,120

(for married filing jointly). Now let's look at a renting household with the same earnings and marital status. Its taxable income would be \$105,000, higher than that of the buyer because they do not have any mortgage interest or property taxes to deduct (assuming the standard deduction for 2005 of \$10,000). Under these same assumptions (holding all else constant), the renter household pays approximately \$19,580 in taxes. Because of the interest and property tax deduction, homeowners are able to reduce their taxable income and achieve almost \$4,500 in tax savings.

As we have seen, homeownership reaps tax benefits. Yet, homeownership has benefits beyond the checkbook or 1040 forms. High and stable homeownership rates contribute many important social benefits by boosting the quality of living areas such as education and civic involvement while lowering the crime rate and welfare dependency. (Source: NAR's Social Benefits of Homeownership and Stable Housing). As homeowners, you not only reap the many advantages when tax season comes around, but also bask in the social benefits of homeownership by living in a great community such as Hidden Meadows.

Zillow.com: A Thing of Value?

Do you Zillow? In case you haven't heard about it, to "Zillow" your home is to go to the website zillow.com and type in your address.

Looking online at the value of real estate and the process has been illuminating — arguably not accurate or especially useful, just illuminating.

If you want a satellite photo of a home, there's no shortage of locations that can provide such art, much of which is excellent. If you

want a street map, that too is easily found online.

But when it comes to figuring out the market value of a property — the magic question of how much to pay or how much to accept — a recent look at online valuations was wildly disappointing.



- For one property I checked the value is some \$90,000 below the price paid last summer. Everyone seems to know the number of baths as well as the size of the property, but no computer seems able to fully value a home that backs up to a creek or has a hot tub on the deck. For this, apparently, you need human eyes.
- Then there is a Cape Cod home which sold last year for \$485,000 and now, says the computer, is worth a mere \$429,000. This would no doubt amaze the new owner, an individual who has beautifully remodeled the house, landscaped the entire property and lives in a ZIP code where typical home prices increased \$95,000 last year.
- Lastly we come to a home which is allegedly worth \$509,000. This seems unlikely in a ZIP code area where home values rose by an average of \$68,000 in 2005 and nearby homes on the same street have been selling for \$550,000 and up. As much as computers are to be applauded, the invisible hand of automated valuations seems remarkably unsteady. Suggesting for one property a range of possible prices from \$317,580 to \$508,849 is useless; no seller will accept the lowest figure and no buyer will be enticed by the highest.



While it's entirely possible to have statistics regarding past sales, lot sizes, property taxes and other objective measures, when it comes to valuations I'll stick with local brokers and appraisers.

This is not to say at some distant point in the future online valuations won't improve. Software and formulas will undoubtedly progress and online sites will have access to more sale information on a more-immediate basis. In addition, public feedback will be encouraged as a correcting mechanism. This is all to the good.

Still, when it comes to buying and selling real estate I remain pro-human.

The issue is not that the Internet lacks value or utility, rather there are some things beyond even the powers of computerdom.

How do you value a view? Sounds silly, but if you look at the photos for 100 listings it's instantly obvious that some properties are more attractive and valuable than others — at least to people. To make matters more complex, whatever it is that constitutes "value" in real estate is a mix that differs among individuals. Not all homes with four bedrooms and 2.5 baths are created equal, thus the rush to buy some homes and the hurry to get away from others.

Valuations are part numbers and part mystery. I have little doubt that one day computers and the Internet will be able to capture the math fairly well, but I see no hope of electronically grabbing the magic.

At this point someone will mention the fabled stories of people buying homes from online photos. Such stories are no doubt true — but in the statistical context of millions of home sales such things will happen. It's equally true that among billions of people some have six toes on one foot. People who buy homes from online photos are not evidence of a trend, they merely prove the existence of statistical improbability.

As dull and boring as it may seem, there's no substitute for physically looking at real estate. The value of real estate to buyers and sellers — which

may be different than the value to lenders and tax collectors — is best established by walking through homes and seeing the neighborhood.

Ask yourself: As a buyer would you pay more for a home just because it has been assigned a computerized value? Would you accept less as an owner because a computer has somehow determined a sale price? Or in either case would you rely on your own sense of value, a sense enhanced by physically examining many homes, speaking with your REALTOR... and engaging experienced appraisers? ***(Krueger Realty is your best source for up to date information on our market and is always ready to assist in helping you make the correct pricing choice.)***

From Realty Times

What is Mello-Roos?

If you have ever looked through the Sunday Homes classified ads you will undoubtedly notice some ads boldly say "No Mello-Roos". It has been my experience that many do not know what in the world Mello-Roos is. They only know that if it exists it can be an additional cost of home ownership. Fortunately in Hidden Meadows we are not burdened with this extra cost but you should be aware that not all communities are as fortunate.

Background:

In 1978 Californians enacted Proposition 13, which limited the ability of local public agencies to increase property taxes based on a property's assessed value. In 1982, the Mello-Roos Community Facilities Act of 1982 (Government Code §53311-53368.3) was created to provide an alternate method of financing needed improvements and services.

The Mello-Roos Community Facilities Act of 1982:

The Act allows any county, city, special district, school district or joint powers authority to establish a Mello-Roos Community Facilities District (a "CFD") which allows for financing of public improvements and services. The services and improvements that Mello-Roos CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums

and other cultural facilities. By law, the CFD is also entitled to recover expenses needed to form the CFD and administer the annual special taxes and bonded debt.

Why is a Mello-Roos CFD Needed?

A CFD is created to finance public improvements and services when no other source of money is available.

CFDs are normally formed in undeveloped areas and are used to build roads and install water and sewer systems so that new homes or commercial space can be built. CFDs are also used in older areas to finance new schools or other additions to the community.

How is a Mello-Roos CFD Formed?

A CFD is created by a sponsoring local government agency. The proposed district will include all properties that will benefit from the improvements to be constructed or the services to be provided. A CFD cannot be formed without a two-thirds majority vote of residents living within the proposed boundaries. Or, if there are fewer than 12 residents, the vote is instead conducted of current landowners. In many cases, that may be a single owner or developer. Once approved, a Special Tax Lien is placed against each property in the CFD. Property owners then pay a Special Tax each year. If the project cost is high, municipal bonds will be sold by the CFD to provide the large



amount of money initially needed to build the improvements or fund the services.

How is the Annual Charge Determined?

By law (Prop. 13), the Special Tax cannot be directly based on the value of the property. Special Taxes instead are based on mathematical formulas that take into account property characteristics such as use of the property, square footage of the structure and lot size. The formula is defined at the time of formation, and will include a maximum special tax amount and a percentage maximum annual increase.

How Long Will the Charge Continue?

If bonds were issued by the CFD, special taxes will be charged annually until the bonds are paid off in full. Often, after bonds are paid off, a CFD will continue to charge a reduced fee to maintain the improvements.

IMPORTANT TO KNOW:

- Rights to Accelerated Foreclosure. It is important for CFD property owners to pay their tax bill on time. The CFD has the right (and if bonds are issued, the obligation) to foreclose on property when special taxes are delinquent for more than 90 days. Additionally, any costs of collection and penalties must be paid by the delinquent property owner. This is considerably faster than the standard 5 year waiting period on county ad valorem taxes.
- Disclosure Requirement for Sellers (California Civil Code §1102.6). When reselling a property in a CFD, the seller must make a "good faith effort" to obtain a Notice of Special Tax from the local agency that levies the Special Tax, and provide it to the buyer.

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