



**Harris County Appraisal District  
2018 Annual Report**



# Harris County Appraisal District

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## Office of Chief Appraiser

Presiding Officers of Harris County Taxing Units  
Members of the Board of Directors  
Harris County Appraisal District  
Citizens of Harris County

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Ann Harris Bennett, Chairman  
*Tax Assessor-Collector, Ex-Officio*  
Director  
Glenn E. Peters, Secretary  
Wanda Adams, Assistant Secretary  
Al Odom, Director  
Jim Robinson, Director  
Mike Sullivan, Director  
Ben Pape, Director

### Chief Appraiser

Roland Altinger  
Deputy Chief Appraiser  
Jason Cunningham  
Taxpayer Liaison Officer  
Teresa S. Terry

The Harris County Appraisal District is responsible for valuing all the taxable property in the county in a professional, fair and equitable manner. This annual report is published to provide our taxing units and taxpayers with a transparent view of the district's responsibilities, activities and major initiatives.

With almost 1.8 million parcels of property within the boundaries of Harris County, the net taxable property value increased 2.6 percent to \$447.5 billion in 2018.

We strive to be innovative in using new technology to develop the best appraisal tools for property inspection and valuation, as well as in creating programs and procedures that streamline and simplify the process for property owners. Our goal is to make it easier for property owners to understand the property tax process, which provides the primary source of local government revenue in Texas, funding county, city and school district services.

The appraisal district is the largest assessment jurisdiction in the United States that appraises all property every year. As such, we recognize that we have a responsibility to set the standard for providing complete, accurate and timely information to the taxing jurisdictions and clear, concise and easily-understood information to the property owners.

One of our most successful programs has been a series of community workshops we started in 2014 to explain the appraisal, appeal and property tax process to property owners throughout the county. An extension of these workshops has been the creation of easy-to-read brochures that explain specific topics of interest. We have been asked by the Harris County Tax Assessor-Collector and Harris County Commissioners to develop additional specialized presentations to meet the needs of property owners with special needs, such as those that have had storm and flood damage.

I believe our biggest accomplishment at the district is being named a top workplace in the Houston metropolitan area by the Houston Chronicle for 2018 – which is the second year in a row we have received this honor. The selection and ranking of the list is determined solely by employee responses to

a survey by an independent research firm that specializes in organizational health and workplace improvement. I believe the results show our employees are focused on providing the best customer service to the property owners of Harris County, and this recognition will assist the district in continuing to attract the best and brightest employees.

Sincerely,

A handwritten signature in black ink that reads "Roland Altinger". The signature is written in a cursive style with a prominent initial "R".

Roland Altinger  
Chief Appraiser

## District Profile

The Harris County Appraisal District is a political subdivision of the State of Texas established in 1980, following the codification of property tax laws by the 66<sup>th</sup> Texas Legislature in 1979. The 1979 codification established one appraisal district in each of the state's 254 counties. The appraisal district's purpose was to discover and appraise property for *ad valorem* tax purposes for each taxing unit within the boundaries of that appraisal district.

The appraisal district in Harris County is the largest in the state serving 533 taxing units and a population of 4.6 million. In 2017, HCAD conducted a full reappraisal of all properties in the appraisal district. Under Texas law, property is appraised at 100 percent of its market value, which is defined as the price for which it would sell on the open market, between knowledgeable buyers for a reasonable amount of time. HCAD is the largest assessment entity in the United States that appraises all property at 100 percent of market value annually.

Texas appraisal districts are permitted to contract with their taxing units to perform tax collection functions. The Harris County Appraisal District has not contracted with any of its taxing units to provide these services through 2018 and does not anticipate any collection contracts in the foreseeable future.

The local governments with territory in Harris County use HCAD's appraisals as the basis for *ad valorem* taxation. In Texas, the property tax is the primary source of funding for local governmental units such as school districts, cities, counties, junior college districts and other special districts. Property taxes pay much of the cost of public schools, police and fire protection, courts, health services, streets, water and sewage, parks and most other local government activities.

The Harris County Appraisal District does not determine how much each of these local governments will spend to provide services, nor does it set their tax rates. Each local government adopts its own budget, then sets a tax rate that will generate the amount of money required to pay for its services. The district provides each local government with a list of its taxable property, together with the January 1 value of each property and appropriate exemptions.

HCAD is governed by a six-member board of directors appointed by the taxing units that have property within the boundaries of the district. The board members are appointed as follows: Harris County Commissioners' Court appoints one member; the City of Houston City Council appoints one member; the other 32 cities appoint one member; the Houston Independent School District Board of Trustees appoints one member; the other 25 school districts appoint one member; and all conservation and reclamation districts appoint one member. The Harris County Tax Assessor-Collector serves on the board as an ex-officio member.

The board of directors has general policy-making authority and has primary responsibility for fiscal matters, including approval of major contracts and adoption of the annual budget. The board also appoints the chief appraiser, who is chief administrator of the district, and appoints the taxpayer liaison officer, who helps resolve disputes that may arise as a property owner goes through the appraisal process. The Office of the Chief Appraiser is primarily responsible for the overall planning, organizing, staffing and controlling of district operations as required by the Texas Property Tax Code.

The administrative judge of the Harris County Civil District Courts appoints members of the Appraisal Review Board. The board of directors appoints the chairman and secretary of the Appraisal Review Board from among the serving members.

## **Local Economy**

The district's activities for the previous 12 months led up to the major event of certification of the appraisal roll. The appraisal roll was certified on August 10, 2018, with less than 5.21 percent of the total appraised value in the district remaining under protest. State law requires that not more than 10 percent of the total value remain in unresolved property owner protests at the time the records are approved and certified as the appraisal roll. The sum of the taxable value for each of the 533 taxing unit appraisal rolls was approximately \$3.6 trillion, resulting in a 2018 ad valorem tax levy of approximately \$11.6 billion, an increase of 9.59 percent from 2017.

The Harris County Appraisal District encompasses a 1774-square-mile area, including some of the most complex properties in the world. These include the port facilities of the Houston Ship Channel and Port of Houston, the busiest port in the United States in terms of foreign tonnage and the second busiest in overall tonnage. The properties include two major international airports, more than 310 class A high-rise office properties, hundreds of millions of square feet of warehouse and retail properties, tens of thousands of apartment units and more than 1.1 million homes. Harris County is one of the world's major petrochemical centers and includes five refineries, thousands of miles of pipeline and tank storage and dozens of petrochemical processing facilities. The City of Houston is the fourth largest city in the United States, and Harris County estimates that the unincorporated area of the county would be the fifth largest city. The appraisal district also appraises business and industrial personal property for taxation, again at full market value.

The Harris County economy and residential home market are doing well, despite the numerous issues and challenges presented by Hurricane Harvey in 2017 when almost 70,000 homes had been flooded. According to the Houston Association of Realtors, home sales rose 3.8 percent in 2018 to 82,177, while sales of all property types totaled 98,323, a 2.7 percent increase over 2017's volume. Total dollar volume for 2018 jumped \$28 billion, which represented a 21.5 percent increase. Housing inventory grew to its highest levels – between a 4 and 4.1 months' supply – from June through September but then retreated to a 3.5 months' supply by year end. On a year-to-date basis, the average single family sales price rose 2.6 percent to \$298,982, while the median price increased 3.3 percent to \$237,500.

The Harris County economy continued to improve in 2018, but important sectors such as the office market, are just beginning to recover from the most recent downturn in the oil industry. According to the Greater Houston Partnership, Houston had the largest job growth of any Metro area in the United States over the past year. The professional and business services sector gained the most jobs at 23,500, which increased demand for office space and helped to stabilize the office market. Commercial building activity slid 6.7 percent to \$9.2 billion in 2018 per Dodge Data & Analytics. The slowdown in the new construction pipeline should lead to further stabilization in some of the markets, such as office and high-rise apartments, that were suffering from an oversupply in prior years.

Absorption outpaced deliveries in the apartment market for the second year in a row, as developers cut back on new construction in 2018. Demand for apartments is expected to remain strong due to population

growth, the rising cost of single-family housing, real wage growth, and rising mortgage rates. The Houston apartment market saw \$7.4 billion in sales during 2018, totaling 277 apartment complexes and 67,639 units, which represented the strongest year in terms of sales volume since before the subprime mortgage meltdown.

### Comparison of Appraised Values to Previous Year

The change in appraised value of taxable property between years 2017 and 2018 is reflected in the following table.

<b>HARRIS COUNTY APPRAISAL DISTRICT APPRAISAL VALUES</b>		
<b>Category</b>	<b>Appraised Value</b>	
	2017	2018
Residential	\$249,344,120,416	\$255,016,349,890
Apartments	\$ 36,988,029,364	\$ 40,303,764,514
Commercial	\$108,251,689,728	\$115,416,248,338
Vacant Land	\$ 12,385,074,957	\$ 12,682,546,285
Industrial	\$ 28,358,885,835	\$ 31,141,428,124
Utilities	\$ 5,121,410,748	\$ 5,359,412,876
Commercial Personal	\$ 30,258,601,465	\$ 30,100,210,323
Industrial Personal	\$ 35,047,654,232	\$ 35,934,851,928
Other	<u>\$ 49,673,243,474</u>	<u>\$ 51,820,730,354</u>
<b>Total</b>	<b>\$555,428,710,219</b>	<b>\$577,775,542,632</b>

### Taxable Values

The following table compares the taxable values (appraised values less exemptions and special valuations) for the government of Harris County. The information presented here has been updated through February 1, 2019. The change in the appraised and taxable values from 2017 to 2018 varied among taxing units, reflecting the mix of property types, exemptions and market conditions within each unit.

<b>HARRIS COUNTY TAXABLE VALUE (in thousands \$)</b>				
	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>Percentage Change</u>
Appraised Value	\$562,968,171	\$577,811,240	\$14,843,069	2.64%
Taxable Value	\$439,117,809	\$449,538,549	\$10,420,740	2.37%

## Texas Comptroller of Public Accounts Ratio Study and Governance Review

Government Code Section 403.302 requires the Comptroller to conduct a study to determine the degree of uniformity and the median level of appraisals by the appraisal district with each major category of property, as required by Section 5.10, Tax Code. This study is required every other year. If the locally appraised value in a school district is within the statistical margin of error of the state value, the Comptroller's

Property Tax Assistance Division (PTAD) certifies a school district's local tax roll value to the Commissioner of Education. A 5 percent margin of error is used to establish the upper and lower value limit for each school district. If the local value is outside the acceptable range, the PTAD certifies the state value, unless the school district is eligible for a grace period, which is a period when local value is used even though it is determined to be invalid. A property value study was completed for 2017, and the district obtained all tested school districts within the margin of error. Another property value study will be conducted in 2019.

Section 5.102, Tax Code requires the Comptroller of Public Accounts to review county appraisal district governance, taxpayer assistance, operating standards and appraisal standards, procedures and methodology at least once every two years. School districts located in counties that do not receive the Methods and Assistance Program (MAP) reviews in a year will be subject to property value studies in that year. A MAP review was completed for 2018 and the district received a perfect score of 100, which exceeds the mandatory standard of evaluation established by the Texas Comptroller.

The district's median level of appraisal for 2017 is summarized in the following table:

<b>STATE COMPTROLLER'S STUDY</b>	
<u>Property Category</u>	<u>Median Level of Appraisal 2017</u>
Single Family Residential	.99
Multi-Family Residential	.93
Vacant Lots	N/A
Acreage	N/A
Commercial Real Property	.95
Utilities	.90
Commercial Personal Property	.97
Overall Median Level – All Properties	.98

The final results of the 2017 study reflect that appraisals within the district are generally uniform, with an average coefficient of dispersion of 8.33 percent. A coefficient of less than 10 percent is considered excellent in the more homogeneous urban areas, while 11 - 15 percent is considered excellent in the more rural areas.

Since the statistical median reflects the mid-point of a sample, it is generally desirable to maintain median appraisal levels at or slightly below 1.00 to avoid over-appraisal of properties. The International Association of Assessing Officers (IAAO) guidelines state that the overall level of appraisal for all parcels in the jurisdiction should be within 10 percent of the legal level. Based on these criteria, the district's .98 percent appraisal level is considered to reflect very good appraisal performance.

**Property Owner Protests, Appeals and Litigation**

During 2018, property owners and professional tax consultants filed 371,549 protests, resulting in a decrease of 0.05 percent from the 2017 protest volume of 388,722. Generally, property owners may protest appraised values placed on their property or if their property was equally appraised before the time the appraisal rolls are approved and certified.

The protest period is typically conducted from May to August each year. Property owners usually resolve disagreements about their appraised value, exemptions or other issues in a meeting with a district appraiser. If no agreement is reached informally, the property owner is heard before a three-member panel of the Appraisal Review Board, an independent body. The panel makes its final determination, which must then be ratified by the full ARB at its next regular meeting. The 2018 protest activity data listed next has been updated through March 19, 2019. The following table shows the protest activity for the past 10 years.

<b>PROTEST ACTIVITY</b> (dollars in millions)				
<u>Year</u>	<u>Reappraisal Year</u>	<u>Accounts Protested</u>	<u>Value of Accounts</u>	<u>Avg Percent Reduction</u>
2009	No	393,050	\$218,485	10.67%
2010	Yes	322,238	\$186,774	8.20%
2011	Yes	305,395	\$183,707	9.00%
2012	Yes	295,905	\$198,142	9.29%
2013	Yes	301,803	\$230,060	8.75%
2014	Yes	345,056	\$246,503	8.52%
2015	Yes	639,355	\$281,500	6.29%
2016	Yes	378,142	\$305,620	7.29%
2017	Yes	388,722	\$319,018	7.20%
2018	Yes	371,549	\$318,679	7.50%

Property owners who are dissatisfied with their protest hearing may appeal the Appraisal Review Board decision by filing suit in state district court, filing an application for binding arbitration or filing an application for a hearing with the State Office of Administrative Hearings (SOAH).



The volume of litigation for the past 10 years has soared from 2,711 lawsuits in 2009 to a record high of 7,026 in 2018. After a previous high of 3,530 lawsuits in 2007, the number of lawsuits declined in 2008 through 2012 with the nationwide recession, but then started to rise significantly in 2013 as the Houston area economy quickly bounced back. The number of accounts in the lawsuits also increased significantly starting in 2013. A change in rules for arbitration in 2017 caused the large jump in the number of lawsuits and the number of accounts within those suits for 2018.

The volume of litigation for the past 10 years is summarized in the following table:

<b>LITIGATION VOLUME</b>					
<u>Year</u>	<u>Total Lawsuits</u>	<u>Number of Accounts</u>	<u>Value of Accounts</u>	<u>Number Resolved</u>	<u>Value Loss %</u>
2009	2,711	8,673	\$31,747,534,252	8,645	13.73%
2010	2,195	5,433	\$17,720,051,500	5,416	11.10%
2011	2,939	6,601	\$23,561,742,530	6,601	10.97%
2012	2,864	6,985	\$29,508,040,449	6,981	10.43%
2013	3,568	11,020	\$55,330,858,310	10,975	9.88%
2014	4,023	9,735	\$62,483,606,823	9,679	9.87%
2015	4,133	10,122	\$64,583,996,276	9,962	11.46%
2016	4,211	11,997	\$90,641,093,171	11,395	11.86%
2017	4,655	11,837	\$80,719,747,843	9,416	10.86%
2018	7,026	18,964	\$84,228,176,857	2,167	9.40%

Rather than filing suit in state district court, property owners may appeal the Appraisal Review Board decision through binding arbitration. Arbitration is available for properties valued at \$5 million or less, or if the property qualifies as the owner's residence homestead. The value was raised from \$3 million to \$5 million on Sept. 1, 2017 by the state legislature, which contributed to sustaining the volume of accounts that went to arbitration. Arbitration volume has continued to grow since it was first available in 2005 through 2012 and dropped off slightly in 2013 and 2014 as the number of lawsuits grew. A change in rules for binding arbitration in 2017 caused tax agents to move back to litigation in 2018, causing the substantial drop in arbitration volume.

Arbitration volume for the past 10 years is summarized in the following table.

<b>ARBITRATION VOLUME</b>				
<u>Year</u>	<u>Number of Accounts</u>	<u>Determined</u>	<u>Dismissed/ Withdrawn</u>	<u>Pending</u>
2009	363	263	53	0
2010	397	397	29	0
2011	520	520	45	0
2012	783	783	72	0
2013	774	773	47	0
2014	713	712	73	0
2015	1,239	1,239	495	0
2016	7,780	7,780	4,715	0
2017	7,373	7,370	3,702	3
2018	2,263	2,063	1,307	200

Another option for property owners is to file an appeal with SOAH. The Texas Legislature adopted a pilot program for certain counties in 2009 that allowed property owners to appeal ARB orders for real or personal properties with values of more than \$1 million to SOAH. Effective January 1, 2014, the 83<sup>rd</sup> Legislature made the pilot program permanent for every county in the state, allowing SOAH to hear appeals of ARB decisions statewide. Property owners may appeal to SOAH if the appeal concerns the determination of the appraised or market value of the property. The property owner must exercise this option not later than 30 days after receiving the ARB's Order of Determination, and they must deposit \$1,500 with SOAH. As a member of the initial SOAH pilot program, HCAD has been the leader in the state for this method of property tax appeal. In 2018, HCAD was involved in 6 SOAH cases and settled all 6 of those cases.

### **Major Initiatives**

The Harris County Appraisal District's residential homestead exemption mobile and web application was developed in 2015 and was made available to property owners in December 2015. Property owners have the ability to submit a residential homestead exemption application quickly and easily on their smartphones, tablets or iPads, by providing images of the front and back of their driver's license. It also allows property owners to view the status of their applications once submitted. In 2016, enhancements were made to allow property owners to submit applications for an over-65 exemption. The apps bring simple, convenient, easy and secure electronic filing. There were 17,173 property owners who successfully used this method in 2018, an increase of 9,618 from 2017.

The district continues its online iFile program that allows property owners and agents to protest their noticed values through the district's website. During 2018, almost 118,800 property owners and agents participated in iFile.

The iSettle program was developed to provide a way for property owners to resolve protests online through the district's website rather than appear in person to meet with a district appraiser. Residential property owners not represented by agents who participate in iFile may use iSettle. Participation requires the property owner to give an opinion of value and a reason for the change requested. A district appraiser reviews the information and decides whether to offer the property owner relief. Acceptance of the appraiser's offer binds the property owner for the tax year. If the appraiser determines they do not have enough information to make an offer, the protest is scheduled for an informal meeting with an appraiser. If the property owner fails to respond or rejects the offer, the property owner is automatically scheduled for a hearing with the Appraisal Review Board.

iFile and iSettle programs have reduced the number of property owners needing to appear in person at the district's office. Also, much of the paper handling, data entry, scanning and filing tasks were eliminated due to the use of iFile and iSettle. The iFile program also allows personal property renditions to be submitted online. In 2018, there were 32,098 electronically processed renditions, compared with 31,154 in 2017, and 20,546 rendition extension requests were submitted in 2018 using iFile.

The district's "Owner's" website, allows property owners the option of electronic communications with the district by voluntarily electing to receive value and scheduling notices, as well as Appraisal Review Board hearing orders. This increases the speed of communications and further reduces the costs of mailing communications between the district, the ARB and the property owners. As of December 31, 2018, there were more than 230,000 accounts enrolled in the Owner's website and 25,000 accounts were serviced during 2018 using the new electronic document delivery options.

To enhance and modernize the district parcel map database, the district started the migration into the Esri Parcel Fabric system in 2017 and completed the migration in 2018. The Parcel Fabric system consists of state-of-the-art database models and parcel editing tools. The system is designed to improve data integrity, create a parcel history, store legal start/end dates plus record measurements and accuracies, all based on the Local Government Information Model standard. The Esri Parcel Fabric system will standardize previous systems' data into a single model and modernize parcel maintenance to produce data for enhanced web and mobile mapping.

The district's outreach program, which educates property owners on assessment and taxation issues, continues to grow in popularity since its inception in 2014. In 2018, the district conducted 70 presentations to property owners and real estate professionals in communities and companies throughout Harris County. The district did 23 presentations with the Harris County Tax Assessor-Collector's office to provide a complete picture of the tax process. The goal was to go to the property owners with helpful information rather than make them come to the appraisal district with questions. The district researched and identified communities in the county that underutilized the exemption and protest resources available and then scheduled presentations in those areas. The workshops promoted available district resources and provided individualized and immediate answers to property owner account questions.

Some of the district's outstanding 2017 performance measures are summarized below while others can be found throughout this annual report:

### 2018 PERFORMANCE MEASURES

<u>Category</u>	<u>Number</u>
Residential Properties Inspected	278,828
Business & Industrial Inspections	47,185
Commercial Property Inspections	11,000
Residential Sales Verified	6,917
New Subdivisions	657
Exemption Applications Processed	62,889
Telephone Questions Answered	553,868
Walk-in Customers	39,066
Property Owner Email Responses	33,371
Community Meetings	70

To provide property owners with easier access to data and maps, the district also created interactive electronic maps for the web site. Property owners can search for their property by account, name or address and once there, the site will provide the name, address and account number and the neighborhood name. The interactive maps also will show additional properties and provide value comparisons in the neighborhood.

### Awards and Acknowledgements

International/National:

HCAD maintained its Certificate of Excellence in Appraisal Administration from the International Association of Assessing Officers for its excellence in appraisal and assessment practices as well as for best practices in the workplace.

In 2018, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Harris County Appraisal District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. This was the 31<sup>th</sup> consecutive year that the district has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

Olajide Balogun received his Assessment Administration Specialist designation from the International Association of Assessing Officers.

State:

HCAD maintained its Texas State Comptroller's Leadership Circle Platinum Award that it received for going above and beyond the standards for financial transparency set by the state.

Local/Regional:

The Harris County Appraisal District was recognized as one of the top workplaces in the Houston metropolitan area by the Houston Chronicle for the second year in a row. The district was ranked number 9 in the large employer category on the Chronicle's list of Top Workplaces for 2018, moving up from number 16 in 2017.

Stephen Atchison was elected president and Jordan Wise was elected vice president of the Coastal Plains Chapter of the Texas Association of Appraisal Districts for a two-year term.

HCAD had 35 employees earn their Certified Tax Administrator designations from the Texas Association of Assessing Officers. The employees earning their CTA were Lan An, Tyeisha Bouie-Willis, Thomas Bratcher, Melissa Brodie, Alvin Brown, Alycia Bryant, Charles Burns, Darrell Bush, Joseph Carr, Louis Coffey, Robert Crittenden, Katherine Deskins, Brittany Douglas, Jorge Enrique, Loretta Faison, Linton Green, Lauren Higgins, Minh Hoang, Jerardo Jimenez, Lataliayon Johnson, Du Le, Tracy Lensey, Danielle Matthews, Robbie Moore, Jeff Morrison, Erika Nettles, Aaron Pack, Eduardo Padilla, Amie Powers, Jerry Rodriguez, Suzanne Rodriguez, Christopher Shackelford, Tiffany Williams, Jordan Wise and Paul Wright.

HCAD had 13 employees earn their Registered Professional Appraiser designations from the Texas Department of Licensing and Regulation. The employees earning their RPA were Darrel Brown, Francisco Florex, Gumercindo Serna, Herman Breaux, Karen Trang, Linh Vo, Manuel Teniente, Olivia Gantt, Rafael Torres, Ranjisha Bhat, Renee Chea, Viettu Deem and Zachary Taylor.