



# **Harris County Appraisal District 2017 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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Wanda Adams, *Assistant Secretary*  
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(*Tax Assessor-Collector*)  
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Mike Sullivan, Director

### Chief Appraiser

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

The Harris County Appraisal District has published this annual report to provide our taxing units and taxpayers a transparent view of the district's responsibilities and activities. It is designed to provide the public with a general overview of the district's activities for 2017 and to serve as a supplement to the district's annual Mass Appraisal Report and Comprehensive Annual Financial Report. This annual report highlights the results of our operations and the major initiatives we have undertaken.

The purpose of the appraisal district is to appraise all taxable property in our boundaries in a professional and fair manner. With almost 1.8 million parcels of property within the boundaries of Harris County, the net taxable property value increased 4.5 percent to \$437.6 billion in 2017.

We also faced a huge challenge as the result of widespread flooding from Hurricane Harvey. Employees, some of whom had their own homes damaged, were out inspecting property in those flooded areas as soon as it was safe. I'm proud of our employees and the professionalism and dedication they demonstrated after the storm.

We strive to be innovative in using new technology to develop the best appraisal tools for property inspection and research, as well as in creating programs and procedures that streamline and simplify the process for property owners. One of the best new technological tools we created was a damage reporting feature on our HCAD app so property owners could let us know if they had flood damage after Hurricane Harvey and how much water they had in their house.

The 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.

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.

One of our most successful programs has been a series of workshops we started in 2014 to bring appraisal and appeal information directly to the property owners. The number of programs presented to civic organizations, realtors and mortgage companies has grown each year, and in 2017 we conducted 64 workshops throughout Harris County. I am extremely proud to say that we were asked by the Harris County Tax Assessor-Collector to develop exemption workshops specifically for religious and charitable organizations and by the City of Houston Housing and Community Development Department to create homestead exemption workshops in conjunction with a legal aid organization.

I believe our biggest accomplishment at the district, and one that I personally am most proud of, is being named a top workplace in the Houston metropolitan area by the Houston Chronicle. The Top Workplaces awards are presented annually by the Houston Chronicle. The selection and ranking of the list is determined solely by employee responses to a survey administered by an independent research firm that specializes in organizational health and workplace improvement. This was our first time entering this competition, and I believe the results show our employees are engaged and focused on providing the best customer service to property owners of Harris County.

Sincerely,

A handwritten signature in black ink that reads "Roland Altinger". The script is cursive and fluid, with the first name and last name clearly distinguishable.

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 525 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 2017 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 33 cities appoint one member; the Houston Independent School District Board of Trustees appoints one member; the other 24 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 11, 2017, with less than 5.34 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 525 taxing unit appraisal rolls was approximately \$3.5 trillion, resulting in a 2017 ad valorem tax levy of approximately \$11.2 billion, an increase of 7.75 percent from 2016.

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 1.2 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 real estate market set new records in 2017 despite Hurricane Harvey's devastating flooding. According to the Houston Association of Realtors, sales of all property types in 2016 totaled 94,726 units, a 3.5 percent increase over 2016's volume of 91,530. Total dollar volume for single-family homes sold in 2017 rose 6.5 percent to \$23 billion. Home inventory began the year at a 3.3-month supply, and while it grew to a 4.3-month supply just before Hurricane Harvey struck, it ended the year with a 3.2-month supply. On a year-to-date basis, the average price rose 2.9 percent to \$291,340, while the median price increased 3.8

percent to \$229,900. Total dollar volume was up 6.5 percent to \$23,050 billion in 2017, compared with \$21,645 billion in 2016.

The Harris County economy rebounded and stabilized from the market adjustment in recent years caused by economic and environmental setbacks. The retail commercial market experienced growth associated with the improving economy with low unemployment, job growth and consistent significant population growth. New retail supply is occurring in the suburban communities. The total average vacancy rate for all classes of office buildings increased slightly to 16.4 percent at the end of 2017, up from 16 percent at the end of the first quarter of the year.

The apartment market also ended the year with a boost from Hurricane Harvey as homeowners scrambled to find accommodations while their residences were under repair. Occupancy rose to 90.2 percent from 88.9 percent, rents increased 1.4 percent within a month of the hurricane and concessions and leasing specials ended.

### **Comparison of Appraised Values to Previous Year**

The change in appraised value of taxable property between years 2017 and 2016 is reflected in the following table.

<b>HARRIS COUNTY APPRAISAL DISTRICT APPRAISAL VALUES</b>		
<b>Category</b>	<b>Appraised Value</b>	
	<b>2017</b>	<b>2016</b>
Residential	\$249,485,846,997	\$234,427,501,155
Apartments	\$ 38,106,615,578	\$ 34,360,956,853
Commercial	\$113,096,622,038	\$104,951,177,947
Vacant Land	\$ 12,506,293,049	\$ 11,930,558,038
Industrial	\$ 28,738,171,952	\$ 26,471,507,105
Utilities	\$ 5,123,725,197	\$ 5,028,215,465
Commercial Personal	\$ 30,896,540,504	\$ 31,476,386,249
Industrial Personal	\$ 35,480,886,514	\$ 36,993,514,054
Other	<u>\$ 49,448,513,007</u>	<u>\$ 47,092,439,097</u>
Total	\$562,883,203,836	\$532,732,255,963

### **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 2, 2018. The change in the appraised and taxable values from 2016 to 2017 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>2016</u>	<u>Change</u>	<u>Percentage Change</u>
Appraised Value	\$562,968,171	\$532,811,166	\$30,157,005	5.65%
Taxable Value	\$439,117,809	\$414,581,833	\$24,535,976	5.92%

### **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.

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 will be conducted for 2018.

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

## STATE COMPTROLLER'S STUDY

<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 2017, property owners and professional tax consultants filed 388,722 protests, resulting in an increase of 2.8 percent from the 2016 protest volume of 378,142. 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 2017 protest activity data listed next has been updated through April 20, 2018. 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>
2008	Yes	394,464	\$219,643	11.55%
2009	No	393,050	\$218,485	10.67%
2010	Yes	322,238	\$186,744	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	369,355	\$281,500	6.29%
2016	Yes	378,142	\$305,620	7.29%
2017	Yes	388,722	\$319,018	7.20%

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 2,730 lawsuits in 2008 to a record high of 4,594 in 2017. 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.

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>
2008	2,730	6,208	\$29,042,542,084	6,206	13.76%
2009	2,715	8,673	\$31,611,553,082	8,644	13.73%
2010	2,196	5,433	\$17,707,461,961	5,410	11.16%
2011	2,940	6,601	\$23,505,997,980	6,547	10.97%
2012	2,866	6,985	\$29,390,152,342	6,974	10.40%
2013	3,570	11,021	\$55,268,643,142	10,904	9.81%
2014	4,030	9,730	\$61,855,148,541	9,583	9.87%
2015	4,135	10,118	\$63,245,068,995	9,561	11.46%
2016	4,212	11,849	\$89,151,650,584	9,240	11.53%
2017	4,594	10,848	\$75,861,277,365	1,610	9.12%

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. Arbitration volume has continued to grow since it was first available in 2005 through 2012 and dropped off slightly in 2013 and 2014. 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>
2008	344	269	75	0
2009	363	310	53	0
2010	397	369	28	0
2011	520	473	47	0
2012	783	712	71	0
2013	773	726	47	0
2014	712	639	73	0
2015	1,246	742	504	0
2016	7,780	6,563	1,097	120
2017	7,344	1,083	1,746	4,515

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 2017, HCAD was involved in 11 SOAH cases and settled 10 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. In 2017, there were 7,555 property owners who successfully used this process, an increase of approximately 5,600 from 2016.

The district continues its online iFile program that allows property owners and agents to protest their noticed values through the district's website. During 2016, slightly more than 118,000 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 that an offer is not warranted, or the property owner rejects the offer or fails to respond, 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. There were 13,679 iSettle offers accepted in 2016 and 19,284 iSettle offers accepted in 2017, which indicates continued and growing use. Also, much of the paper handling, data entry, scanning and filing tasks were eliminated due to the use of iFile and

iSettle. In 2010, the district introduced the iReschedule program allowing property owners already scheduled for appraiser conferences or hearings to reschedule their appointments online. The iFile program also allows business owners to submit personal property renditions online. In 2017, there were 31,154 electronically processed renditions, compared with 30,452 in 2016, and 22,090 rendition extension requests submitted in 2017 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, 2017, there were more than 210,000 accounts enrolled in the Owner's website and more than 21,000 accounts were serviced during 2017 using the new electronic document delivery options.

As a result of legislation requiring re-inspection of each taxable property once every three years, the district initiated a pilot project in 2006 that involved combining high-resolution digital images from the front of a parcel with oblique images taken from all four sides by low-flying aircraft. The resulting photographic array permits detailed viewing of properties and accurate measurement of the improvements located on each parcel. The 2006 pilot project was successful and led into contracts to capture oblique images of the entire county taken in 2007. Following Hurricane Ike in 2008, and again in 2009, the district has taken updated oblique images of the entire county. Since 2010, the district has annually procured both oblique and orthographic imagery to assist in the valuation process. The resulting product has been used to assist in updating property characteristics, defining neighborhoods and in defending values in hearings. To support identifying building improvements that are not permitted or jurisdictions that do not provide building permits to the district, the district contracted to capture a Geographic Information Systems database of building footprints from a comparison of the previous two years of high-resolution digital orthographic images in 2013, 2015 and 2017. The resulting product depicts the changes to the building footprint, allowing the district to trigger inspection of building improvements to appraise changes.

To enhance and modernize the district parcel map database, the district started the migration into the Esri Parcel Fabric system in 2017. 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 2017, the district conducted 64 presentations, 10 more than in 2016, to property owners and real estate

professionals in communities and companies throughout Harris County. The district did 19 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:

#### **2017 PERFORMANCE MEASURES**

<u>Category</u>	<u>Number</u>
Residential Properties Inspected	227,911
Business & Industrial Inspections	20,240
Commercial Property Inspections	17,407
Residential Sales Verified	7,709
New Subdivisions	588
Exemption Applications Processed	156,607
Telephone Questions Answered	477,367
Walk-in Customers	20,029
Property Owner Email Responses	30,068
Community Meetings	64

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 September 2017, HCAD's Loren Williams and Clayton Rogers received their Residential Evaluation Specialist designations from the International Association of Assessing Officers.

In 2017, 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, 2016. This was the 30<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.

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. The district was ranked number 16 in the large employer category on the Chronicle's list of Top Workplaces for 2017.

Jose Acosta, senior accounts examiner in the audit support services division; Robert Brown, senior director of the audit support services division; and Patricia Huizar, senior valuation analyst in the business and industrial personal property division, were elected trustees in the Texas Association of Assessing Officers' Gulf Coast chapter.

HCAD had 30 employees earn their Certified Tax Administrator designations from the Texas Association of Assessing Officers. The employees earning their CTS were Karen Adesokan, Olajide Balogun, Kenyetta Blocker, Frank Cannon, Ka Chan, Anitra Collins, Yasmin Crispin, Joseph Estrada, Felicia Ferguson, Maria Garza, Michael Guardiola, Marycela Hernandez, David Horton, Lorie Lewis, Tandra Lilly, Hal Long, Chauncey Majors, Mike Mateja, Richard Miranda, Phebbie Nguyen, Barbara Oneal, Darlene Poe, Larry Smith, Byron Stanley, Jamie Stanley, Shelly Summers, Kelvin Taylor, Loren Williams, Rex Wogan and Chester Wood.

