

# **HARRIS COUNTY APPRAISAL DISTRICT**

**Press Conference Statement: April 1, 2010**

**Harris County Appraisal District Chief Appraiser Jim Robinson**

In addition to the formal comments I will make and the summary handouts you will be provided, the Harris County Appraisal District is giving you substantial and detailed backup information on market conditions throughout Harris County.

You have been provided a CD disk that has over 60 slides containing tables and analysis of economic conditions in Harris County. This is part of the information HCAD uses to determine market value of all real property in Harris County as of January 1, 2010. Our process also includes a comprehensive review of the information we received during the protest hearings of 2009.

Even a cursory review of this information should establish that HCAD uses a very deliberate, methodical process and significant amounts of actual market data to fulfill our duty of valuing real property.

Even if you do not report upon the full range of information you have been provided, I hope it will help you more effectively communicate to the citizens of Harris County that the process we use – while not perfect – has a foundation of real market data.

I want to thank the employees of HCAD and resources throughout the community for the thousands of hours of work, statistical analysis, and professional judgment that allow us to accomplish our job.

We have asked you here today to outline current developments in HCAD's duty to appraise all real property as of January 1, 2010.

There are two kinds of information that I will be discussing with you today.

The first is our early projection of what HCAD expects property value will be months from now after the protests of all of categories of property are substantially resolved. We provided this first look at those numbers with taxing jurisdictions of Harris County this morning, and we now give them to you this afternoon.

State law requires HCAD to provide its first official estimate of certified values to the county's taxing jurisdictions by April 30.

The second mission we'll discuss today is what the actual numbers reflect for the first 583,381 single family homes that have or will soon receive the first round of property value notices this year. That represents about 58% of the total number of homes that will receive such notices over the next several weeks.

Single family residential homesteads have an early April 30 protest deadline. Shortly thereafter, the values for other categories of property including commercial, industrial, business personal and more will be finalized, noticed, and the hearing protest season will begin in earnest.

It is clear now that Harris County and the local governments that depend upon property taxes – those governments that provide our citizens their basic services – have not faced an economic challenge as severe as the one they now confront in many decades if not longer.

While Harris County has been insulated from the worst of the national developments that began cascading across the United States starting over two years ago, the impact here has been significant.

One year ago this month, HCAD began the process of notifying property owners of the value of their property for 2009. When the process was concluded, overall property values had only increased in the range of one percent. That will not be the case in 2010. We now believe that overall property values in the county will decline just over 4%.

Some \$8 billion in new construction that was 'in the pipeline' in 2008 helped disguise the impact of the worsening economy on overall property values for 2009. There is nothing equivalent this year to deflect the reality of overall declining values.

Several negative developments that have shaped the news we deliver today.

- While not empty, the 'pipeline' of new construction has slowed dramatically during 2009. Stated bluntly, new construction will not overcome the overall decline in values of existing property. This is a trend we believe will continue through 2010 that will also affect values in 2011.
- Global market conditions have affected the value of property throughout the energy sector that has been an economic engine for Harris County. Industrial values will decline.
- The dominoes of the national credit crunch have been felt in Harris County in several ways. Reductions in the number of sales of commercial property, changes in leasing conditions, a decline in retail sales in some key sectors, and other significant factors have driven commercial values down overall. The new economic conditions affected the neighborhood shopping centers, the large malls, the small to medium size office complexes, and the major office structures such as those in downtown Houston and other centers such as the Galleria and Greenway Plaza.

- It should be recognized that apartment complexes are also commercial investments. As such, tight credit markets affected sales. As 2009 progressed, the need for landlords to offer rent concessions increased. Overall, the value of apartment complexes as did the other previously mentioned commercial properties.
- HCAD expects that an estimated 30% of the single family homes in Harris County will have lower market values in 2010. Only about 1% will show an increase in market value. So, about 70% of the homes will maintain the market values of 2009. Overall, total market value of residential properties is expected to decline about \$2.5 billion.

So what is the bottom line projection that HCAD expects to reach at the end of process for 2010?

We expect overall property values in Harris County to drop by some \$11.6 billion for a percentage drop of about 4% compared to 2009. The information that is in the packet provides a detailed projection for the County, the City of Houston, and Houston I.S.D.

Now, let's take a closer look at the first set of actual numbers that represent the values on 583,381 homes for which notices to property have been sent. (Numbers rounded).

- 402,276 of these homes have maintained their market value from last year. (69%)
- 176,394 of these homes have lost market value from last year. (30%)
- 4,711 of these homes have gained in market value. In most cases, these gains were from new construction including remodeling. (<1%)

Let me give you some additional insight into these numbers.

- These numbers confirm what other independent market analysis by several other sources have concluded about Harris County. The value of homes in Harris County was never hyper-inflated as was the case in Florida, Nevada, and many other states. The abundance of new construction and residential inventory coupled with a history of less dependence upon risk financing kept our housing values in check compared to other parts of the country.
- HCAD's conclusions about market value of residential property are the result of an extensive review process that includes analysis of actual market data on a neighborhood-by-neighborhood basis.
- This review process included the gathering and analysis of substantial information on the impact that foreclosures had in the neighborhoods of Harris County. The number of foreclosures and the locations of these foreclosures were carefully calibrated. Foreclosures were a definite factor in our decision to lower the market value of a significant number of homes in various neighborhoods where the impact was relevant.

However, it is interesting to note that we have seen far fewer foreclosures in Harris County than were experienced in the mid-1980's.

- Homes valued at under \$150,000 and more than \$1 million suffered the greatest percentage of loss in market value for 2010. Unlike in 2009 when the housing crunch bypassed the really high dollar homes, the impact this year was observed.
- The average market value of homes in all stratifications of value declined 1% to 4.5%.

There's another important phenomenon we observed this year.

State law has capped the annual increase in appraised values on residential homesteads to 10% a year. The appraised value is the value upon which school tax bills are calculated.

In the first 583,381 homes to have been sent property value notices, there were about 26,000 that experienced an increase in APPRAISED value but not an increase in market value.

There were several factors which, for example, included the loss of a homestead exemption. Also, if the 2010 market value of a homestead exceeds the 2009 appraised value, state law requires us to increase the appraised value to be the same as the new market value, or by 10%, whichever is less.

One final point I would like to stress before answering your questions involves two programs that we have that are especially helpful to homeowners.

Our *iFile* and *iSettle* programs provide online convenience to the protest process.

Over the first two years of our *iSettle* program, some 75% of Harris County's homeowners who have used the online program to protest the value of their property have reached a settlement without ever having to come to this building. And, whatever tax savings they receive do not have to be shared with a tax agent or consultant.

Those that successfully use *iSettle* do not have to take off time from work and they don't have to wait in lines. Your packet of information includes information about the programs. I hope that you will be able to help us communicate the advantages of *iFile* and *iSettle*.

At this time, we will be glad to answer your questions.