Show Me the Money – Or Don't [1]

Let's be honest, REALTORS® face an ever changing industry. With emerging tech, growing trends and a booming market, it's vital to keep up. Join me, Gilbert Gonzalez, CEO for the San Antonio Board of REALTORS®, as I get real with experts on what REALTORS® need to know in this industry. It's time to Get Real.

Gilbert: I'm excited to kick things off with such a great guest, Michael Amezquita, Chief Appraiser for the Bexar County Appraisal District. Welcome Michael.

Michael: (00:27)
Thank you.

Gilbert: (00:28)
Obviously your work ties in pretty closely to the work our members do in the real estate industry, so today we'd like to get to know a little bit more about what your office does and how it serves our community, how it works, and why it is that you do what you do. So if you wouldn't mind just getting letting us know a little bit more about the Bexar County Appraisal District.

Michael: (00:48)
Sure, as a chief appraiser, I have a board of directors that is elected by the jurisdictions that we work on behalf of the city, the County, the schools, all the taxing jurisdictions in Bexar County that participate in the appraisal district, which is virtually all of them. Um, they elect a board of directors. The board of directors, hires and fires the chief appraiser. They adopt a budget, they adopt some policies and pretty much other than meeting at least once quarterly, they really don't have anything to do with the process. By law, they're not allowed to talk to me about any given property. They can talk to me about categories of properties provided. It's in an open session. Uh, this last legislative session, they approved a measure to allow you, if you had a complaint and you know, one of my board members to submit a complaint in writing to forward that complaint without comment. And so what they want to do is make sure that the chief appraiser in any appraisal district in the state is not duly or unduly impacted by the board of directors, is it purports to value. And so, uh, subsequently, uh, I'm in charge for everything else. I'm in charge of the day to day operations of the district. Uh, if you're unhappy with your value, that's my fault. If you're happy with your value, that's my fault. If you've received good customer service, that's my fault. If you receive bad customer service, that's my fault.

Gilbert: (02:05)
So you're not a part of the County or the city government?

Michael: (02:09)
Absolutely not. Uh, they have input to my board of directors. Uh, but I don't work for the County

commissioner's court. I don't work for city council. I don't work for any particular school district. I work for all of them collectively. None of them individually other than through their elected member, do they have any impact on my ability to do my job.

Gilbert: (02:30)
So where does your authority come from? It comes from a code, the tax code. Correct?

Michael: (02:34)
Most of it comes from Chapter 23 of the property tax code, which talks a whole lot about the requirement that all property in Texas, actually it's article eight, section two of the constitution, requires all property to be taxed in proportion to its value. Most of us think that means market value. Chapter 23 of the tax code codifies that. And market value is defined just like it is in the every edition of the uh, uh, appraisal of real estate. And so subsequently it's a little more impacted than that and that we don't just deal with values, but we're also required in chapter 11 to deal with all exemptions that are uh, authorized. So we have to make sure that folks meet the criteria for that and that they have everything that they're entitled to. So my assistant and I do a lot of public speaking, trying to make sure the taxpayers throughout the County are fully aware, as we were joking earlier, we have Facebook and Twitter all that's out there.

Michael: (03:26)
Every time I'm speaking somewhere that's out there, all this information is online on our website.

Gilbert: You're doing your best to communicate this out to our community.

Michael: There's still things we can do and we're attempting to make changes. We're in the process. Uh, I've now handed the ball off to my assistant to make sure that we get, uh, an app set up. Like they have in Harris County for homeowners and property owners and investors and REALTORS® to be able to communicate with us on a parcel by parcel basis and let us know if there's something awry with that property. If there's something that we need to investigate with that property, be it an exemption, be it a structural issue, be it something that didn't exist last year, uh, so that we can get more information because clearly we don't get all building permits and building permits aren't necessarily available throughout the County, largely just within the incorporated city limits.

Gilbert: (04:14)
Now most people say that you raised their taxes.

Michael: Absolutely.

Gilbert: But that's not true because you're focusing on the value of the property.

Michael: That's correct.

Gilbert: And who is technically in charge of the taxes?

Michael: Let me just say this, taxes in Texas are a two-fold prospect. Part of that is based on your value. The values are promulgated to be between 95 and 105% of market value. The controller is the state's gatekeeper, if you will, to make sure that appraisal districts throughout the state are meeting that criteria that all property, all taxable property, falls within that category of value, that range of value. If not, and you fall out of that, they call it a confidence interval, it's very statistical, very boring conversation. But if you fall outside of that 10% margin of error, you literally can't do it two years in a row without being terminated.

Michael: (05:06)
So my job is to make sure that if the market is up, that we follow it, the market is flat, that we follow it. If the market is down, like it was in ’08, ’09, ’10, and part of ’11, that we follow it. And so having said that, the other side of that-- that's mandatory. That's the mandatory part. It's codified in law. The discretionary part has to do with tax rates, which is a direct reflection of budgets. Jurisdictions know by February what we anticipate their certified values to be in July because we have years and reams of data that we can go back and reflect on. We know about what the appeals are going to be. We know what the percentage increase was. We know what the losses are going to be. We know mas o menos, what the final results going to be. Every year, we’re within a couple of percentage points of that. So we're getting pretty good at it. Having said that, jurisdictions have their budgets, they now know how much value they have to levy a tax right on. They just have to decide how much we're going to spend.

Gilbert: (06:07)
So my house, it's $100,000, um, my taxes are 5% of that $100,000. And, but when my property value goes up to $125,000, even though my tax rate hasn't gone up…

Michael: Your taxes go up.

Gilbert: … I've paid more this year because of the increasing value of my property.

Michael: That's correct.

Gilbert: So, um, how do you think other cities deal with when property values go up? What is it that the other cities do that San Antonio is not doing?

Michael: (06:40)
Most every other major incorporated city in Texas, the five major metros, offer a 20% homestead exemption from the city and the County. In Dallas, it's the city, the County, the school, um, the hospital district, and I don't know if it's a rail, there's another district that they have, all of them offer a 20% homestead. In San Antonio up until this year, uh, which is just about to take effect, we just adopted a 0.01% exemption. That's essentially a $5,000 homestead exemption, which is a state minimum that they can authorize as a local option. That's gonna help. Uh, but it still leaves us in stark contrast to our competition. So if you're not lowering the tax rate, as values go up and your tax rate stays the same, it's inevitable that the result is going to be increased taxes. And so…

Gilbert: (07:36)
So then the local taxing entities can say, we haven't raised your taxes, but consumers are still going to be paying more and more every year because the values are going up.

Michael: That's correct.

Gilbert: And other jurisdictions offer tax breaks, tax incentives, exemptions that provide relief from that.

Michael: Substantial exemptions.

Gilbert: So in the major metropolitan areas, where do we stand in comparison to those?

Michael: (08:00)
We’re the highest tax per capita incident, if you look at the same value home or the, whether it's the average sale price, the median sale price or the average value in SAISD, we have the highest incident of taxation because we don't offer as big an exemption as most of the other jurisdictions. Some of them have higher tax rates than we do. A lot of them also have lower tax rates than we do.

Gilbert: (08:25)
So how is it that you get to do what you do? Where do you, how, how do you get the data in order to appraise value on properties?

Michael: (08:34)
Sure. You know, as we were speaking before, Texas is a nondisclosure state, always has been. I think it will be for the remainder of my lifetime.

Gilbert: (08:42)
And what does that mean to people? Cause not everyone knows what nondisclosure state means.

Michael: (08:45)
Of the 50 States in the country, only 11 of them do not have mandatory sales price disclosure.

Gilbert: (08:54)
So it's not like there a law that says you can't disclose. It's that there's not a law that says you must.

Michael: (09:02)
That's correct. Um, I've tried to get sales price disclosure of Texas because I think it will lead to more equitable values. It's hard to get consumers to see that. Or even for me to convince you of that because you've seen, your value goes up, the tax rate stays the same and your taxes go up. A couple of years, a couple of sessions ago, the legislature as a body and some individuals on ways and means we were speaking about possibly just passing a sales price disclosure on residential property. And I said, I'm not interested in that. All property needs to be taxed in accordance to market value. In the constitution, nor in chapter 23 does it say homes must be taxed. Homes are already taxed. It's something much more relevant to market value than any other category of property that subject to taxation, which is every other piece of real estate that isn't exempted by law.

Gilbert: (09:58)
Which would be commercial…

Michael: (10:00)
Vacant land. Um, apartments, shopping centers, every category of property. Homeowners are taxed at a higher relative value to market value than any other category. The state's data proves that, our data proves that.

Gilbert: So how do you get the data to make an appraisal on my property or any property?

Michael: The only thing that makes a good appraisal is the quality and the validity of the data that's contained there. We assimilate as much sales information as we can. A lot of it I pay for through litigation because I'm required to hire experts. So I get a lot of sales data that way. So I have a lot of litigation on commercial property.

Gilbert: So when you say litigation, that means someone is suing because they don't agree with the text proper?

Michael: That's correct. They've already gone through the process. They may or may not have sat down with my staff. They've gone through an administrative review through the review board hearing process. They've gotten a board order from that required hearing and now they've sued to go to district court.

Gilbert: (10:59)

What's the percentage of people who sue that are residential versus other types of properties?

Michael: (11:03)
I have probably five residential property owners that might sue me in a given year and I have 1200 commercial property owners that sue me every year.

Gilbert: (11:12)
And through that lawsuit, my guess is someone's issuing a subpoena to pull the data and that's how you, and then you hold onto that data.

Michael: (11:19)
We do, uh, oftentimes the, the issue with commercial property as is that they tend not to want to talk about market value. They don't think their value is over market. They think it's unequal. And we'll talk about that later. But the other way that we get residential data is through the appeals process. We have a lot of homeowners who have gone through a refinance. Sometimes those numbers have results in numbers lower than the number we sent out. And so we take that data, look at that appraisal, try to find out if there's anywhere where they mistake made a mistake or we made a mistake, make those adjustments. And as I said earlier, we had 78,000 appeals, 92% settlement rate. So it's not like we're not trying to work with home owners in particularly and small business owners and small investors. Um, I tell my staff, if it's close, the tie goes to the runner, to the runners, residential homeowner. We can't lose enough value on residential property to make up or even come close to the cataclysmic proportions that we lose in commercial. And that's not just Bexar County that’s state wide.

Gilbert: (12:23)
So when I go as a consumer to protest my taxes and I want to provide you information on why I believe it's overvalued, you're gonna ask me to hold onto that data. Correct?

Michael: Absolutely.

Gilbert: Okay. So if our members are providing, um, their consumers, Hey, this is our MLS sheets on properties similar to yours, you're going to ask for that information and that becomes a part of your database.

Michael: (12:45)
Absolutely. If there's something contained in anything that a property owner gives us that we don't already have because currently the vast majority of our sales information comes through our sales solicitation letter, which we modified, you know, with y’alls, our discussion that we had, uh, by putting that little smart scan on there. Uh, we've actually I think increased in a very short time, our percentage response.

Gilbert: (13:10)
And we appreciate what you did. So our conversation started with the idea that we thought the letter was not clear, that we thought it did not make it obvious to consumers that, Hey, this is voluntary. So we, and you changed that for us.

Michael: (13:27)
We did. Um, you know, I read it several times. Uh, my staff read it several times. It didn't say it was mandatory, but it was a government document going to your house, asking you to fill something out. Most people are going to fill that out. Uh, I would probably throw it in the trash. Uh, the most majority of people did throw it in the trash. So I don't agree that it wasn't transparent because a lot of people, more people didn't comply with it then did comply with it.

Gilbert: (13:50)
What percentage of those that you sent out do you think complied with it?

Michael: (13:53)
Um, you know, we got some better data since we last talked. In any given month it could be 25% in a really great month, it could be 50%, a lot of that is dealing with when people are buying homes and when people aren't buying homes, people are moving to get into the right school district. We're going to get a higher response rate because there's going to be more sales to solicit because there'll be more sales transactions. Uh, but typically I think probably somewhere around 30-35% is for the year. That's probably pretty good. As I say, with that smart scan that we've put on the letter now, and we have adopted the exact language that the state controller uses, which says this is a voluntary survey. Just making it abundantly clear, we're actually getting a higher return rate right now.

Gilbert: (14:40)
Is it, what are the other creative ways you go about getting the value? And I think about people who send out postcards that say, Hey, this property just sold for this amount, or um, other fliers that may be out there.

Michael: (14:51)
We take every lead we can get. Um, oftentimes when we're in neighborhoods we see, particularly in the inner city, there's so little availability in so much demand for inner city lots, for example. In the right part of the inner city, we see lots that I would not think would be selling for 60,000. Four years ago, we had them on the roll for 15,000 were just raised them to 30,000 and they're now listed at 60,000. And I don't have to go to MLS, it says it on the sign. And that's for a single family lot on East Commerce Street.

Gilbert: And this is when you go through the process of being validated that your appraisals are within range. That's the data you provide them and say, Hey, I found this information on this sign and that's how I'm validating my values.

Michael: (15:40)
And that sign is one of the value indicators. It's not a sale value, but once it does sell, we'll likely find out what it sells for.

Gilbert: Okay. So we talk about the protest process. What is it that a consumer needs to know and our members need to know about protesting residential properties?

Michael: Number one, I think it's insistent and it's incumbent on folks even if they're over 65 to file that appeal every year because it's the only way I can lawfully give you my data. The legislature has seen fit to limit the scope of data that I can give out to homeowners. When I'm talking about data, I'm talking about sales prices. If I have it, I can't disclose it to you unless you file on appeal. Uh, when you do that, uh, that gives me an opportunity to share more information with you. And it also gives me an opportunity to give you an opportunity to make a decision whether or not you want to follow through with your appeal.

Michael: (16:31)
The vast majority of folks either come to resolution or withdraw their appeal.

Gilbert: How many people go to appeal? Just the percentage of that.

Michael: Well, we had 117,000 appeals. I think we had about 10 or 12 thousand hearings that went to review board. The vast majority of those are petty tax consultants or attorneys. Um, pardon the distain but they are and…

Gilbert: No offence taken.

Michael: We had 78,000 homeowners, uh, come through our processes here. Homeowners and small business owners come through the building. 92% of those settled with my staff. That's an all-time 16 year high number.

Gilbert: And in curiosity, is it better to have someone go in there and help you or is it better as a homeowner to go in on their own?

Michael: I can tell you that if you and I are sitting down and talking as a homeowner, you and I are going to have a much different conversation than if I'm talking to your attorney or your tax agent.

Gilbert: Why's that?

Michael: They're a paid professional. I'm going to give you, I'm going to afford you accommodations that I may not afford them. I think homeowners do better on their own.

Gilbert: Okay. So then one of the things that we've talked about before in the past is just equity value. If I have my house in a neighborhood and I feel the value is too high, I can actually go to the Bexar County

Gilbert: (17:50)
tax rolls and say, hey, mine is valued at 250 and everything around here is at 210 and that's by law required to bring it down to 210?

Michael: (17:59)
Actually maybe even lower.

Gilbert: Okay.

Michael: And so, and I want to make very clear, when you file your appeal, every time you file your appeal, you want to file a market value based appeal. That is that we've overappraised your property whether we have or not. And you also want to file an equity appeal that where you get all of my data. That way you can compare, you don't have to ask for the data. If you just check the box on the back of the form, which we just put out there because the state doesn't require it. Uh, but we put it out there so taxpayers to be protected and get all of our data and come in informed before they go to their hearing. You can see how your house is valued within your neighborhood relative to every other property that is comprable to yours because we'll stratify maybe 50 properties, bigger and 50 properties smaller than yours and yours will be right in the middle and you can kind of see where you fall relative to those that are most comprable to yours. Your home by law shouldn't be appraised more than the median level of value. So if the median for your range, maybe the whole neighborhood average is 210, but the median for your range might be 180 to 215 which is going to be lower than the average of 210. And so we want you to have all that data so that you can get the best possible outcome you can get.

Gilbert: (19:15)
So what did, how, how do the people who bring in their lawyers, how does commercial or the other types of property utilize this system?

Michael: (19:23)
I mean, it's gotten to the point to where, um, it's really just a hall pass to get to district court, because once they build up more than one or two years' worth of litigation, they're in a position to pressure me,

to force me into a worse settlement situation than if we just had one year of exposure. I don't know if I told you or not, but under 42.29 of the tax code, if the appraisal district loses, I could be subject up to $100,000 of opposing counsel's attorney fees. On the other hand, when I win and I do win, occasionally, we get zero. So the legislature has set up this appeal mechanism where all taxpayers get to participate in, all tax payers get to pay for, but only a minutia of them have the chance of getting their attorney fees paid for. It doesn't make financial sense if you own a $100,000 home, it doesn't make financial sense if you own a million dollar home to sue me, if you own a $10 million home, now you're talking cause you, you can effectuate enough change to justify the cost of trial.

Gilbert: (20:32)
And $10 million is going to be something either a very expensive home or now we're talking into the commercial side.

Michael: That's correct.

Gilbert: The hotels, shopping centers.

Michael: (20:41)
And just remember this, every $1 million is about $30,000 in taxes. So at three you're already at the max. Three and a half.

Gilbert: (20:47)
So then how is it that I will go into my neighborhood and I'll find all the houses that are similar to mine… So what would a very large hotel on the North side of town do? What is it comparing itself to?

Michael: (21:04)
Well, literally what the equity statute, whether it's in the litigation section or in the appraisal review board section, just says that no category, no property in a given category shall be appraised above the median level of value. That's the middle between the high and the low of a group of appropriately adjusted properties.

Gilbert: So what does that mean in normal people speak?

Michael: In normal people speak is if you're the biggest, baddest hotel or office building or shopping center in town, you get to move to the middle level of value rather than being at the top. Even though we just said you're the best one in town, you just said you're the best one in town. Your hotel motel tax says you're the best one in town. Your liquor sales say you're the best one in town. Your profitability margin says you're the best one in town, but you still get to be appraised in the middle of a group of appropriately adjusted properties

Gilbert: (21:58)
Because the law says so.

Michael: Because the law says so.

Gilbert: And it's my understanding that this was set up for residential protection.

Michael Homeowner protection.

Gilbert: Residential.

Michael: Yes sir.

Gilbert: But now it's taken advantage by…

Michael: Billion dollar corporations.

Gilbert: Okay. Does this create some kind of disproportionate advantage then?

Michael: Absolutely.

Gilbert: What would that be?

Michael: (22:18)
The disadvantage and the disparate treatment that occurs for homeowners and small businesses and small investors is simply that you're being taxed at something much more relevant to your subject property's market value. Even if you argue equity, if you're in a hundred thousand dollar neighborhood, if you're in a $250,000 neighborhood, those numbers are going to be very tight. If you're in a neighborhood that has values that range from 400 to a million, you've got a lot more play in the value, if you will. If you're talking about 1200 properties where the lowest price property is 30 million, the highest price property is 600 million or a billion, that's a whole lot more play in the value. As the properties get more sophisticated and more complex and much more valuable, there's much less data. I have data on $250,000 homes in the Sunday edition of the Express News, I can go to almost any neighborhood.

Michael: (23:14)
Look at all the listings, look at what's sold, look at what the vendor's liens are on the deed records and tell you more or less what the value per square foot range is for that. Probably within pretty close to whatever your CMA is going to be. Trying to compare the JW Marriott La Cantera. Um, the one further out on the West side, the Hightail Country, that's a 35, 40 year old property. This one's a 10, 12, or 15 year old property. This one is a relatively newer property. None of that really matters. What really matters is this one's the best. This one's the next best, and this one's the least of all three. When you start immersing yourself and using other comprables like downtown convention hotels, which haven't been renovated in the last 20 years, uh, now you're comparing apples and oranges and anytime you inaccurately change that value just based on a mathematical computation, you're taking away somebody's required responsibility to pay and allowing them to escape taxation, which costs you as a homeowner because you can't escape.

Gilbert: (24:19)
So you're saying commercial or properties that are high value, don't pay their fair share of taxes?

Michael: Not even close.

Gilbert: Not even close. Does this cause or create a burden on residential properties?

Michael: By definition it would because if they're not, if you're a $600 million property and you only paying taxes on 300 million, you're evading 50% of your tax responsibility. Remember it's about 30,000 per million times 300 you just avoided. Now those taxes are going to be paid by everybody else who is paying their fair share.

Gilbert: So the and by fair isn't, you're not suggesting then that home values are higher to compensate for not getting the doubt.

Michael: No, I'm telling you home values are very close to market value. I think anything below a half million dollars is probably pretty close. Anything above a half a million dollars, we become less and less accurate because there's less and less data, because they represent a smaller percentage of the total sales.

Michael: (25:13)
Most of our sales are between 250 and 500.

Gilbert: So going back to where we started, if you're that close on residential values, it sounds like you really don't need sales price disclosure in order to get accurate data.

Michael: That is, uh, an argument that's used. I don't need sales price disclosure in Texas to value homes. I need it to value everything else that isn't paying their fair share. It's impossible to get properties equitably appraised if you don't start out with the right number in the first place.

Gilbert: If there's one thing you want local REALTORS® to take away from this conversation, what would that be?

Michael: We want to work with you. We want to partner with you. We want to help you, help your clients be successful. Uh, one of the most important things you can do is advise them of their exemptions. Uh, we were speaking earlier about a portal that we're attempting to create within our own appeal system.

Michael: (26:06)
So the tax payers, REALTORS®, their, their agents, property owners, attorneys, investors, anybody can use to manipulate our data to create your own adjustment grids, your own evidence packets to make your own best case based on our data. Plus whatever data you have. It's our hope to make that happen this year.

Gilbert: And you mentioned also that you, you're, you're thinking of creating a training class for people to come in and walk through that process.

Michael: We really want to go through that. We do it about 80 times a year, uh, in various neighborhoods. Uh, my board and I are in discussion about a larger facility. Uh, we had, uh, during the summer, we had anywhere from 12 to 2000 people a day through the building every day. And we have 200 parking spaces. We're in a bad location. We're in a building that's bursting at its seams.

Michael: (26:56)
And so what I hope to do is to either maintain that building and acquire another one or expand to simply a larger, much larger facility that will allow us to invite the community into our office and have a Saturday afternoon discussion or an evening discussion.

Gilbert: Who appraises your building?

Michael: Our building is not taxable like all governmental buildings, any public property is not taxable.

Gilbert: Okay, just curious. So you don't have to worry about the same. You never have to protest your taxes at the building you're in then?

Michael: That's, that's really funny. Uh, I actually had to protest, uh, 10 of 12 school districts in 2014 because the state controller's office found that I had undervalued all of those. So the state was putting pressure on me to raise values even higher.

Gilbert: Interesting.

Michael: By implying that we hadn't appropriately valued property, nothing below 95, nothing above 105. So I have two opportunities to fail.

Gilbert: Well, I hope you don't fail.

Michael: Me too.

Gilbert: (27:50)
We thank you for being with us today and for telling us a little bit more about what you do for the Bexar County Appraisal District and we thank our listeners for taking the time to join us today. So thank you very much.

Michael: Thank you for having me. I look forward to doing it again.

Gilbert: We look forward to it. Thank you.

Thanks for listening to Get Real. Be sure to subscribe for future episodes and share us with your friends on Facebook, Instagram, and Twitter. More information on this episode can be found at sabor.com/getreal. Until next time.