

Homeowners paying price as values rise

Travis appraisals hitting some especially hard.

By Marty Toohey
AMERICAN-STATESMAN STAFF
Sunday, June 17, 2007

On one end of Pennsylvania Avenue's 2200 block in East Austin, a dirt yard and a "For Sale" sign sit in front of a new, three-story tan house with a rust-colored Star of Texas nailed above the door.

On the other end of the block, a pair of matching fourplexes are nearing completion, one green with lemon trim, the other lemon with green trim, both advertised for lease.

In the middle is the older, one-story home of Maria Ana Guevara, who is not happy about the situation.

"All the new houses in the area have been making my taxes go up," the 55-year-old Travis High School custodian said. "I'm expecting them to go up again."

Her home was worth \$59,000 in 2002, according to the Travis Central Appraisal District. In 2005, it was valued at \$75,000.

Today, it's worth \$117,745, according to the appraisal notice that arrived in Guevara's mailbox in early May.

For many property owners, this is the second consecutive year of steeply rising values, which are not just affecting the high end of the market. The county's median home value — the point at which half the homes are worth more, half are worth less — has risen 16 percent over two years.

Hardest hit in Austin: Guevara's East Austin ZIP code, 78702, with a 43 percent increase in median home value since 2005. Residences in downtown's 78701 ZIP code, where condominium developments are changing the skyline, jumped 39 percent, as did homes in Travis Heights, just south of downtown. West Austin and Hyde Park are up 38 percent.

The state caps the amount a homestead's value can rise at 10 percent each year. So, though Guevara's home has doubled in value since 2002, her tax bill has gone up by a less startling \$417.

Landlords aren't as lucky, because their values are not capped. The owner of two West Austin duplexes is facing property taxes that will probably more than double this year, to \$11,000 per duplex.

What's driving up appraisals countywide is not the houses. It's the dirt. Since 2005, median land values have shot up more than 60 percent, while structures have risen only 6 percent.

Travis County Chief Appraiser Art Cory cites two main reasons for this. First, he says, land has been historically under appraised, and the county is catching up with market values. Second is the trend of tearing down homes in desirable neighborhoods and replacing them with larger ones.

According to the appraisal district, if someone buys a house for \$200,000 and knocks it down, that means in most cases the lot alone is worth \$200,000 — and other lots in that neighborhood should be valued accordingly.

That is not happening in the suburbs of Manor and Pflugerville, where land is plentiful and 3,762 new homes have been built since 2004. Those areas have seen two-year increases of less than 9 percent.

They also receive the least benefit from the 10 percent cap, Cory said.

An analysis by Statesman statistical consultant Robert Cushing suggests that the cap is helping East Austin homeowners as much as wealthier neighborhoods on the west side of town. But it's a temporary relief.

If the market goes flat — and history suggests it eventually will — people who benefited from the cap will see their homes' taxable value continue to increase at 10 percent a year until the capped and appraised values match. That could mean years of steadily rising taxes ahead.

East side, west side

For some homeowners, the increases create nothing more troubling than a tightened checkbook.

This is the case for Sally Hawkins, a retired school music teacher. She lives in a two-story, 1,740-square-foot house in Hyde Park that she bought more than three decades ago, partly because it has a living room large enough to accommodate her grand piano.

In 2002, she turned 65, and her school taxes were frozen at \$2,980.70 a year. School taxes make up the bulk of most people's property tax bill, and Hawkins' situation looked good. But her city and county taxes continued rising, and since then, her annual bill has gone up more than \$700.

Still, she says, she is lucky. Her father believed Social Security would go bankrupt by the time she retired. He drilled into her the notion to save money and invest wisely.

Those investments have made Hawkins' taxes an inconvenience instead of a hardship.

"My retirement salary simply does not give me what I need to pay the taxes here," she said.

Her main worry is that if she leaves it to her nieces, they won't be able to afford the taxes either and will be priced out of the neighborhood.

That is Amanda Anderson's worry. Her mother died in 2005, and Anderson inherited the Cherrywood Road home in which she was raised.

Like the homes of many black families in East Austin, it holds special significance because her parents sacrificed to buy it in an era when banks made few loans to minorities.

Anderson's green-trimmed house is 1,666 square feet, according to the appraisal district, and was built in 1949, with the only major addition an attached apartment that her parents built in the mid-1980s.

In 1999, it was valued at \$137,790. It's now \$352,497.

When Anderson inherited the house, the senior-citizen and other tax exemptions granted to her mother vanished. She said she has to pay \$1,465 a month in property taxes until October. Then she'll find out what next year's bill is.

Whatever it is will be added to the expense of a son at Southern Methodist University, another who has been accepted to the Juilliard School of performing arts and a daughter entering her senior year of high school.

Anderson could sell. But she has rented most of her life, and her 96-year-old great aunt lives in the attached apartment.

Besides, Anderson said, the house is close to her job at the Sweatt Travis County Courthouse, where she works as a court reporter. It's in a neighborhood she's known all her life. If she sold, she would have to live farther out, possibly outside Austin.

"I want to stay there for the same reasons people are willing to pay so much to get in," she said. "If it's a choice of wanting to live somewhere else, that's one thing, but why should I be forced to move?"

She sees that happening now in Cherrywood.

"People of my age, of my race, I don't see them. The only people I grew up with who are still here are the old people, and once they die, that may be it, because the kids can't afford it."

Renters' dilemma

Cherrywood is becoming what residents in the Blackshear neighborhood fear: a place where blacks are priced out, as they were in the Clarksville area just west of downtown. Blackshear is within walking distance of downtown, on the other side.

Neighborhood association President Jimmy Butler said some longtime residents are telling him they are feeling pressed to sell because of rising tax bills.

Rudy Williams, president of the Organization of Central East Austin Neighborhoods, said he finds it ironic that city zoning once consigned blacks to the east side of town and now high taxes are forcing them out of the neighborhoods they created.

"Our appraisal system is broken, in my opinion," Williams said. "It doesn't take into account the economic and cultural basis of the neighborhood."

Because commercial properties aren't capped, he worries that higher taxes will be passed directly to people who don't own their homes, in the form of higher rents.

"Renting has been a safety net for the poor people of East Austin," he said.

Former City Council Member Willie Lewis bought a 1,080-square-foot, red brick rental house on East 11th Street three years ago. Since 2004, the value has nearly doubled to \$151,926, and the taxes have jumped 40 percent, to a projected \$3,837.75 next year.

"It's almost a situation where landlords have to raise the rent just to avoid a negative cash flow," Lewis said.

"I think there will be empty properties," said Thomas "Hollywood" Henderson, a former Dallas Cowboys player who owns properties in East Austin, "because landlords are going to have to charge \$1,300 or \$1,500 a month, and I don't think anyone will pay that."

That concern is not limited to East Austin.

The West Austin Neighborhood Group is worried that escalating property values will price out many current renters and pressure investors to demolish old homes and erect huge new ones.

The owner of two duplexes, one on West 10th and one on West 11th, saw their values jump more than 150 percent, to \$462,803 and \$457,634.

In a frustrated e-mail to County Commissioner Sarah Eckhardt, the owner said he'd made no changes to the 880-square-foot houses and blasted the appraisal district, saying he's tried to keep rents between \$400 and \$600 a month but will have to raise them to keep up with the projected tax increase of \$6,500 apiece.

Guevara worries that the same startling increases could happen regularly on Pennsylvania Avenue.

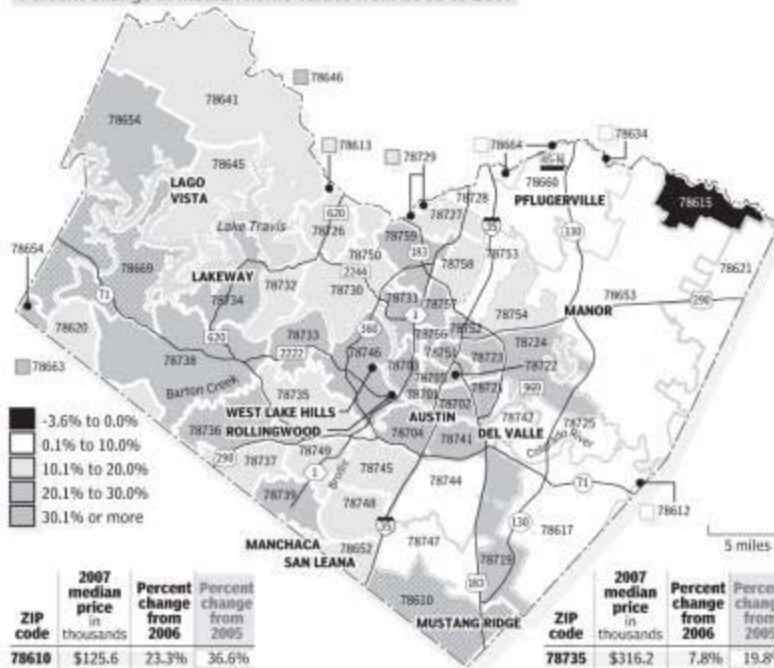
When new homes started popping up in her neighborhood, she grew frustrated, and she joined the Blackshear/Prospect Hills Neighborhood Association, despite the fact that Pennsylvania Avenue is just north of its boundaries. She found neighbors with similar concerns.

In 2001, Guevara paid \$1,352.53 in property taxes, according to the tax office. In January, she was billed \$1,769.70. Next year, when the new houses on her block are added to the appraisal rolls, she expects the bill to rise again.

Courtesy of JB Goodwin

Appraised tax values shoot up over past two years

Percent change in median home values from 2005 to 2007



ZIP code	2007 median price in thousands	Percent change from 2006	Percent change from 2005
78610	\$125.6	23.3%	36.6%
78612	\$61.2	-3.3%	8.1%
78613	\$208.1	11.7%	18.2%
78615	\$97.7	-3.9%	-3.6%
78617	\$111.8	-1.5%	5.5%
78620	\$236.4	5.1%	17.1%
78621	\$123.6	0.8%	5.8%
78634	\$123.3	7.2%	3.7%
78641	\$223.2	9.0%	13.2%
78645	\$173.2	7.9%	16.0%
78646	\$1,143.6	12.5%	25.1%
78652	\$162.7	7.4%	16.9%
78653	\$123.8	3.9%	8.8%
78654	\$233.0	19.2%	23.2%
78660	\$146.8	5.7%	8.1%
78663	\$208.1	31.9%	45.6%
78664	\$145.6	3.2%	5.4%
78669	\$263.1	9.0%	31.0%
78701	\$451.8	13.7%	38.7%
78702	\$124.2	19.8%	42.7%
78703	\$520.5	10.9%	37.7%
78704	\$281.8	14.2%	38.9%

ZIP code	2007 median price in thousands	Percent change from 2006	Percent change from 2005
78705	\$348.7	13.3%	23.5%
78719	\$91.1	6.3%	22.5%
78721	\$95.7	20.0%	34.2%
78722	\$205.8	6.0%	28.8%
78723	\$137.3	9.8%	21.2%
78724	\$91.4	4.8%	21.0%
78725	\$107.5	9.0%	4.8%
78726	\$309.3	13.4%	16.6%
78727	\$168.9	6.0%	15.3%
78728	\$155.8	5.8%	8.9%
78729	\$162.0	8.9%	15.8%
78730	\$520.7	4.2%	17.2%
78731	\$421.0	11.1%	26.7%
78732	\$305.9	11.8%	19.6%
78733	\$386.0	8.1%	20.1%
78734	\$288.9	8.3%	22.2%

ZIP code	2007 median price in thousands	Percent change from 2006	Percent change from 2005
78735	\$316.2	7.8%	19.8%
78736	\$179.4	9.8%	20.2%
78737	\$227.6	0.7%	17.4%
78738	\$385.4	8.8%	21.2%
78739	\$286.9	11.7%	20.8%
78741	\$101.7	4.5%	29.9%
78742	\$84.8	1.0%	9.6%
78744	\$96.9	-0.7%	5.4%
78745	\$136.1	10.9%	15.4%
78746	\$522.1	11.0%	34.2%
78747	\$168.8	0.3%	2.1%
78748	\$155.7	8.5%	13.0%
78749	\$202.0	10.3%	16.2%
78750	\$319.9	9.5%	19.7%
78751	\$264.3	19.7%	37.6%
78752	\$155.1	10.5%	28.5%
78753	\$124.4	5.3%	6.9%
78754	\$155.7	3.2%	12.3%
78756	\$294.8	16.8%	30.8%
78757	\$219.6	13.7%	27.7%
78758	\$131.4	5.0%	11.3%
78759	\$292.4	12.7%	25.0%

Source: Robert G. Cushing, statistical analyst

Robert Calzada, Marty Toohy AMERICAN-STATESMAN