

**INDUSTRY DEFENSE FUND
APPLICATION FOR FUNDS**

TO: BOMA IDF Oversight Committee
FROM: Houston BOMA
RE: Property Tax Valuation/Rate Rollback IDF Request

AMOUNT of REQUEST: \$50,000

DATE: September 9, 2014

I. PURPOSE:

In completing this section, please pay special attention to the Purpose of the Industry Defense Fund and the Application Process sections of the IDF Rules. In the space provided, please indicate the purpose for which these IDF funds will be used. Please supplement your request by attaching reference materials if appropriate.

“In the State of Texas, there is a well-organized and funded movement to eliminate the ability of commercial property owners to obtain accurate and fair appraisals for their property by claiming the current system is unfair to homeowners. At this point, reporters and editorial writers are accepting information taken out of context that does not explain the current tax appraisal system accurately. This misinformation also suggests that taxes on commercial property can be raised by as much as \$4 billion a year without having any negative impact on the economy, renters or the businesses that many taxpayers depend on for their livelihood.

In Houston alone, property valuations have been raised an average of 70% over the past two years across the city with no reduction in tax rates. Dallas has reported 30% increases this year alone. The “taxation by valuation increase” trend is spreading statewide through the county appraisal districts. Additionally, our state lobbyist informs us that the opposition groups are already preparing taxation bills that if passed will be extremely detrimental to commercial real estate, favoring homeowners.

The purpose of the funding request is three-fold:

- Pass legislation in the 2015 session that 1) requires tax rate rollbacks when valuations exceed 4%; and 2) creates meaningful county appraisal district reform state wide to ensure fair and equal treatment under the law.
- Counteract negative publicity by [Real Values for Texas](#) and like groups by illustrating the negative impact increased valuations are having on Texas

businesses and economic development via op-ed pieces, website and social media avenues.

- Educate the voting public on property valuation issues via earned and social media to assist with passage of the above legislation.”

Means:

- Direct information to state legislators describing the problem and the negative impact of value increases on commercial property. Utilize and coordinate efforts with our lobbyist to get the message across that appraisal districts are not following the law and must be forced to act within the limits of what is legal.
- Engage a public relations firm for issues management to create consistent messaging and media that can be utilized by BOMA locals and their members.
- Serve as a conduit for consistent and effective statewide messaging and utilize messaging from the state-wide coalition.

II. MEMBER IMPACT:

In completing this section, please pay special attention to the Purpose of the Industry Defense Fund and the Application Process sections of the IDF Rules.

- A. Please indicate the number of BOMA members that will be impacted by the proposed action. For example, “All BOMA members in the City of Los Angeles or LA County, or all BOMA members in the State of Texas”.

The trend to increase values is rapidly spreading across all major urban areas of Texas thus all BOMA members in Texas will be affected.

- B. Please also indicate any regional or nationwide impact to BOMA members.

N/A

III. BOMA MEMBERS’ INTERESTS IMPACTED:

In the space provided, please indicate which specific member interests will be impacted through this project. Examples might include private property rights, need to maximize return on investment, secure fair tax treatment, etc. Please reference all applicable BOMA policy statements, and list all interests that would be impacted using additional sheets if needed and attach supplemental materials if appropriate.

1. Ensure a fair and equal tax valuation system that is adhered to by all appraisal districts.
2. Positively impact the bottom line for office buildings by creating a tax rate rollback linked to valuation increases.
3. Further development of a fair and equitable values/rate model.
4. The building owners are being impacted because non-controllable expenses are increasing thus creating a rapid rise in operating expenses. Future investment will

be impacted because the tax rates are out of control thus investors are being forced to look at other markets where taxes are more reasonable.

5. Tenants are being forced to move out of high quality assets to lesser quality assets because operating expenses are pricing them out of buildings.

IV. PRECEDENT VALUE:

Has this issue been litigated, legislated, or the subject of regulation in another local or state jurisdiction, or at the federal level?

Not known.

If Yes, where and what was the result?: _____

V. MATCHING FUNDS:

In completing this section, please refer to the Application Process and Disbursement of Funds sections of the IDF Rules. The leveraging of additional funds to defend the industry's interests is a key goal of the IDF. Please indicate the amounts and specific source(s) of funds you are dedicating to this issue, and/or the nature of staff and other in-kind resources.

\$50,000

Amount of Matching Funds

Houston BOMA

Potentially Texas BOMA locals and member company donations.

Source of Matching Funds (Please use additional sheets if necessary)

VI. ACCOUNTABILITY:

A. Please provide the following information on the individual who will serve as lead on this project and will verify all relevant payment requests.

Name: Tammy K. Betancourt, CAE

Address: Houston BOMA, 9 Greenway Plaza, Suite 100, Houston, Texas 77046

Phone: 713-255-9176

e-mail: tbetancourt@houstonboma.org

B. How will project costs be tracked, and how will the required updates, financial statements, and related documentation outlined in the Disbursement of Funds process (Section VII of the IDF Rules) be provided to the IDF Oversight Committee?

Project costs will be tracked and update reports/financial statements will be submitted by Houston BOMA staff.

VII. DURATION OF FUNDING:

IDF funds are available for 12 months following the authorization of disbursements. Please indicate the time table for resolution of this issue, including when disbursement of funds will be expected.

The Texas Legislative session wraps up in June 2015 at which time we expect to have new legislation on the books.

VIII. OUTLOOK:

A. Please indicate the likelihood of success of the planned action and your reasons for making such an assessment.

POOR_____ FAIR__ GOOD __X__ EXCELLENT_____

Texas will have a new Governor (Gregg Abbott), Lieutenant Governor (Dan Patrick) and a new state senator (Paul Bettencourt) from Houston in 2015 who are good friends of Houston BOMA. All are running on a platform of fair and equal tax reform for all Texans. We have received their commitment that they will assist us in passing the aforementioned legislative reforms. To assist in this effort, we will work in coalition with other impacted statewide associations and our State lobby team of Locke Lord will work the legislature along with BOMA members to help the initiatives pass.

B. Please indicate the likelihood of success of planned action without IDF funding and your reasons for making such an assessment.

POOR__X__ FAIR__ GOOD _____ EXCELLENT_____

The additional IDF funding will allow us to launch a full-out media relations campaign to counteract the well-organized machine that is running the opposition. Without the funding, it is doubtful that the local BOMAs in Texas will have adequate resources to fund a quality campaign effort.

IX. SELF HELP:

A. Please list actions already undertaken toward achievement of the stated project goal:

Houston BOMA has already visited with each city council member, county commissioner and U.S. Congressmen representing the Houston area to share our concerns regarding

the issue. Additionally, we prepared a two-page document for our members to provide to tenants that addressed why operating expenses were climbing so rapidly and who was responsible for those increases. The publication urged tenants to take action and contact their elected officials to share the story of the impact of these enormous valuations with no rate rollback.

We have been discussing this issue at the state level with Texas BOMA for the past two years and in the last State Legislative session we defeated a measure which would allow the county to hire third-party magistrates for appraisal hearings. We have also successfully fought mandatory sales price disclosure in the past five legislative sessions here in Texas.

B. Do you have a Government Relations Committee or similar entity to assist and/or provide oversight in pursuing this issue?

Yes

X. WORK PRODUCT:

A. Will this application result in a work product that may be used by other BOMA members, local associations, or state coalitions?

Possibly — unknown at this time.