



# HARRIS COUNTY, TEXAS

## BUDGET MANAGEMENT DEPARTMENT

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October 18, 2016

To: County Judge Emmett and  
Commissioners Locke, Morman,  
Radack, and Cagle

Fm: William J. Jackson

Re: Property Tax Rates

We have drafted three documents in response to some of the points made in the October 14 letter from State Senator Bettencourt.

- Harris County Property Taxes and Unique Population Growth
  - Discussion of issues raised and data presented in his letter.
- Proposed Tax Rate for Harris County
  - Discussion of the tax rate issues in general.
- Guidance for Tax Rate Changes
  - Discussion of how the proposed rates could be changed and the impact of any changes.

Drafts of these letters are attached along with the latest Population and Economic reports.

All of this information is intended to provide background information in advance of the tax rate vote on October 19, 2016.

# Harris County Property Taxes and Unique Population Growth

## Introduction

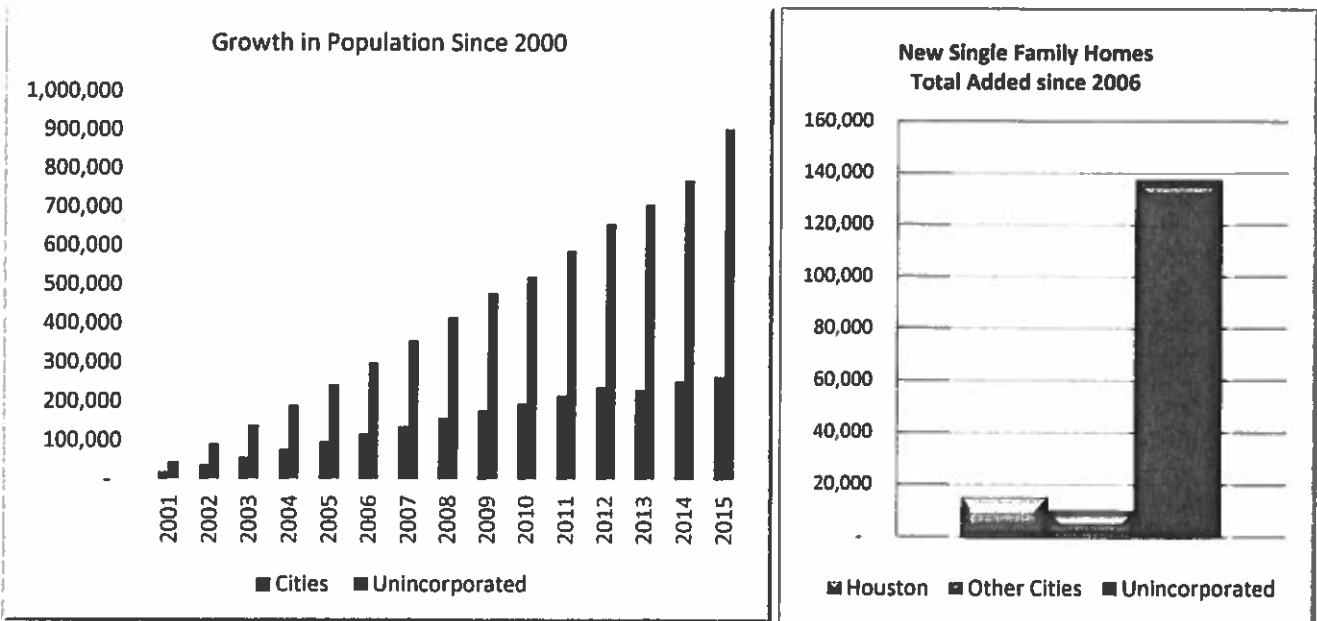
This report is in response to a letter received from Senator Bettencourt on October 14, 2016 regarding the approval of property tax rates scheduled for vote on October 19, 2016. The information included in his letter is incomplete and limited in scope in order to support a tax rate decrease. The information presented does not consider the effects of significant population growth and new construction and covers a limited time frame while ignoring the economic downturn periods both before and after the years he selected.

## Population

Harris County is unique in Texas in terms of unincorporated population and annual growth in that population. The population of the unincorporated area of Harris County is more than 1.942 million, which is the equivalent of the 5<sup>th</sup> largest city in the US and 2<sup>nd</sup> largest city in Texas. The population in the unincorporated area has grown by 900,000, nearly doubling since the 2000 census. These residents rely on the County as the primary provider of services. None of the other large counties in Texas have any significant unincorporated population.

## Rapid Growth

The unincorporated population has grown by an average over 4% per year since 2000 and is projected to pass the city of Houston population by 2020. Over 80% of the new homes in Harris County since 2005 have been built in the unincorporated area. This is a major reason why the County's tax levy has been rising faster than the other counties and the State.



Over 80% of the County's General Fund revenue comes from property taxes. Other revenue in the General Fund is generally flat and includes charges for services, fines, rents and government grants. The county does not receive general sales taxes and when property taxes are down or flat there are no other sources of revenue to make up the difference.

# Harris County Property Taxes and Unique Population Growth

## Information Presented in the Letter

Some of the facts and conclusions mentioned in the letter are addressed below:

1. “Tax Levy growth from \$275 billion to \$392 billion from 2011 to 2015.”

The latest HCAD information shows \$274 billion in 2011 and \$390 billion in 2015. What is missing from this analysis is the fact that the tax levy in 2008 was \$279 billion, meaning that the levy actually dropped by \$5 billion during the 2008-2011 period. By actually including the data back to 2008, the county tax levy has grown from \$279 billion to \$390 billion which is an average annual growth rate of less than 4.3% per year. Unincorporated population has been growing by an average of 4% per year.

There were 984,289 single family homes on the HCAD tax levy in 2008 compared to 1,067,052 single family homes in 2015. This represents an 8.4% increase in the number of single family homes on the tax roll over that period.

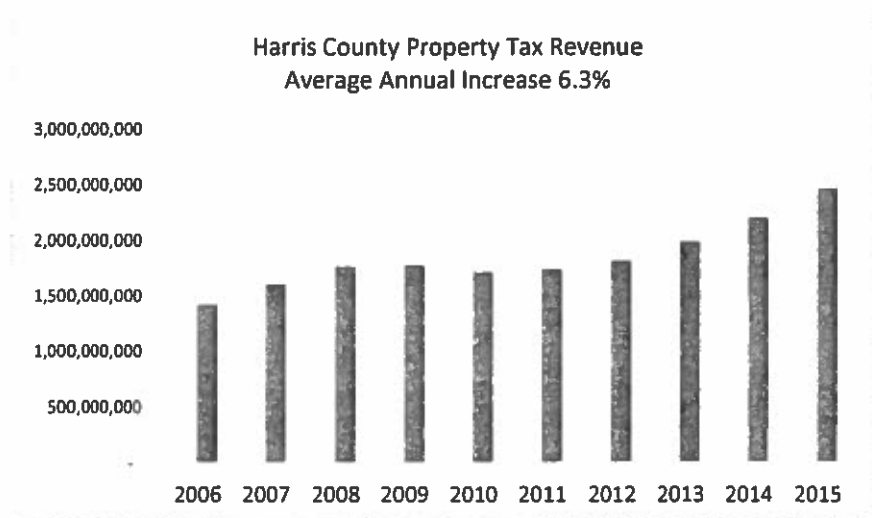
2. “General Fund tax rate increase roughly two cents.”

The overall tax rate for Harris County has not changed since 2007 when it went down 1 cent to 62.998 cents per \$100 of taxable value. This mention of the General Fund tax rate is taken out of context since it is only one of the 4 jurisdictions that make up the total tax rate adopted by Court.

Harris County’s overall .62998 tax rate funds the Hospital District, the Flood Control District and Port of Houston debt in addition to the General operations and debt service for the County. Truth-in-taxation rules limit the growth in tax rates for each of these 4 taxing jurisdictions and all annual tax rate adjustments to allocate tax rate between entities have been within the Truth-in-taxation requirements during this period.

Focusing on a single component of the combined tax rate is misleading. There are sound financial reasons why the tax rate allocation among the 4 jurisdictions are adjusted each year. The demand for services between flood control, indigent and emergency health care, law enforcement and other county services over the years often require rates to be adjusted within the group.

The graph shown in his letter is not based on the overall Harris County tax rate. This graph shows the actual growth rate in Harris County property taxes due to growth in the levy. Note the average annual increase is 6.3% over the last 10 years. Truth-in-taxation rules use an 8% annual increase to determine the rollback rate.



Should the legislature lower the rollback calculation to 6% then it will pressure jurisdictions to raise tax rates during years when the levy is down such as 2010.

## Harris County Property Taxes and Unique Population Growth

### 3. “The average home increased by 8.5% from 2015 to 2016 and 36% in 3 years.”

This is a misleading statistic that doesn't take into account the value of new construction nor does it cover a sufficient period of time to be meaningful. The average taxable value after exemptions of a single family home in 2008 was \$119,014. Based on the preliminary values for 2016, over the 8 year period from 2008 to 2016, the average taxable value of a single family home has grown by an annual rate of 3.7% per year. The average annual increase is actually lower than the average population increase in the unincorporated area.

Another factor which is difficult to measure is the impact of new construction on the average values of homes. New homes being built in Harris County tend to be sold at higher prices than the median value of \$225,000 which was for August 2016. This factor makes it appear that existing homes are rising at a faster rate than they actually are.

Presenting data only during a relative “boom” period while leaving out the flat or declining years leads to incorrect conclusions about what actions are needed. If the County is expected to lower the tax rate during higher growth periods, then his logic would lead you to raise the rate during declining growth such as the two year period from 2009 to 2011 when the levy went down by \$6.7 billion without a tax rate increase.

### 4. “In 2016, the average taxpayer will pay \$263 more for combined county property taxes.”

In 2008, the average county tax bill was \$750 per single family home. Seven years later in 2015, the average county tax bill was \$935 which is an average annual increase of \$26 or 3.2% per year. The calculation from 2013 to the projected 2016 amount ignores the 5 year period from 2008 to 2013 when the average county tax bill for a single family home went down from \$750 to \$739.

The 2016 amounts from HCAD are not final and the County expects the trend to continue for their third tax year in a row where HCAD litigation losses negatively affect the tax levy. The levy dropped more than \$5 billion in 2015 due to lawsuit settlements and collection rates are expected to continue to be below 100% as they were last year. So the amount included in this statement will likely end up being significantly lower.

## The Challenge

Harris County has, over the last four years, worked on strengthening the balance sheet by paying down short-term debt, reducing long term liabilities and eliminating the use of tax anticipation notes, while maintaining high bond ratings during a decade which included the economic challenges of 2008 – 2010 and the rapid increase, then fall of oil prices over the last 5-6 years. Nearly all of the growth in spending during this period is for law enforcement, indigent health care and the administration of justice with over 1,000 positions added to law enforcement and justice. The population has grown by more than 300,000 over this time frame and less than 100 positions have been added to other General Fund departments using property tax resources.

The advantage to having a strong balance sheet is the ability to build and maintain infrastructure necessary to provide services to a rapidly expanding population while also being able to withstand challenges during economic downturns and natural disasters without reducing essential services to the public.

## **Harris County Property Taxes and Unique Population Growth**

As stated above, property taxes are the primary resource for providing county services to a rapidly growing population. Health care expenses which affect many aspects of county operations are rising faster than inflation. Reducing the tax rate without providing an alternative funding source, such as Medicaid expansion, would likely impact law enforcement, flood control and/or the Hospital District.

# **The Proposed Tax Rate for Harris County**

## **Introduction**

The Texas State Senate has been holding hearings around the state regarding the subject of property taxes. Information has been presented at these hearings that imply that property taxes are rising too fast and that taxing jurisdictions such as Harris County should lower tax rates to provide relief for taxpayers, without also providing alternative funding sources to help meet the growing demand for services.

## **The Unique Nature of Harris County**

Harris County is comparable both in physical size and population to the combined Dallas and Tarrant Counties. Both have just under 1,800 square miles of land and populations of about 4.5 million as of June 2015. However, Harris County is unique in terms of unincorporated area and population with nearly 2 million residents living in unincorporated Harris County vs. less than 5% of that amount in the combined unincorporated areas in Dallas and Tarrant counties.

The unincorporated population in Harris County has nearly doubled since the 2000 census when just over 1 million residents or 31% of the population lived in the unincorporated area. By the end of 2015, 1.942 million or 42 percent of Harris County residents lived in the unincorporated parts of the county. Over 80% of new homes since 2005 in the county have been built in the unincorporated area. By 2020, the unincorporated population is expected to actually exceed the City of Houston population.

## **Impact on County Operations**

County government has primary responsibility for this large, unique unincorporated area. The need for new roads, facilities and infrastructure throughout the county to meet the growing demand for services is expected to continue. Developing and enhancing systems is important to improve the delivery of services to the public and providing cost-effective tools for law enforcement.

The local economy has thrived over the last five years due primarily to expansion in all phases of the energy business with oil prices remaining above \$60 per barrel. The decline in oil prices that began in late 2014 has resulted in prices lower than \$50 per barrel for over 12 consecutive months and prices dipping below \$30 per barrel in 2016. The expectation that oil prices may stay at this level for an extended period of time could negatively impact property tax revenues for the county.

## **Maintaining a Strong Balance Sheet**

Harris County has continued to make significant progress in improving the county's financial condition and strengthening its balance sheet. Cash balances in the General Fund have grown from \$149 million at the end of FY 2012 to an estimated \$754 million by the end of FY 2016.

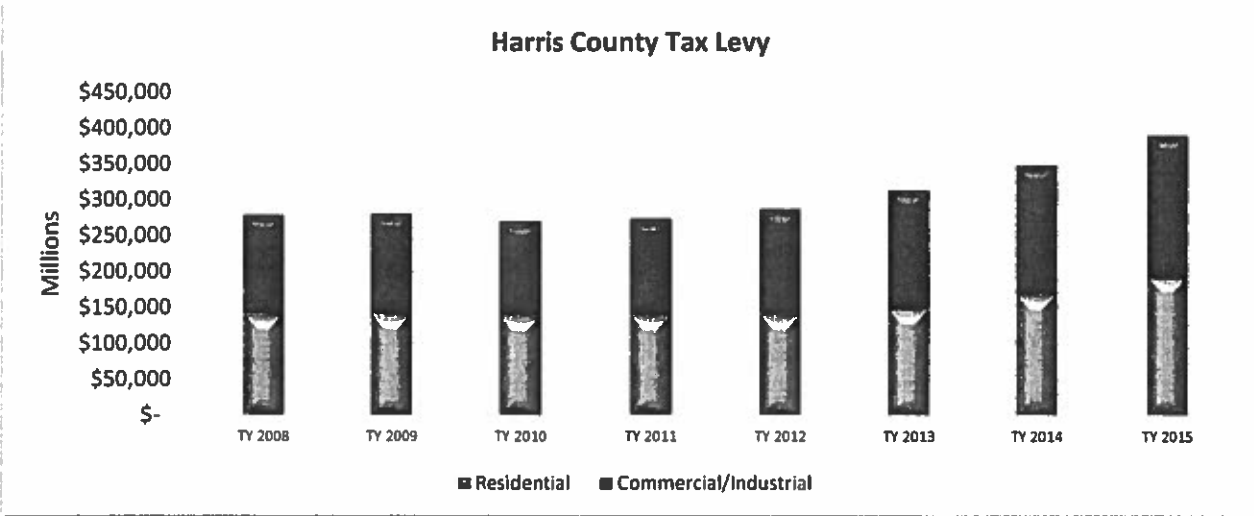
This growth in resources was necessary for the county to outgrow the need to issue Tax Anticipation Notes (TANs) to fund operating expenses during the fiscal year in advance of property tax collections. The goal of reducing TANs from \$450 million in FY 2012 to eliminating the need for interim financing has been accomplished during FY 2016 earlier than expected.

Financial policies are in place to maintain financial stability and strength. Harris County currently has the highest rating from each of the major rating agencies. Continuing to control spending combined with managing debt obligations are key to maintaining these high ratings.

# The Proposed Tax Rate for Harris County

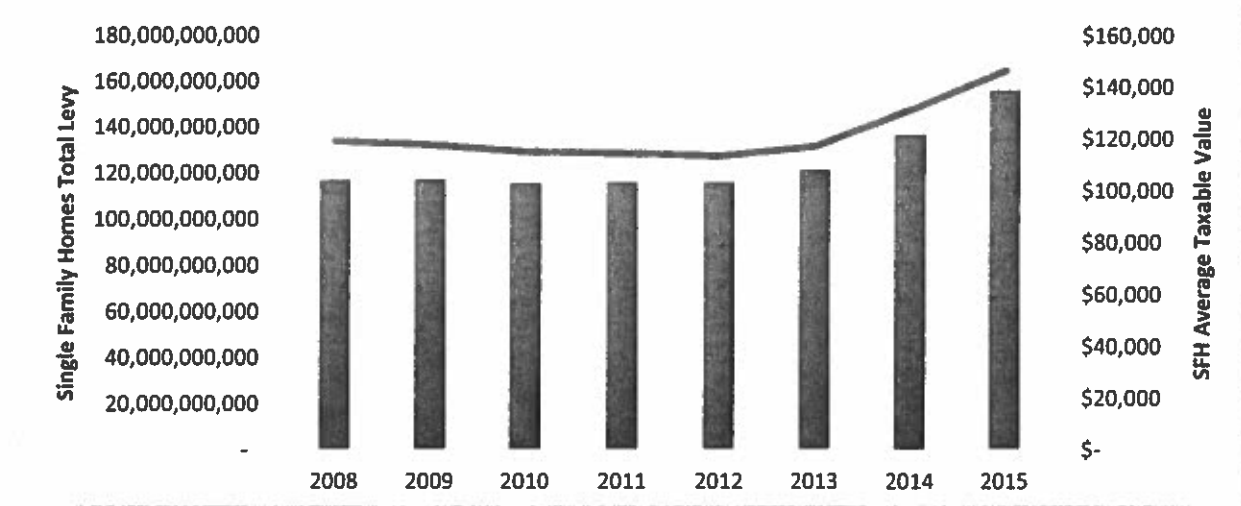
## Tax Levy Growth

The property tax levy, which is the sum of all taxable value of both residential, commercial and industrial property in Harris County, has actually grown from \$279 billion as of 1/1/2008 to \$390 billion as of 1/1/2015 which is an average annual growth rate of 4.9% over the 7 years. Residential values have averaged 4.6% per year while Commercial/Industrial values have averaged 5.2% per year.



All of the increase in Harris County property taxes have resulted from new construction and increases in values of existing property since the County's tax rate has not changed since 2008.

Single family homes make up about 40% of the total tax levy and have grown in value by an average of 4.3% since 2008. The following shows the changes in the single family homes tax levy compared to the average taxable value for single family homes.

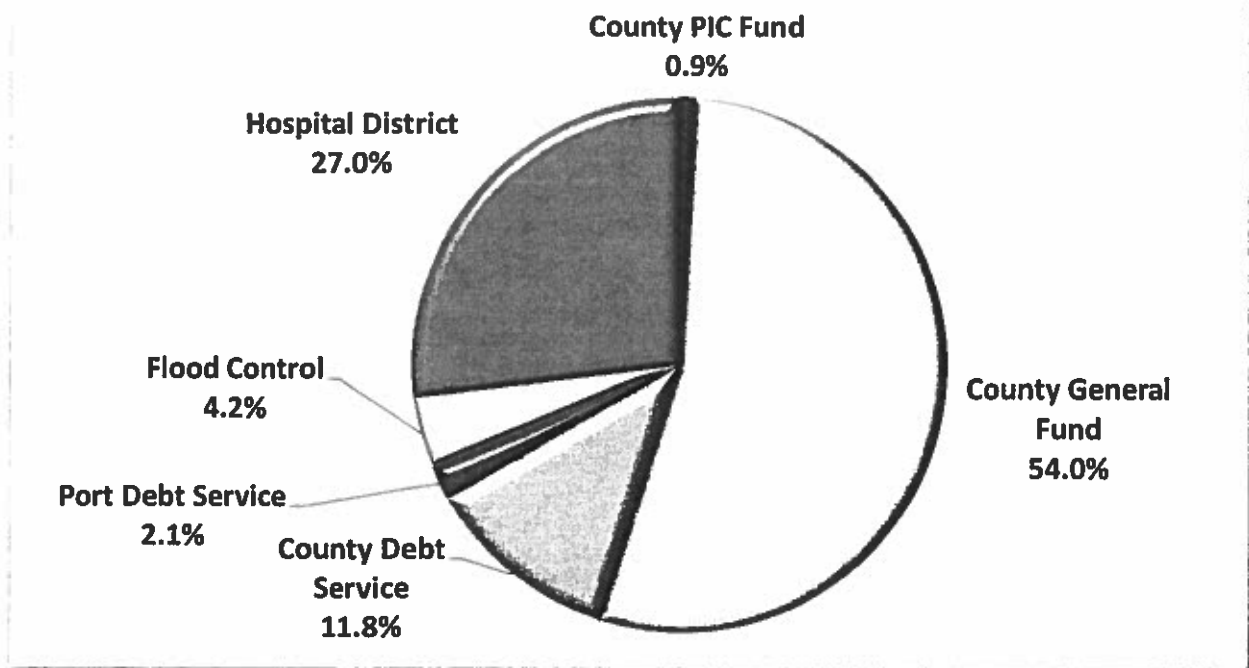


A total of 82,763 new single family homes have been added to the tax levy since 2008 which is an 8.4% increase overall. Most new homes added are priced above the average of existing homes which caused part of the increase in the average taxable value of single family homes overall. Between 2008 and 2012, the total levy for single family homes actually declined as did the average taxable value per home.

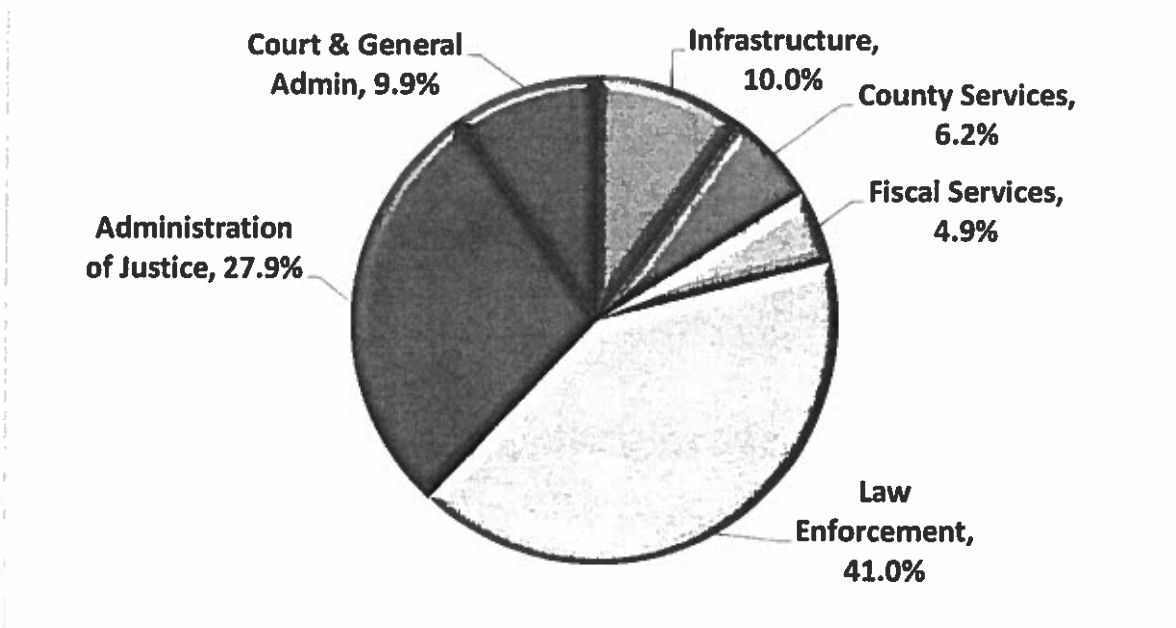
# The Proposed Tax Rate for Harris County

## How County Funds are Spent

The following chart shows the property taxes levied for FY 2015-16 by organization:



The following graph shows the county General Fund spending is shown below:





## **The Proposed Tax Rate for Harris County**

### **Growth since 2011-12**

Most of the growth in spending in the Harris County general fund has been for Law Enforcement (39%) and for the Administration of Justice (29%). Over 90% of the growth in the number of county employees has been for law enforcement or justice positions during this time period.

### **What would a 1 cent property tax rate reduction accomplish?**

A 1 cent reduction in the tax rate for Harris County would reduce the General Fund revenue by 3% and would reduce the tax bill for the average single family homeowner by \$16.

## **Guidance for Changing the Tax Rate on October 19, 2016**

This document describes the process and effects of changing a component of the property tax rates, should that be proposed on October 19.

Each of the 4 tax rates are voted on separately.

### *Debt Service Rates:*

Each of the 4 taxing entities has a debt service tax rate, which is calculated to fund the upcoming debt service payments. These debt service rates can't be increased and should generally not be decreased. However, if they are decreased, the jurisdiction would need to establish budget in their general fund to transfer to their debt service funds to make up the resulting shortfall before the debt service payments are due.

### *Maintenance & Operations Rates:*

Harris County, the Flood Control District and the Hospital District each has a proposed M&O (or General Fund) tax rate which falls at or below the rates mandated by Truth-in-taxation rules.

Harris County's proposed 34.5 cents (34 for General Fund, .5 for PIC Fund) M&O rate could be decreased or increased as high as 36.399 cents without going over the rollback rate.

Flood Control District's proposed 2.745 cents rate is at the rollback rate and could be decreased. Any increase in this rate could result in a rollback election for the FCD.

Hospital District's proposed 17.0 cent rate could be decreased or increased as high as 18.434 cents without going over the rollback rate.

### *Effect of Tax Rate Changes:*

A one-cent change in Harris County's M&O rate would reduce/increase property tax revenue by an estimated \$40-42 million or about 3% of the General Fund tax revenue.

A one-cent reduction in the Flood Control District rate would reduce property tax revenue by an estimated \$40 million or about 36% of the FCD General Fund tax revenue.

A one-cent change in the Hospital District rate would reduce/increase property tax revenue by an estimated \$40 million or about 6% of the HCHD M&O tax revenue.

A one-cent tax rate reduction in the 62.998 cent rate would save the average Harris County single family homeowner \$16 per year dropping their overall county tax bill from \$1,002 to \$986.

## **Economic Environment – Harris County – September 2016**

Harris County has experienced tremendous growth since the start of the 21st century with an expanding, diversified local economy that has outperformed most of the country. The energy business has played a large part in this growth along with the relatively low cost of living, affordable housing and an expanding transportation system.

While the population has been steadily increasing, the economic expansion has experienced a few slowdowns tied to oil and natural gas price fluctuations. The impact of high oil prices, above \$70 per barrel, has resulted in the expansion of jobs and growth of companies in the oil and related service and manufacturing sectors. Demand for office space in Houston, unincorporated Harris County and surrounding counties has led to significant expansion in the local tax base for all of the new construction, including commercial, industrial, retail and residential property.

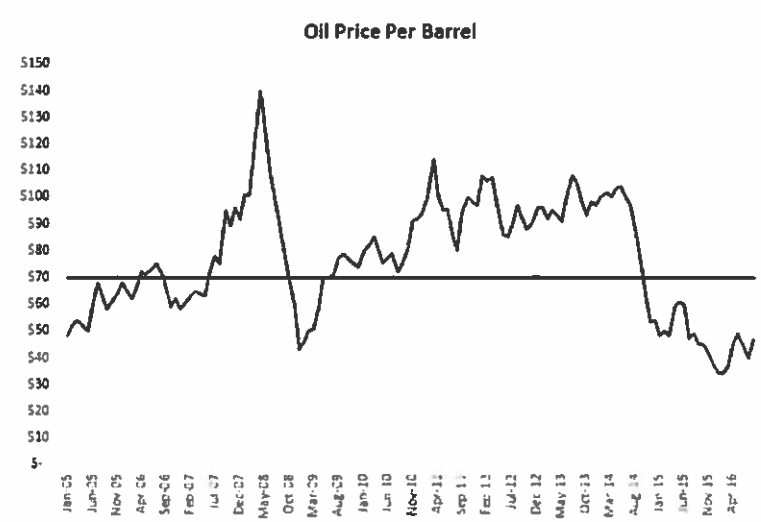
### ***Oil Prices***

Oil prices declined sharply in late 2008, below the \$70 per barrel threshold, but stayed down for only a few months. While this relatively temporary drop in prices didn't really slow down the population expansion, it did impact the local economic engine by slowing down the growth in construction, vehicle sales and it impacted the values of local real estate.

Starting in the last half of 2014, oil prices fell just like they did in 2008, but when they dropped below \$70 per barrel, there was not a rebound like there was six years earlier. This time, oil prices have remained below the \$70 per barrel price level for two years. It's hard to predict when oil prices will increase, but this low price could be a reality for years.

This downturn in the oil industry has resulted in job losses, a significant reduction in the rig count and reduced demand for office space, which is starting to impact commercial real estate values. While recent price increases are encouraging, there likely won't be a

reversal of these trends until the price goes back up sufficiently to restart drilling activity.



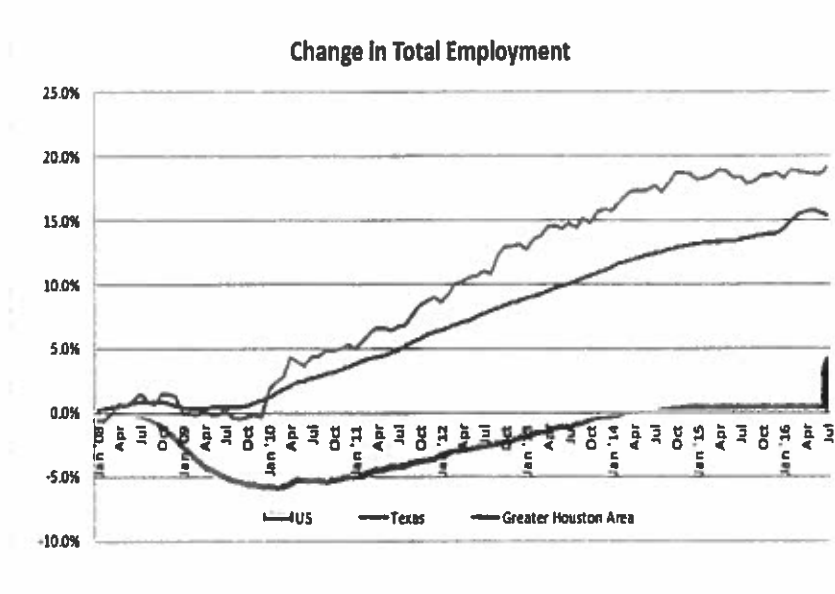
## Economic Environment – Harris County – September 2016

Despite all of the issues related to the energy business, the local economy has remained fairly stable with job gains in healthcare, construction, retail and education offsetting part of the job losses in energy. The local unemployment rate in July was 5.8% vs. a 5.1% rate for the State of Texas and the national average. When energy is going strong, the local unemployment rate is typically a full 1% lower than the national rate.

### **Local Employment**

The job market in the Houston metropolitan area has been fairly resilient through the oil price collapse of 2015.

The chart compares the growth in jobs for the Houston area, the State of Texas and the nation since the beginning of 2008. The Houston metropolitan area has experienced nearly 20% growth in employment over this period compared to just over 15% for the State and just over 4% for the entire country. Local job growth was relatively flat during the economic downturn from 2008 through 2010 and has also been fairly flat over the last 18 months.



### **Construction**

The local construction industry is slowing down in 2016 compared to very strong growth periods in 2014 and 2015. Total building contracts in the Houston area are averaging \$1.24 billion per month for the first half of 2016, down 19% from the \$1.53 billion per month average for the first half of 2015. Within the City of Houston, building permits are down 9% for the first half of 2016 compared to the same period last year.

New construction of commercial, industrial, retail and residential property significantly impacts the growth in the local tax base and represents an important component of the growth in resources needed to fund infrastructure improvements to keep up with population growth. A slowdown in demand for office space, not only slows down the pace of new construction but also impacts the market value of existing property.

## **Economic Environment – Harris County – September 2016**

### ***Home Prices***

Sales of single family homes during the first seven months of 2016 were flat compared to last year with the median sales price increasing by 4% to \$230,000 in July compared to a year ago. The number of active listings is up 13% and the average time a home is on the market has increased to 4.4 months compared to 3.6 months a year ago.

### ***Impact on Harris County***

Property taxes are essential to funding the general operations and debt service of Harris County. Over the last 10 years, the taxable value of residential property in the county has increased by an average of 5.6% per year. Harris County has added over 146,000 new single family homes since 2006, which is a 16% increase. A slowdown in either the continued growth of new homes or a drop in home prices would directly impact the available resources for the county.

Commercial, industrial and other business property has grown by an average of 6% per year since 2006 and now represents 50% of the total tax levy up from 48% in 2006. The annual growth rate over the last five years has been 9% per year due to higher oil prices and new construction. The previous four years, from 2007 to 2011, only experienced 2.2% annual growth in business property.

### ***Conclusion***

Low oil prices and their effect on the energy industry is a key element of the local economy and the effects of an extended downturn will likely impact the growth in county resources. The effects so far have not been significant, but the situation supports a continued cautious approach to spending that has been in place for the last several years.

Harris County, with a strong balance sheet, is well positioned financially to deal with a slowdown or reduction in property tax growth, but there would be an impact on county operations and/or the rate of borrowing to avoid increasing the property tax rate, which has not increased in nearly two decades.

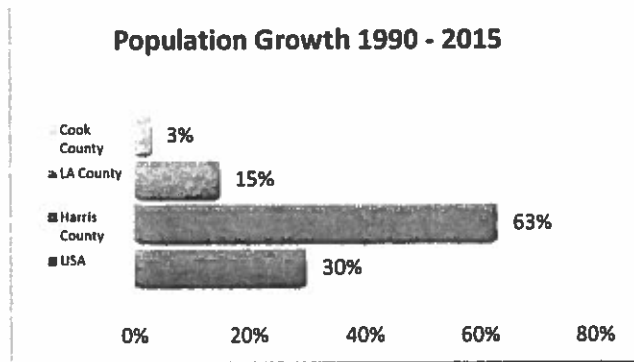
## Population Report – September 2016

Harris County's population has grown to an estimated 4.6 million residents as of December 31, 2015. The population estimates and information included in this report are based on U.S. Census Bureau estimates, Harris County Appraisal District (HCAD) data, and historical trends.

### Sustained Rapid Growth

Harris County continues to be the third largest county in terms of population and one of the fastest growing counties with 63% growth since 1990.

The chart shows the percentage of population growth for Harris County, the entire nation, and both LA and Cook counties, which are the only two counties with more population than Harris County. Over a 25 year period, Harris County's population has grown more than twice as fast as the nation's population.

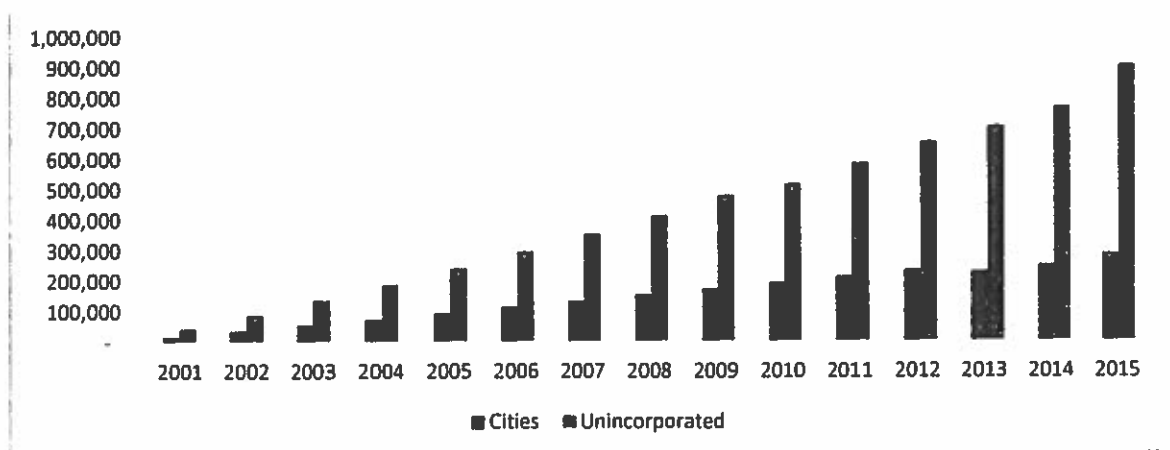


Harris County is on track to pass Cook County and become the second most populous U.S. County within the next 7-10 years.

### Unique Unincorporated Area

Harris County is unique among all large counties in the nation for having an unincorporated area population that would be the fifth largest city in the country if it were incorporated as a single city. "Harris County Unincorporated" would be the second largest city in Texas and has a larger population than 12 U.S. states.

Over 80% of the growth in population since 2000 has been in the unincorporated area. The chart below shows the population growth for the unincorporated area compared to the growth for the City of Houston and the 34 other cities within Harris County.



The unincorporated area now represents 42% of the total Harris County population, which is up from 31% in 2000 and 38% in 2010.

# Population Report – September 2016

## Population Estimates

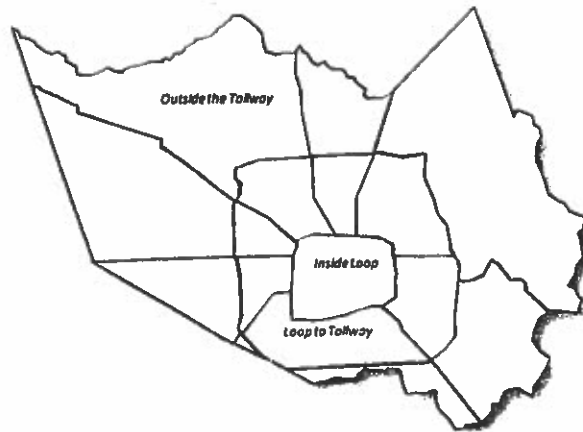
Harris County’s population is increasing by over 80,000 people every year. The following chart shows the latest estimates. Estimates for 12/31/16 will be included in the next report in January.

| Within Harris County          | 2000      | 2010      | 12/31/2015 | Growth since 2000 |     |
|-------------------------------|-----------|-----------|------------|-------------------|-----|
|                               | Census    | Census    | Estimate   | Population        | %   |
| City of Houston               | 1,919,789 | 2,057,280 | 2,161,000  | 241,211           | 13% |
| Other Cities                  | 439,615   | 473,716   | 487,000    | 47,385            | 11% |
| Unincorporated Area           | 1,041,174 | 1,561,463 | 1,942,000  | 900,826           | 87% |
|                               | 3,400,578 | 4,092,459 | 4,590,000  | 1,189,422         | 35% |
| <i>Percent Unincorporated</i> | 31%       | 38%       | 42%        | 76%               |     |

Over the last 15 years, the population in Harris County has spread out considerably. The Sam Houston (SH) Tollway forms a complete outer loop in the county. The following chart shows the estimates for inside Loop 610, between the Loop and the Sam Houston Tollway, and outside the tollway.

| Within Harris County           | 2000      | 2010      | 12/31/2015 | Growth since 2000 |     |
|--------------------------------|-----------|-----------|------------|-------------------|-----|
|                                | Census    | Census    | Estimate   | Population        | %   |
| Inside Loop 610                | 456,649   | 469,051   | 502,000    | 45,351            | 10% |
| Loop 610 to SH Tollway         | 1,493,635 | 1,597,326 | 1,737,000  | 243,365           | 16% |
| Subtotal Inside Tollway        | 1,950,284 | 2,066,377 | 2,239,000  | 288,716           | 15% |
| Outside the Tollway            | 1,450,294 | 2,026,082 | 2,351,000  | 900,706           | 62% |
|                                | 3,400,578 | 4,092,459 | 4,590,000  | 1,189,422         | 35% |
| <i>Percent Outside Tollway</i> | 43%       | 50%       | 51%        | 76%               |     |

The number of residents living outside the Sam Houston Tollway now represents 51% of the total county population up from 43% in the 2000 census. Harris County government is primarily responsible for providing law enforcement and related services to most of the area outside the Sam Houston Tollway. While there has been some growth in the number of multi-family housing units being built both inside the loop and between the loop and the tollway, there is much more undeveloped property outside the tollway for residential construction and development. This growth trend is not expected to change significantly over the next few years.

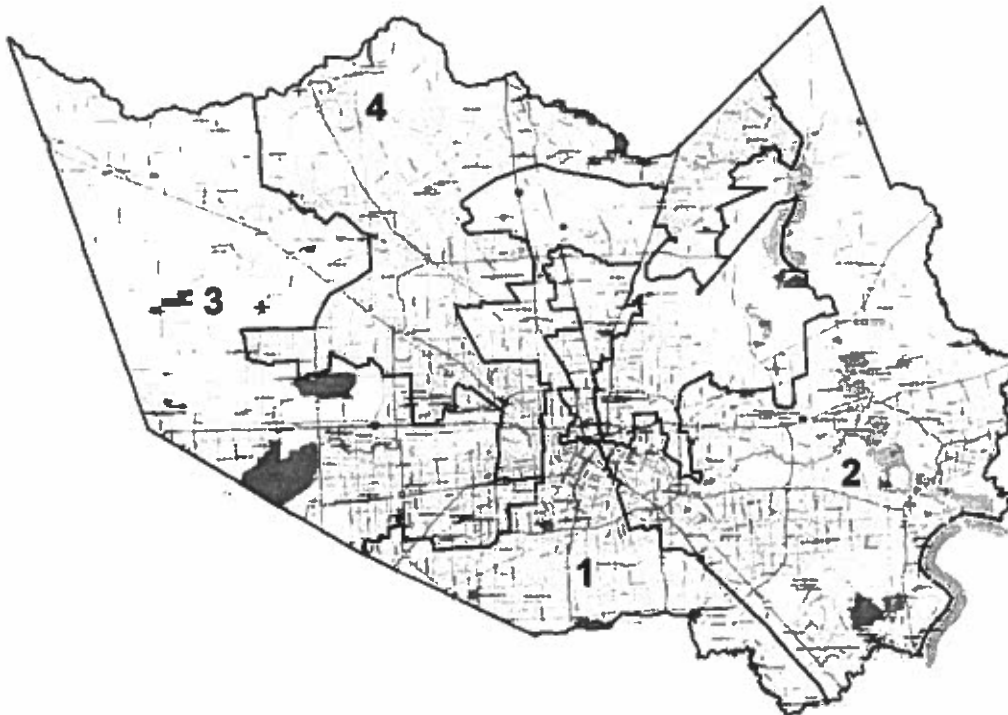


# Population Report – September 2016

## Estimated Population by Precinct

The map below shows the boundaries of each of the four commissioner precincts. The shaded areas represent the 35 cities including the City of Houston. Houston extends into both Fort Bend County to the south and Montgomery County to the north. The City of Houston includes areas outside the Sam Houston Tollway and some of the unincorporated area is located inside the Sam Houston Tollway. Other cities are spread over multiple counties including Katy to the west, Pearland, Friendswood, and other cities to the south.

Each precinct has a fairly significant unincorporated area and population, as indicated on the map in the lightly colored areas.



Since the last census count was completed in 2010 and the Census Bureau does not publish detailed estimates in the years between census counts, the estimates of population by precinct are based on historical trends, HCAD data, and voter registration information. The estimates as of the end of 2015 by precinct are presented below:

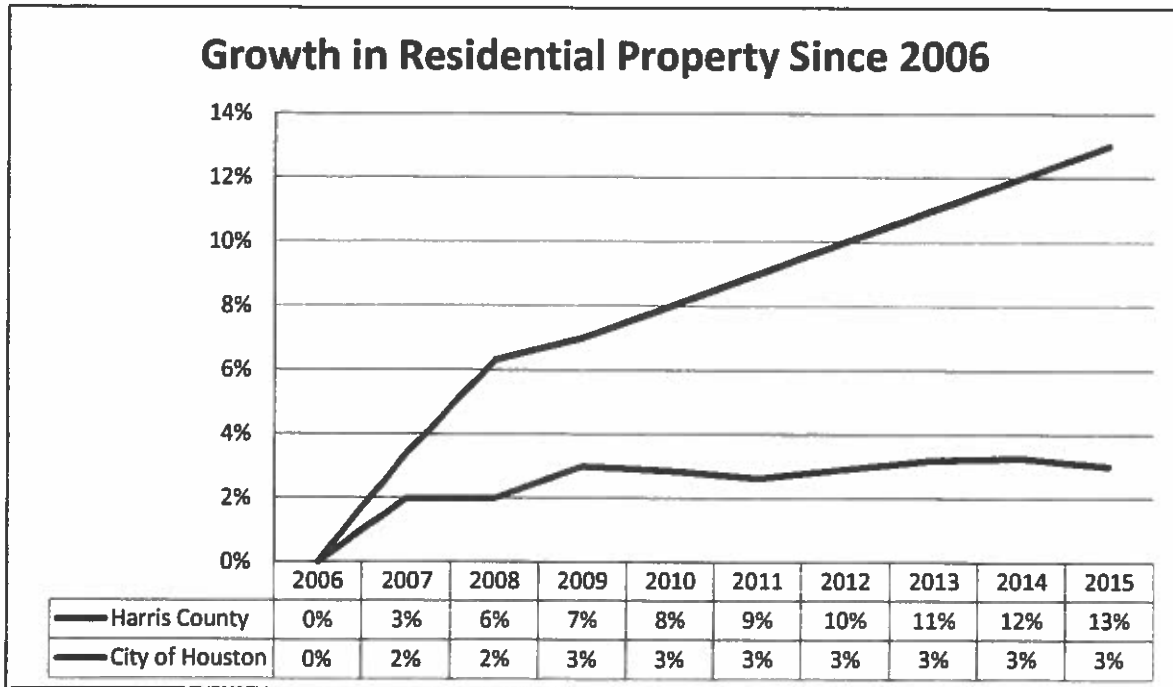
| Precinct   | Estimated Population - December 31, 2015 |                    |                     | Population by Location |                     | Share of Unincorporated Population |
|------------|--|--------------------|---------------------|------------------------|---------------------|------------------------------------|
|            | Total Population                         | Within City Limits | Unincorporated Area | Within City Limits     | Unincorporated Area |                                    |
| Precinct 1 | 1,096,000                                | 824,000            | 272,000             | 75.2%                  | 24.8%               | 14.0%                              |
| Precinct 2 | 1,095,000                                | 824,000            | 271,000             | 75.3%                  | 24.7%               | 14.0%                              |
| Precinct 3 | 1,190,000                                | 660,000            | 530,000             | 55.5%                  | 44.5%               | 27.3%                              |
| Precinct 4 | 1,209,000                                | 340,000            | 869,000             | 28.1%                  | 71.9%               | 44.7%                              |
|            | 4,590,000                                | 2,648,000          | 1,942,000           |                        |                     | 100.0%                             |



# Population Report – September 2016

## Growth in Residential Property

The total number of residential properties in Harris County including single family, multi-family and agricultural property added to the tax roll through 2015 has increased by 13.2% over the last ten years, compared to only 2.9% within the City of Houston. The graph below shows the annual percentage growth.

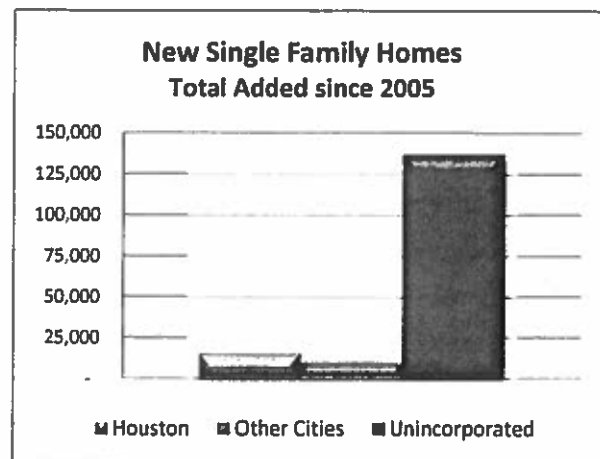


## Growth in Number of Single Family Homes

The number of single family homes in Harris County has increased by over 164,000 from 2005 to 2015. Over 84% (137,000 homes) of the new homes are located in the unincorporated areas.

The City of Houston has added a net of 16,000 new single family homes since 2005. Other cities in the county have grown by 11,000 new homes over the same period.

This rapid growth impacts the county in many ways including increased demand for new roads and related infrastructure along with additional law enforcement and other services provided in the suburban areas. These new homes have also been a significant component of the growth of the tax levy for Harris County.



# Population Report – September 2016

## Impact of Growth on Property Tax Base

The property tax levy for Harris County has grown from \$225.1 billion in 2006 to \$391.5 billion in 2015, which is an average growth rate of 6.3% per year. Residential property has grown by 5.6% annually, while commercial and industrial property values have increased by 7.1% annually. Residential property was 52% of the tax levy in 2006 dropping to 49% in 2015.

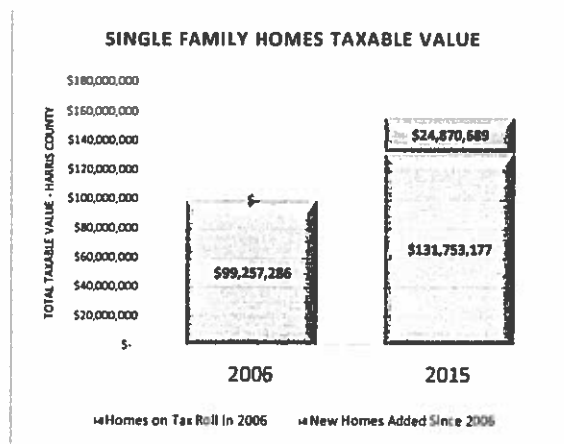
| Tax Levy Comparison - Tax Year 2006 vs Tax Year 2015 |                   |                   |                  |                         |
|--|-------------------|-------------------|------------------|-------------------------|
| In Billions  | 2006              | 2015              | Total % Increase | Average Annual Increase |
| Single Family Homes                                  | \$ 99,257         | \$ 156,756        | 57.9%            | 5.2%                    |
| Multi Family Homes                                   | 14,038            | 31,171            | 122.0%           | 9.8%                    |
| All other residential                                | 4,143             | 4,349             | 5.0%             | 0.5%                    |
| <b>Total Residential</b>                             | <b>117,438</b>    | <b>192,276</b>    | <b>63.7%</b>     | <b>5.6%</b>             |
| Commercial Property                                  | 67,857            | 130,823           | 92.8%            | 7.6%                    |
| Industrial Property                                  | 32,755            | 61,150            | 86.7%            | 7.1%                    |
| Utilities & Other                                    | 7,060             | 7,279             | 3.1%             | 0.3%                    |
| <b>Total Business</b>                                | <b>107,672</b>    | <b>199,252</b>    | <b>85.1%</b>     | <b>7.1%</b>             |
| <b>Total Taxable Value</b>                           | <b>\$ 225,110</b> | <b>\$ 391,528</b> | <b>73.9%</b>     | <b>6.3%</b>             |

Population in the unincorporated area has averaged 4% per year since 2006, while inflation has averaged 1.8% per year during the same period. The taxable value of residential property has only grown by 5.6% per year, which is lower than the rate of population growth plus inflation (5.8%).

### Single Family Homes

A significant factor in the 5.6% annual growth of residential property is the expansion of the single family home market. Since 2006, nearly 129,000 new single family homes have been added to the tax roll, which account for \$35 billion of the appraised value and 15% of the total number and value of all single family homes.

Homes that were on the tax roll in 2006 have seen average increases in value of 3.1% per year through 2015, while the new homes make up the other 2.5% of the 5.6% average annual growth in value. The chart shows this impact on the total taxable value of all single family homes in Harris County comparing the 2006 to the 2015 values.



The average single family homeowner in 2006 paid \$678 in property taxes to Harris County. The taxes paid to Harris County on those same 936,316 single family homes is \$886, which is an average annual increase of \$23 per year for the nine year period.

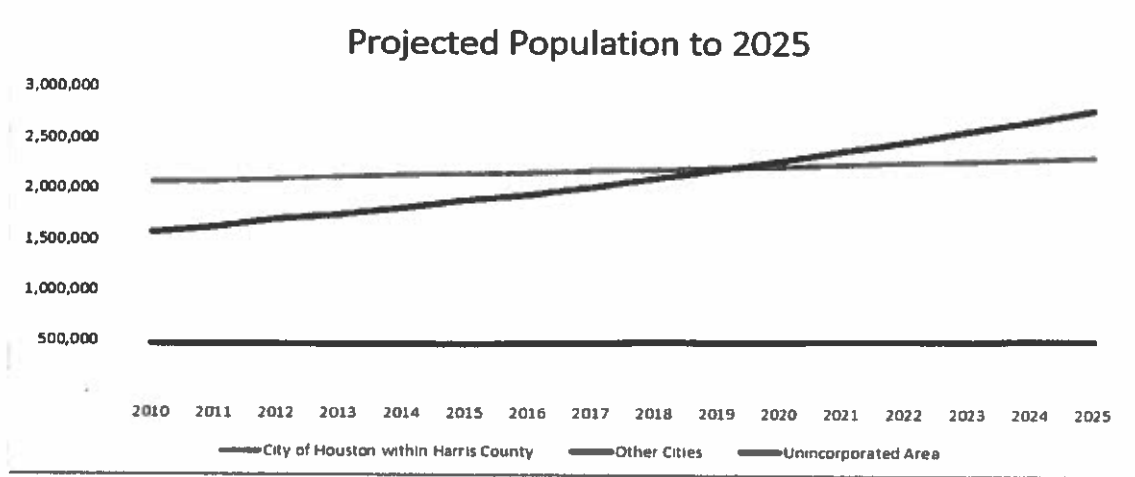
All single family homeowners, including the 122,000 new homes added since 2006 are paying an average of \$928 in Harris County taxes in 2015, which is an average increase since 2006 of \$28 per year. A key factor in the value increase is that new homes added over the last nine years are 34% higher in value than the average home on the 2006 tax roll. The local housing market has matured compared to the 1980s boom, when most of the new homes built were "starter" homes below the average value of the existing homes.

## Population Report – September 2016

### Leading up to the 2020 Census

Harris County's unincorporated population has grown by an annual average of 4.1% since the 2000 Census, which is over five times as fast as the cities within the county which have averaged 0.7% annual growth per year. The overall county growth rate has averaged 2.0% annually over the 15 year period.

The following graph shows the projected population growth based on these percentages through 2025. Based on these trends, Harris County's population will pass the five million mark during 2020 and reach 5.6 million by 2025. The unincorporated population would also pass the City of Houston's population that is within Harris County during 2020 and grow to nearly 2.8 million by 2025.



This projection assumes no annexation or new incorporation of any populated areas within the unincorporated area of the county.

### Impact on County Government

Harris County government provides services to all of the residents of the county. Most of the higher cost county functions including the courts system, the Hospital District, the county jail and most of the county administrative functions are located within the City of Houston. County government is the primary provider of roads, parks, facilities and law enforcement services to the unincorporated areas.

Harris County funds the county-wide and unincorporated area services primarily with property tax revenue. Despite the significant size and population of the unincorporated area, the county does not receive sales tax revenue to help fund these services. The unique, ongoing challenge for Harris County government is to meet the needs of this rapidly growing unincorporated area without the funding sources provided to large cities in Texas. Most of the growth in expenditures in the County General Fund during this period has been for county-wide functions including the administration of justice, managing the jails and the growing cost of indigent healthcare.

As the population continues to grow, the demand for services, new roads and expanded facilities in the unincorporated areas of the county will increase.