

Downtown office owners fight tax appraisals

Double-digit increases bring flurry of lawsuits; county prepares for more

By Claudia Grisales

AMERICAN-STATESMAN STAFF

Owners of nine major downtown office buildings have gone to court to fight double-digit increases in their property tax appraisals. County tax officials say they're braced for more lawsuits to come.

Cousins Properties' Frost Bank Tower saw its appraisal rise by 66 percent to \$83.2 million from 2004, when it was just coming onto the market.

Other buildings in lawsuits include 300 W. Sixth, owned by CarrAmerica; Bank One Tower, owned by Crescent

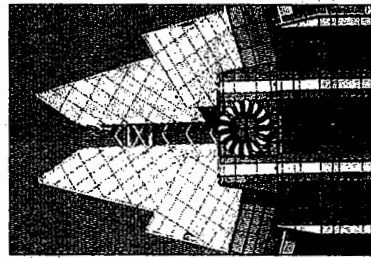
Real Estate Equities, and Wells Fargo Bank Tower, owned by Aspen Growth Properties Inc.

"All the downtown buildings experienced increases in (property tax) value, and that gets (the owners') attention," said Jim Popp, an Austin attorney who is representing some of the owners. When owners and tenants see "taxes going up 19 percent... when occupancy and rental rates are going down, it's hard for them to justify" the increases. The lawsuits don't spell out what the owners think fair valuations would be.

During the 1990s, it was typical to see downtown property owners file lawsuits about their appraisals, said Art Cory, chief appraiser for Travis County. But in the past several years, his office has been able to head off lawsuits

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Not happy with their taxes



Larry Kolvoord

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Frost Bank Tower

Owners of these downtown Austin properties are going to court to fight their tax appraisals.

Building	2004 appraisal	2005 appraisal	Percent increase
100 Congress	\$42.4 million	\$52.3 million	23
301 Congress	\$31.4 million	\$53.7 million	30
Bank One Tower	\$37 million	\$44.2 million	19
816 Congress	\$40.2 million	\$48 million	19
San Jacinto Center	\$42.8 million	\$53.4 million	25
Austin Center	\$33.2 million	\$42 million	26
300 West Sixth	\$51.5 million	\$65.2 million	27
Frost Bank Tower	\$50 million	\$83.2 million	66
Wells Fargo	\$26.8 million	\$35.3 million	32

Sources: Travis County Appraisal District; Travis County District Court, Popp & Ikard LLP

DOWNTOWN: Market down, taxes are up

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through early negotiations.

Not so this year, Cory said, adding that he's expecting more lawsuits from other downtown owners.

"What we have seen is an incredible increase in values in the last 12 to 18 months," he said. "We tried to be reasonable about it and not raise them too much, but we had to raise them because the market has gone up quite a bit. People are paying a lot of money for these buildings."

The biggest sale so far has been the Bank of America building on Congress Avenue between Fifth and Sixth Streets to developer Tom Stacy, although the price wasn't disclosed.

But the downtown office market is recovering more slowly than other areas are from the downturn. CarrAmerica's three-year-old building at 300 W. Sixth is still about 20 percent empty. Older downtown buildings have lost tenants to that building and to Frost Bank Tower.

First-class office space downtown was 73.8 percent full in the second quarter, compared with 74.6 percent a year earlier. The average rent was \$24.19 a square foot, down slightly from \$24.23 a year ago.

By contrast, office space in the Far Northwest area of Austin was 85 percent full, up from 78.3 percent a year ago, and rents climbed to \$20.08 from \$18.40 a square foot.

"The downtown market is not recovering as quickly as the suburban market," said Charles Heimsath, president of Capitol Market Research.

"I think clearly what the appraisal district is relying on is sales in the suburban market," Heimsath added. "Because there were a substantial number of sales in 2004, and those sales were generally at pretty high prices."

Cory said that's not true, and said his office makes its calculations based on market conditions in specific areas of town.

"There are sales that indicate that the market has gotten very hot," he said. "It's just the real estate market in Austin is very strong."

Commercial lawsuits tend to follow a pattern. Last year, several area golf courses sued, contending that slow demand and an oversupply of courses merited lower valuations.

In 2002, a number of area hotels went to court, saying the economic downturn and sharp travel falloff after the 2001 terrorist attacks had reduced the value of their properties.

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