

CASE STUDY

# The Compounding Cost of Mediocrity

Overvaluation is not a static problem. Smart institutional owners have zero tolerance for it.



The decision to accept a suboptimal result is not confined to one tax year. It anchors next year's assessment to a number that is already doing damage.

**Consider the mechanics.** A \$160 million asset carrying a 7% overvaluation at a 2.4% tax rate generates a taxable gap of \$11.2 million in year one, roughly \$270K in excess tax liability. That gap widens. Assuming no other changes, by year three, annual tax waste approaches \$308K, and the cumulative drag on operating performance exceeds \$865K.

The hypothetical above is modest. In practice, the avoidable tax impact is often far greater.

**AMLI Fountain Place in Dallas is a straightforward example.** DCAD proposed a 36.3% year-over-year hike. ARB reduced it to 20%, still well above what our data showed was defensible.

**We drove the settlement to 0%, fully eliminating the proposed increase.**

AMLI FOUNTAIN PLACE	PROPOSED INCREASE	FINAL	TAX IMPACT AVOIDED
2022	13.89%	-6.41%	\$552,010
2023	14.52%	0.00%	\$540,022
2024	36.25%	0.00%	\$1,347,823

A single asset settling above the lowest defensible value may be a data point. Repeated across ten, twenty, or thirty assets, it becomes the sustained erosion of NOI.

Mediocre results are never an option for our clients. That's why AMLI chooses us to represent their Texas assets.

**How do you determine whether an asset is over-assessed?**

**Are you tracking your yoy results against comparable properties?**

## Key Takeaways

- >> Every accepted overvaluation becomes next year's assessment baseline.
- >> Property taxes represent the single largest line item on the income statement. The rigor applied to that cost center should reflect it.
- >> Every dollar surrendered above fair value compounds and silently erodes NOI.

