APPENDIX 5

Property Tax Relief Tools for Austin’s Vulnerable Homeowners
Background

A widespread concern of homeowners in Austin is the burden of rising property taxes, which for many households outpace increases in income. Homeowners in Austin have the eighth highest property tax burden on homesteads in the country—and the highest tax burden in the country out of non-coastal cities. While rising property taxes impose a heavy burden on many homeowners in Austin, homeowners who are the most vulnerable to displacement from rising property taxes are those with the lowest incomes living in the most rapidly appreciating neighborhoods.

Property tax burdens are especially heavy in Austin, centered in one of the fastest growing regions in the county and in a state like Texas that does not have an income tax and—as a result of recapture rules built into school finance law—relies on large and growing contributions of local school taxes from property wealthy school districts. Austin Independent School District sends more than $500 million of its property tax revenue to the state—$1,378 per year for the typical homeowner, an amount that exceeds what homeowners of a median value home pay towards city taxes. Unfortunately, the Texas Legislature has limited cities’ ability to target tax relief towards lower-income homeowners. But as outlined below, there are some concrete actions the City of Austin can take to help vulnerable homeowners in gentrifying neighborhoods with their property taxes.

Homeowners in gentrifying neighborhoods hit the hardest

Homeowners who fall behind on their property taxes in Austin are concentrated most heavily in Austin’s gentrifying zip codes. Of the 956 homeowners in Austin with a homestead exemption and two or more years of delinquent taxes, the heaviest concentration is in Central East Austin and the neighborhoods just south of Ben White on the westside of IH-35 (see Figure 1). Thirty percent of the homeowners with property tax delinquencies have a senior exemption on their homestead, while the other 70 percent have a homestead exemption but not a senior exemption (see below for a further discussion on homestead exemptions).

### Austin Homeowners with Homestead Exemptions and Property Tax

<table>
<thead>
<tr>
<th>Type of Homestead Exemption</th>
<th># w/ Tax Delinquencies of 2+ Years</th>
<th>% w/ Tax Delinquencies of 2 + Years</th>
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</thead>
<tbody>
<tr>
<td>General Homestead Exemption (includes households w/ senior exemption)</td>
<td>956</td>
<td>.32% of all homeowners in Austin</td>
</tr>
<tr>
<td>Senior Exemption</td>
<td>287</td>
<td>.54% of all senior homeowners in Austin</td>
</tr>
</tbody>
</table>

**Impact on seniors**

Even with a homestead exemption and the benefit of a tax freeze on school district taxes for seniors, many low-income homeowners who are 65 and older are still having a hard time paying their taxes. As shown in the table above, Austin’s seniors have a greater rate of tax delinquency than non-senior households. The East Austin Conservancy reports that the low-income seniors it serves, even with the benefits of having a senior exemption, are experiencing heavy tax burdens as a result of a doubling of county and city taxes over less than a decade. According to a recent study by the Conservancy, which tracked property taxes from 2006 to 2015 for 12 of the Conservancy’s
clients, the city’s property taxes increased by at least 100 percent for all of the owners, and by 200 percent for 5 of the 12 owners.

Rising Property Tax Burdens for 12 Senior Homeowners in East Austin from 2006 to 2015

| City of Austin Property Taxes | | | |
|---|---|---|
| 7 homeowners experienced 100 - 199% City property tax increase | 5 experienced 200 - 299% increase |

| Travis County Property Taxes | | | |
|---|---|---|
| 2 experienced 100 - 199% increase | 5 homeowners experienced 200 - 299% County property tax increase | 5 experienced 300% + increase |

Source: East Austin Conservancy

Texas law restricts cities from providing targeted property tax relief

Texas law provides for a number of tax relief policies specifically targeted towards lowering the property tax burdens of homeowners. As an additional protection, seniors and persons with disabilities can defer their property taxes until they die or sell their homes, facilitating their ability to stay in their homes in the face of rapidly appreciating property values.

Despite these protections, Texas law heavily restricts what cities and other taxing entities can do to provide additional tax relief to homeowners who fall outside these classes of homeowners or need additional assistance. In contrast, several other states around the country provide taxing entities with tools to provide more targeted property tax relief to low-income homeowners, such as through circuit breakers, which reduce a household’s taxes when the property taxes exceed a certain percentage of the household’s income.

Existing Policy Tools And Barriers For Providing Property Tax Relief To Vulnerable Homeowners

The following is a summary of the key tools being utilized in Austin to help homeowners with their property taxes, barriers with using these tools to assist vulnerable homeowners, and opportunities not restricted by state law for expanding property tax relief for vulnerable homeowners in Austin. Note that the policies discussed here benefit homeowners and not renters in Austin, and homeowners in Austin are on average much wealthier than renters. A criticism of utilizing some of the policies below is the negative impact they would have on renters, who constitute more than half of Austin’s households, by shifting a larger portion of property taxes to apartments and other non-homestead properties. Studies have shown that increases in property tax rates contribute to residential rent increases.

➤ Homestead Exemptions

Texas law provides for a variety of partial and total exemptions from property taxes on a homeowner’s primary residence. Properties with a residence homestead exemption are also subject to a 10 percent cap whereby, each year, increases to the taxable value of a homestead are capped at 10 percent of the appraised value from the prior year.

An exemption, depending on how it is structured, removes either a fixed dollar or a percentage amount of a property’s appraised value from taxation. The three most common exemptions for homeowners in Texas are: (1) the general residence homestead exemption; (2) the senior and
disability exemption, which is available to homeowners 65 or older or with a qualifying disability; and (3) the disabled veterans exemption. The Texas Tax Code mandates certain levels of exemptions, while giving local taxing units limited discretion to adopt additional tax exemptions for certain classes of homeowners.

As far as educating homeowners about exemptions, the Travis Central Appraisal District and the Travis County Tax Assessor-Collector office have been teaming up each year to lead 25 town halls in the community on property taxes, including exemptions. The appraisal district also sends information about the exemption via post cards every fall to single family home addresses without a homestead exemption, along with a copy of the exemption application in April when tax appraisals are mailed. When sending out property tax bills, the Travis County Tax Assessor-Collector does not include any information about property tax exemptions. The postcards and other materials sent in the mail are all in English without any Spanish translation.

**Residence homestead:** School districts in Texas must offer a $25,000 exemption on residence homesteads. Each taxing unit (school district, cities, counties, etc.) has authority to offer a separate residence homestead exemption of up to 20 percent of a property's appraised value, with a baseline exemption of at least $5,000. Taxing units are barred from adopting an additional flat dollar exemption. The percentage exemption has been heavily criticized for favoring higher wealth households. Prior attempts at the Texas Legislature to allow cities to adopt a flat dollar exemption have failed. The City of Austin adopted a six percent residence homestead exemption in 2015 and increased the exemption to eight percent in 2016, which heavily favors wealthier households.

<table>
<thead>
<tr>
<th>Appraised home value (2017 tax rates)</th>
<th>Annual Tax Savings from Austin's 8% residence homestead exemption</th>
<th>Annual Tax Savings from Austin's $85,500 exemption for seniors/persons with disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>$150,000</td>
<td>$52</td>
<td>$380</td>
</tr>
<tr>
<td>$2,000,000</td>
<td>$712</td>
<td>$380</td>
</tr>
</tbody>
</table>

**Senior and disability exemptions:** On top of the residence homestead exemption, school districts must offer an additional $10,000 exemption for persons who are 65 or older and persons with disabilities. Each taxing unit has authority to offer an additional homestead flat dollar exemption of at least $3,000 for seniors and persons with disabilities. This exemption is applied on top of the percentage residence homestead exemption. In 2017, the City of Austin increased to $85,500 the amount of its exemption for seniors and persons with disabilities. The flat dollar exemption is more equitable than the percentage exemption.

If a homeowner’s date of birth is included on a prior homestead exemption application or appears in the Texas Department of Transportation’s personal identification or driver’s license records, the appraisal district is required to automatically extend the senior exemption to a homeowner with a resident home exemption.⁶ If the date of birth does not appear in either of these records, then a homeowner must proactively apply for the senior exemption. According to the Travis Central Appraisal District, if an applicant did not include her driver's license number in the original application, it is sometimes impossible to match up a person's homestead exemption records with the Department of Transportation records.
Optional Homestead Exemptions Available for City Property Taxes

<table>
<thead>
<tr>
<th>Type of Homestead</th>
<th>Amount of Exemption</th>
<th>Current Austin Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 and older or disabled</td>
<td>any fixed dollar amount of at least $3,000</td>
<td>$85,500</td>
</tr>
<tr>
<td>Residence homestead</td>
<td>any percent amount up to 20%</td>
<td>8% (increased to 10% effective FY 2018-2019)</td>
</tr>
</tbody>
</table>

Barriers for Accessing Homestead Exemptions

The following are the primary barriers we identified for homeowners accessing a homestead exemption:

- **Lack of awareness of eligible homestead exemptions.** Advocates reported to us that some low-income homeowners who are eligible for an exemption fail to apply for the exemption because of lack of awareness about the exemption or how to apply, especially when the household has limited English proficiency. Around ten years ago, the local nonprofit PODER partnered with the Travis Central Appraisal District to identify likely homeowners without an exemption, and close to 800 households were on the list. Further research would be useful to understand the extent to which eligible homeowners in Austin currently do not have an exemption, as well as which seniors, persons with a disability, and disabled veterans do not have the senior/disability/disabled veterans exemptions.

- **Failure to qualify because of undocumented immigration status.** Homeowners with undocumented immigration status are ineligible to qualify for a homestead exemption, as a result of a 2011 state law requiring an applicant for a homestead exemption to have a Texas driver's license or state-issued identification card, which are only available to persons with legal immigration status.

- **Heirs property.** When applying for a homestead exemption, the applicant must be listed as the owner in the deed records. Homeowners who have inherited their home without a will (also known as an “heirs property” owners, which is a common form of ownership among African-Americans and Hispanics in older neighborhoods) face large hurdles in qualifying for the residence homestead exemption, since their title interest is not recorded in the deed records. The Travis Central Appraisal District’s practice is to tell owners who have inherited their property to seek legal assistance for help qualifying for the exemption. The Appraisal District reports it is unable to refer applicants to legal aid or pro bono services in Travis County. Even though state law provides that heirs property applicants who are 65 or older or disabled can certify on the exemption application that they are the co-owner, the local legal aid office reports that the Appraisal District disallows some applicants from relying on the affidavit.

- **Manufactured home owners.** Homeowners who own their land and live in an older, used manufactured home face additional barriers in obtaining a property tax exemption. To obtain an exemption on the land, the household must have proof of ownership for the manufactured home, but titles to older manufactured homes are often clouded and require legal counsel to help clear.
➤ **Tax Freeze for Seniors and Disabled Owners**

Texas law provides homeowners who have a senior or disability exemption with an automatic tax freeze on the amount paid for school district taxes. With a tax freeze in place, once a homeowner qualifies for a senior or disability exemption, the school district taxes will never increase unless improvements (other than normal repairs or maintenance) are made to the home. Cities, counties, and junior college districts have the authority to adopt a similar tax ceiling. The ceiling can be adopted by the taxing unit’s governing body or by petition and election of the citizens in the taxing unit. Austin has not adopted a tax freeze for seniors or persons with disabilities.

➤ **Tax Deferrals**

Taxpayers with a senior, disability, disabled veteran, or surviving spouse/child of disabled veteran exemption are allowed to defer the payment of taxes on their homes until they die or no longer live in the home. When the owner dies, a spouse can continue benefitting from the deferral if the spouse is 55 or older or otherwise qualifies for an exemption. If the homeowner’s children or other heirs live in the home upon the homeowner’s death, the deferral is transferred to the heirs if they are also 65 or older, disabled, or otherwise qualify for the deferral. This means that the back taxes do not have to paid until the heirs die or no longer live in the home. Interest on the deferred taxes accumulates at an annual rate of five percent; the interest is also deferred until the home is sold or the owner dies.

When sending out property tax bills and any notices threatening a lawsuit, the Travis County Tax Assessor-Collector includes a statutory-required notice for persons who are 65 or older or disabled about contacting the appraisal district for “any entitlement [they] may have to a postponement in the payment of these taxes.” No specific notice about the deferral process is provided. The notices are all in English.

➤ **Tax Relief for Senior Volunteers and Teachers**

The Texas Tax Code (Section 31.035) allows taxing entities to adopt a tax break for seniors who volunteer for the taxing entity. The taxes are offset by each hour the senior volunteers, at a rate based on the federal minimum wage. School districts can also adopt a partial or 100 percent tax break for teachers teaching junior high or high school for the district.

➤ **Payment Plans and Foreclosure Policies**

Under state law, when a person with a homestead interest is delinquent in the payment of taxes, the tax collector is required to enter into a repayment installment plan of 12 to 36 months if the homeowner requests a plan, as long as the homeowner has not entered into a plan in the prior 24 months. Interest accrues at 12 percent a year. Notice of the right to enter into a payment plan must be included in each delinquency notice sent to the homeowner. Within these confines, the tax collector has discretion in structuring payment plans with homeowners who are delinquent and in deciding whether to foreclose on tax delinquent properties.

Property taxes in Austin are collected by the Travis County Tax Assessor-Collector. The current Tax Assessor-Collector, Bruce Elfant, reports that his office will not foreclose on a residential homestead as long as the homeowner continues to make a “good faith” effort to pay down the principal, and that his office will hold a tax sale on a residential homestead only if the owner is making no payments after a foreclosure judgment. According to the legal staff with Texas Rio Grande Legal Aid, which represents low-income homeowners facing foreclosure, the current Travis County Tax Assessor-Collector’s office has stricter policies and is less flexible working with homeowners who are behind on their taxes than the office was under the prior Tax Assessor-Collector, Nelda Spears,
which had a policy of not proceeding with tax foreclosure sales on properties with a homestead exemption, and allowed successive 36-month repayment plans with homeowners.

➤ Abatements

The Texas Tax Code provides several mechanisms by which a city can grant tax abatements to homeowners and other property owners in a “reinvestment zone.” With a tax abatement, the city abates (i.e., waives) the city’s property taxes on the increase in the assessed value of a property. A city can provide a partial or full abatement. For example, with a full abatement, if a property’s assessed value is $200,000 prior to the creation of a tax abatement agreement, and the assessed value after the agreement is $220,000 (which is the highest possible increase for properties with a homestead exemption, which are subject to a 10 percent cap), the city taxes on the increased value of $20,000 are waived for that year—an annual tax savings of $89. With an abatement, the tax benefits multiply each year as long as property values continue to rise and tax rates stay even. An abatement agreement can last for up to ten years.

Impact of a 100% City Tax Abatement Agreement for a Home Valued at $200,000

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Annual Tax Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$89</td>
</tr>
<tr>
<td>2019</td>
<td>$178</td>
</tr>
<tr>
<td>2020</td>
<td>$267</td>
</tr>
<tr>
<td>2021</td>
<td>$356</td>
</tr>
<tr>
<td>2022</td>
<td>$445</td>
</tr>
<tr>
<td>2023</td>
<td>$534</td>
</tr>
<tr>
<td>2024</td>
<td>$623</td>
</tr>
<tr>
<td>2025</td>
<td>$712</td>
</tr>
<tr>
<td>2026</td>
<td>$801</td>
</tr>
<tr>
<td>2027</td>
<td>$890</td>
</tr>
</tbody>
</table>

Reinvestment zones to facilitate tax abatements are often set up as part of a tax increment finance district (Chapter 311 of the Tax Code), or through a neighborhood empowerment zone (Chapter 378 of the Local Government Code), but neither are required to create a reinvestment zone. Chapter 312.202 of the Tax Code sets out several criteria an area can meet qualify as a reinvestment zone. These criteria include:

- The zone is located entirely in an area that meets the requirements for federal assistance under 42 U.S.C. Section 5318 (the federal Housing and Community Development Act of 1974). For larger municipalities like Austin, the two most applicable requirements for federal assistance under section 5318 are: (1) the area has at least 10,000 residents or 10 percent of the city or county’s population; and (2) at least 70 percent of the residents in the area make less than 80 percent of the city or county’s median income, and at least 30 percent of residents fall below the national poverty level.
- The area “substantially arrest[s] or impair[s] the sound growth” of the city, “retard[s] the provision
of housing accommodations,” or “constitute[s] an economic or social liability.” The area must also “be a menace to the public health, safety, morals, or welfare in its present condition and use” as a result of substandard or deteriorating structures; deterioration of improvements; defective titles; unsafe conditions, or other factors listed in the Tax Code.

- The area is “reasonably likely as a result of the designation to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property and that would contribute to the economic development of the municipality.”

An area undergoing gentrification is most likely to qualify for tax abatements under the first two criteria when it is in the early stages of gentrification. Neighborhoods in a later stage of gentrification should qualify under the third factor above by extending the abatements, for example, to retain locally-owned businesses in the area, thus meeting the requirements of retaining primary employment in the area and contributing to the economic development of the city.

A municipality awarding abatements must adopt guidelines and criteria for awarding the abatements in a reinvestment zone and enter into a written agreement with owners receiving abatements. The awarding of an abatement is contingent on the owner making specific improvements or repairs to the property, but the state statute does not set forth a minimum level of repairs that must be made.

The abatement agreement must (1) list the proposed improvements being made by the owner, (2) allow for inspections of the property, (3) “limit the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone” while the abatements are in effect (for example, Fort Worth bars sexually-oriented businesses in its agreements), and (4) require an annual certification that the owner is in compliance with the agreement. Counties and other taxing entities can extend property tax abatements to homeowners by entering into an abatement agreement identical to the city’s agreement.

Cities in many parts of Texas offer tax abatements for homeowners, typically tied to the homeowner making a certain level of improvements to the home. As part of a larger abatement program, the City of Fort Worth offers a full five-year abatement to homeowners and investors in single-family homes if they spend at least 30 percent of the appraised value of the homestead on rehabilitation. New construction is also eligible. Fort Worth’s abatement program is operated through Neighborhood Empowerment Zones (NEZs) and includes a purpose of creating and rehabilitating affordable housing. As of 2014, Fort Worth had designated more than 20 NEZs in the city. Waco offers a seven-year tax abatement to any homeowner making at least $30,000 in improvements on a home valued at $90,000 or more.

➤ **Community Land Trusts and Property Taxes**

A community land trust (CLT) provides for a significant reduction in property taxes for homeowners living in a CLT home. In a typical community land trust, the land is owned by a nonprofit organization while the home is owned by a low-income family. The family leases the land from the nonprofit under a long-term ground lease; 99 years is typical.

There are two primary categories of tax savings for homeowners in CLTs. First, under Section 11.1827 of the Tax Code, a city or county (or both) can elect to give a 100 percent tax exemption from property taxes on land owned by qualified community land trusts. Those tax savings are
passed onto the homeowner. Second, under Section 23.21(c) of the Texas Tax Code, the appraisal district must take into account the resale restrictions in a community land trust when appraising the CLT land and home.

Applying this section of the Tax Code, the Travis Central Appraisal District bases the appraisal of a CLT home on the resale-restricted price contained in the recorded ground lease between the homeowner and the CLT. For example, if the ground lease permanently restricts the resale price in a given year at $100,000, the appraised value of the home for that year is $100,000. The appraised value of the land is based on the income method, taking into account the income that is paid by the homeowner to the CLT under the ground lease and applying a capitalization rate to the present value of that income stream. The annual income on a typical CLT ground lease ranges from $600 to a few thousand dollars a year. Combining these different applications of the Tax Code can save a low-income homeowner in a CLT home thousands of dollars in property taxes each year.

➤ Taxpayer Assistance

The East Austin Conservancy provides grant assistance to long-time, low-income homeowners in East Austin who have fallen behind on their taxes, to help them catch up on their tax payments and to slow down displacement. Priority is given to homeowners with less than $3,000 in outstanding tax obligations. To be eligible for more than one year of assistance, the homeowner must develop a personal finance plan, follow the plan, and have either paid at least 50 percent of the prior year’s bill or be on a fixed income. The number of families the Conservancy serves is restricted by the donations it raises each year.

Policy Opportunities for the City of Austin to Provide Tax Relief for Vulnerable Homeowners

Austin does not have a lot of discretion to provide for additional property tax relief for homeowners who are vulnerable to displacement. Here is a summary of the key policy tools that are available, with the pros and cons of the tools following below:

<table>
<thead>
<tr>
<th>Summary of Policy Options for Providing Tax Relief to Vulnerable Homeowners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Create and fund a Homestead Preservation Center.</td>
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<tr>
<td>2. Provide city funding for a homestead exemption enrollment program, to sign eligible homeowners up for homestead exemptions including the senior disability exemptions.</td>
</tr>
<tr>
<td>3. Create an emergency homestead stabilization fund.</td>
</tr>
<tr>
<td>4. Fund a neighborhood stabilization loan program.</td>
</tr>
<tr>
<td>5. Adopt a tax abatement program for homeowners.</td>
</tr>
<tr>
<td>6. Adopt a freeze on property taxes for homeowners who are seniors or disabled.</td>
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<tr>
<td>7. Increase the City’s senior homestead exemption.</td>
</tr>
<tr>
<td>8. Adopt the senior volunteer tax break coupled with a senior volunteer program.</td>
</tr>
<tr>
<td>9. Partner with the Tax Assessor-Collector to provide targeted notices about the property tax deferral available for seniors, persons with disabilities, and disabled veterans, and provide notices in different languages.</td>
</tr>
<tr>
<td>10. Expand use of Community Land Trusts (CLTs) for current homeowners.</td>
</tr>
</tbody>
</table>
1. **Homestead Preservation Center**: By funding a new Homestead Preservation center, the City of Austin could support education about homestead exemptions and other property rights and responsibilities, targeting services towards vulnerable households in gentrifying neighborhoods who do not have an exemption or are delinquent on their taxes or mortgages. The center could also provide vulnerable residents with financial counseling to help them reduce debt, and with legal assistance to help eligible owners (such as heirs-property owners and mobile home owners, who often do not have an exemption) qualify for homestead exemptions. Another function of the center, which the city could operate through a partnership with a nonprofit, could be proactive outreach to help vulnerable owners negotiate payment plans with the tax collector and mortgage modifications with their lenders.

   - **Examples**: Cleveland (ESOP); Oregon (Homeownership Stabilization Initiative); Affordable Housing Centers of Pennsylvania; New York City Financial Empowerment Centers

   - **Pros**: Relatively low-cost solution to help vulnerable homeowners save hundreds of dollars in property taxes and stay in their homes by accessing constitutionally-mandated exemptions. Cities are able to tailor assistance to low-income homeowners in gentrifying neighborhoods.

   - **Cons**: None.

2. **Homestead exemption enrollment program.** Short of creating a Homestead Preservation Center, the City of Austin could provide funding to a community-based nonprofit, such as Meals on Wheels Central Texas, to conduct in-person outreach to homeowners without a tax exemption and provide on-the-spot assistance signing up for the homestead exemptions they qualify for. About a decade ago, the nonprofit PODER partnered with the Travis Central Appraisal District to provide targeted, door-to-door outreach to assist homeowners without homestead exemptions, after close to 800 homeowners were identified as not having an exemption. The City of Austin currently funds income tax and health insurance enrollment programs that could serve as a model for a homestead exemption enrollment program.

   - **Pros**: Low-cost program that would save vulnerable homeowners hundreds of dollars a year.

   - **Cons**: None.

3. **Emergency homestead stabilization fund.** An emergency homestead stabilization fund set up and funded by the City of Austin could provide short-term property tax and mortgage assistance to low-income, cost-burdened homeowners at risk of losing their homes because of a financial crisis. The assistance could be provided through the Homestead Preservation Center (see above) or another nonprofit such as the East Austin Conservancy, and could be coupled with financial coaching and other assistance to help stabilize families experiencing a financial crisis. In May 2018, Austin Mayor Pro Tem Kathie Tovo proposed a similar type of stabilization program funded by the City for low-income homeowners, directed towards assistance with mortgages versus property taxes.

   - **Examples**: Seattle (Foreclosure Prevention Loan Pilot Program); Cleveland, Ohio (ESOP Senior Property Loan Program); Milwaukee (Property Tax Rescue Assistance Program); State of Florida (Elderly Mortgage Assistance Program); Atlanta (Westside Community Retention Collaborative); Michigan (Step Forward Michigan).

   - **Pros**: Helps families hold onto their homes during a short-term financial crisis.

   - **Cons**: Does not provide long-term relief for vulnerable families unable to afford on-going tax increases or make their mortgage payments.

4. **Neighborhood stabilization loan program.** Some of the most vulnerable low-income homeowners need longer-term financial assistance to be able to stay in their homes and pay...
their mounting property taxes. The City of Austin could create a neighborhood stabilization loan program in gentrifying neighborhoods to provide longer-term, low-interest interest loans to low-income homeowners who are paying more than 30 percent of their income on housing costs. Each loan could be forgivable in exchange for the homeowner agreeing to a longer-term affordability restriction, ensuring that the home would be sold to another low-income owner and remains owner-occupied. The program could also provide forgivable loans for low-income residents whose parents have utilized a property tax deferral under state law and, when their parents die, are suddenly faced with a large property tax bill. The loan should be forgivable only to the extent the family member is income-eligible and agrees to remain in the home. While under state law a household with a homestead exemption is entitled to enter into a property tax payment plan with the tax collector, interest accrues at 12 percent a year, the plan cannot exceed 36 months, and a homeowner can enter into a new plan only after two years. Without a repayment plan, interest and penalties on delinquent taxes accrue at 24 percent a year.

- **Pros:** Provides lower interest and longer-term assistance to households than what is available under a payment plan with the tax collector and could cover housing needs beyond property taxes; possible gain for the city in permanently income-restricted affordable housing units for a relatively low cost compared to building new units.

- **Cons:** Longer-term and forgivable loan terms carry a larger financial burden for the city.

### 5. Tax abatement program for homeowners

The Texas Tax Code provides multiple mechanisms by which a city can grant tax abatements to homeowners and other property owners in a “reinvestment zone.” With a tax abatement, the city abates (i.e., waives) the city's property taxes on the increase in the appraised value of a property. A city can provide a partial or full abatement and must adopt guidelines and criteria for awarding the abatements in a reinvestment zone. A city can tailor the abatements to serve the most vulnerable homeowners in gentrifying neighborhoods (such as by pairing abatements with low-income persons participating in a city home repair program), as long as the area meets the definition of a reinvestment zone. Issuing an abatement is contingent on the owner making specific improvements or repairs to the property, but the state statute does not set forth a minimum level of repairs that must be made. Counties and other taxing entities can extend property tax abatements to homeowners by entering into an abatement agreement identical to the city's agreement.

- **Examples:** Fort Worth; Philadelphia; Portland (new homes only)

- **Pros:** A city is able to tailor tax relief to the most vulnerable homeowners.

- **Cons:** Administrative burden on city to process applications and enter into agreements with homeowners; homeowners with abatements likely to be hit with a sharp increase in property taxes when the abatement agreement expires.

### 6. Freeze on property taxes for homeowners who are seniors or disabled

Texas law provides homeowners who have a senior or disability exemption with an automatic tax freeze on the amount paid for school district taxes. With a tax freeze in place, once a homeowner qualifies for a senior or disability exemption, the school district taxes will never increase unless improvements (other than normal repairs or maintenance) are made to the home. The City of Austin has authority to adopt a similar tax ceiling via the City Council or petition and election by the city’s citizens.

- **Examples:** Fort Worth, Tarrant County, Williamson County, Cedar Park

- **Pros:** Provides tax relief to many persons on fixed incomes.

- **Cons:** The tax freeze cannot be limited to low-income seniors and shifts the city's property tax burden onto renters and younger homeowners.
7. **Increase the City’s senior homestead exemption.** Each taxing unit in Texas has authority to offer an additional flat dollar exemption for homesteads of seniors and persons with disabilities. In 2017, the City of Austin increased to $85,500 the amount of its exemption for seniors and persons with disabilities. Austin has authority to increase its exemption further.
   - **Examples:** Houston ($160,000); Dallas ($90,000); San Antonio ($65,000)
   - **Pros:** Provides tax relief to persons on fixed income and less expensive for a city to adopt than a tax freeze.
   - **Cons:** Benefits wealthy seniors as well as low-income seniors, although low-income households benefit more from flat dollar exemptions than percentage exemptions. Cities are barred by state law from tailoring the tax freeze to low-income seniors; shifts a city’s property tax burden onto renters and other homeowners.

8. **Senior volunteer tax break coupled with a senior volunteer program.** To help low-income seniors cover their property taxes, the City of Austin and Travis County could partner to provide seniors with volunteer opportunities, in exchange for the seniors’ property taxes being forgiven. The Texas Tax Code (Section 31.035) allows cities to offset a senior homeowner’s property taxes by the current federal minimum wage ($7.25) for each hour of volunteer work for the city or county.
   - **Pros:** In addition to the tax benefits, the volunteer tax break provides an opportunity for seniors to stay engaged in their community and to connect with other residents.
   - **Cons:** Unavailable for seniors who do not have the capacity to volunteer as a result of a disability, illness, or other barrier.

9. **Partnership with county tax assessor to expand notice of property tax deferrals.** A partnership could provide targeted notices about the property tax deferral available for seniors, persons with disabilities, and disabled veterans, and make the notices more accessible to homeowners who are not fluent in English. These classes of eligible taxpayers are able to defer part or all of their property taxes until they die or move, with interest of five percent on the taxes owed. The interest and penalties for homeowners not in the deferral program is 24 percent. Providing door-to-door outreach to homeowners, by trusted community members, would likely have the greatest impact in informing tax delinquent homeowners about the financial benefits of enrolling in the deferral program rather than paying late penalties and interest for delinquent payments.
   - **Pros:** Low-cost policy that would save vulnerable homeowners cumulatively thousands of dollars a year and help them stay in their homes.
   - **Cons:** None.

10. **Expand use of Community Land Trusts (CLTs) for current homeowners.** Community land trust homes in Austin have so far been targeted towards new homeowners. The community land trust could be expanded to serve existing homeowners interested in participating in the model. The homeowner would give up some equity in the home in exchange for the significant long-term tax relief that comes with the CLT model. The model could also be coupled with rehabilitation assistance to help owners in deteriorating housing conditions.
    - **Pros:** As discussed above, CLT come with significant property tax savings for homeowners. If the ground lease permanently restricts the resale price at $100,000, the home is taxed based on an appraised value of $100,000. The appraised value of the land is also heavily restricted compared to a similar lot outside the CLT model.
    - **Cons:** There are long-term administrative costs in running a CLT, especially as a CLT is brought up to scale, along with tradeoffs for the current homeowner: The homeowner would continue to own her home but not the land, which is leased to the owner for 99
years. When selling the home, the resale price is restricted, providing the owner with some but not all of the appreciated value in the home.

11. Additional policies and tools. The following are additional strategies and tools to consider adopting for providing tax relief for vulnerable, low-income homeowners:

- Work with the tax assessor-collector to limit foreclosures of occupied homesteads.
- Require title companies to offer homeowners purchasing a home the opportunity to begin the homestead exemption application online at the closing on the home. After beginning the application, the homeowner will have to follow up by providing the appraisal district with a new state identification card that matches the address of the new home.
- Reach out to the Texas Comptroller to provide clear guidance and policies for qualifying heirs property owners for the homestead exemption and to include an affidavit in the application for heirs owners who are not seniors or disabled.

City of Austin Homeowners with Property Tax Delinquencies by Zip Code, May 2018

Delinquency 2+ years w/ homestead exemption as % of total homeowners

Sources
- Travis County Tax Assessor Office
- American Community Survey 2012 - 2016 (5-Year Estimates), Social Explorer, Table SE:T94, “Tenure,” all City of Austin ZIP Codes
Endnotes


3 Travis County Tax Office (2018), Tax Delinquent data set, retrieved May 1, 2018 from https://tax-office-traviscountytexas.gov/reports-data. These delinquency rates do not include owners without a homestead exemption.


6 Tex. Property Code, § 11.43(m), and Tex. Transportation Code, § 521.049 (requiring the Texas Department of Transportation to provide to appraisal districts the date of birth and other information from drivers’ licenses and personal identification cards).

7 Tex. Tax Code, § 11.261(a).

8 Tex. Const., Art. VIII, § 1-b(h).


11 Tax estimates based on current tax rates; assumes appreciation at a rate of 10% a year and flat tax rates.


14 Tex. Tax Code § 312.204(a).

15 Tex. Tax Code, § 11.261(a); Tex. Const., Art. VIII, § 1-b(h).