

RESOLUTION NO.

WHEREAS, over the last decade median single family home prices in the City of Austin have continued to rise at rates that far outpace increases in family incomes; and

WHEREAS, property taxes have risen 38% since 2003 and yet median income, when adjusted for inflation, has remained flat; and

WHEREAS, the City Council has a strong commitment to exploring options for providing relief from soaring property taxes; and

WHEREAS, unlike income taxes, property taxes are not based on cash flow, meaning Austin homeowners have consistently owed more in property taxes in recent years regardless of their ability to pay; and

WHEREAS, other major cities in the State of Texas, including Houston and Dallas, offer homeowners a 20% homestead exemption on city property taxes; and

WHEREAS, a form of relief can be found in providing homeowners with homestead exemptions, better enabling those owners to remain in their homes as home values continue to rise at a rate that outpaces income opportunities; and

WHEREAS, some companies have recently relocated outside of the Austin in part due to the rising cost of living that their employees were facing; and

Item #050
Department Initiated Change
From Councilmember Garza

WHEREAS, in March 2014, the Austin City Council acknowledged the need for property tax relief by voting to raise the property tax exemption for homeowners older than 65 or disabled from \$51,000 per year to \$70,000 per year; and

WHEREAS, all Austin homeowners are facing rapidly rising property tax bills; and

WHEREAS, State law requires a general homestead exemption to be set as a percent of value with a minimum exemption of \$5,000; and

WHEREAS, the City of Austin has adopted a homestead exemption allowing for a \$5,000 reduction in taxable valuation; and

WHEREAS, many Austin homeowners have urged the City to consider offering a higher general exemption for all homestead properties; and

WHEREAS, homeownership rates among districts vary widely, with three districts comprised of less than 30% homeowners, and two districts with homeownership rates higher than 55% according to the City of Austin Demographer; and

WHEREAS, Council districts have a significant range in home values, and the Austin Board of Realtors estimates that District 2 has a median family home price of \$168,103 and District 10 has a median family home price of \$498,426; and

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WHEREAS, both homeownership rates and median family home values will have a significant impact on what populations will benefit from a potential homestead exemption, and a district level analysis that includes both of these factors would be useful information for Council and the public to have during deliberation of a potential homestead exemption policy; and

WHEREAS, it is necessary to understand all of the budget implications of offering a homestead exemption in order to make informed policy decisions; and

WHEREAS, for the last five fiscal years, there has been an increase in General Fund requirements of approximately \$40 million to keep pace with increases in fuel costs, health insurance premiums, and cost of living adjustments for non-sworn personnel; and to meet the requirements of labor contracts and add additional officers; which, aside from police officers, doesn't account for any additional funding needed to increase services to meet the growing demands of the community; and

WHEREAS, offering a 20% homestead exemption has been estimated to result in a \$36 million reduction in the General Fund, which could be offset by an increase in the property tax rate, a reduction of City services, or a combination of those options; and

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WHEREAS, potential changes to the homestead exemption must take into account the majority of Austinites who rent, and an increase to the property tax rate to offset the impact of a homestead exemption could result in higher costs in housing for renters; and

WHEREAS, ~~the City won't have current fiscal data available that is necessary to understand~~ used during the annual budget implications forecast until mid or late April; and

WHEREAS, the City Manager proposes a budget annually with recommendations for the tax rate and allocation of offering resources to City departments which has been released to Council and the public at the end of July in previous years; and

WHEREAS, Council has a deadline of July 1, 2015 to adopt a policy that would enact a homestead exemption in order to make informed policy decisions to go into effect for Fiscal Year 2016; and

WHEREAS, Council would benefit from having a menu of recommendations from the City Manager about which services could be reduced, an increase to the tax rate, or some combination of those options to accommodate the reduction of resources in the General Fund that would result from a homestead

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exemption prior to considering adoption of a homestead exemption policy by the
July 1, 2015 deadline; and

WHEREAS, requesting feedback from the City Manager in May would
allow inclusion of the most current fiscal data and provide Council time to
deliberate the policy and solicit public input; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Manager is directed to analyze the impact on homeowners and the
City budget of implementing a 20% Homestead Tax Exemption over the terms of 1
year, 2 years, and 4 years ~~and to present this information to the City Council no~~
~~later than the March 24, 2015 work session, or as soon as possible.~~ The analysis
shall include a district level analysis, the potential financial impact for renters, and
^{Options} recommendations from the City Manager regarding how any potential funding gap
would be addressed through an increase in property taxes, reductions in specific
services, or a combination of both (or other options)

The City Manager shall present this information to the City Council no later
than the May 12, 2015 work session, or as soon as possible.

ADOPTED: _____, 2015

ATTEST: _____

Jannette S. Goodall
City Clerk