



BOARD/COMMISSION RECOMMENDATION

Economic Prosperity Commission

Recommendation Number: 20230327-04a: Respecting Renters in the Budget

WHEREAS, the City of Austin 2022-23 Budget's "Taxpayer Impact Statement" refers to a ""Typical" Resident Ratepayer" who pays property tax with a homestead exemption and, therefore, must be a homeowner.

WHEREAS, Austin has a majority of renters. The U.S. Census Bureau for the time period 2017-2021 reports that only 44.7% of the housing units in Austin are owner-occupied.

WHEREAS, Austin's African-American and Hispanic/Latino households are even more likely to be renters. The Housing and Planning Department reports that, based on 2020 US Census data, 28.2% of African-American households owned their home and 36.5% of Hispanic/Latino households owned their home.

WHEREAS, low-income long-term residents of Austin have almost all become renters. The following data comes from the 2021 Austin Housing Analysis project by the University of Texas Urban Information Lab and the City of Austin: In 1993, 1 in 4 of the lowest-cost housing options available in Austin was a single-family home or condo. By 2019, only 1 in a 100 was.

WHEREAS, homeownership in Austin is exclusively for the wealthy or creditworthy. The lowest-cost house with multiple bedrooms for sale on Zillow is offered at \$224,900. That is 2.8 times the median household income of \$78,965 (US Census 2017-2021). The building is almost 50 years old and only 1,204 square feet.

WHEREAS, renters pay property taxes indirectly. Landlords are charged property tax and for-profit landlords would not rent their properties unless the rent compensated for the property tax.

WHEREAS, Austin needs low-cost rental housing and higher taxes on rental housing will restrict its production.

WHEREAS, where a higher property tax on a rental property is passed through to the resident, it represent a tax on less-wealthy Austinites. And, where a higher

property tax on rental property is not passed through to the resident, it reduces the incentive of investors to provide needed rental housing.

WHEREAS, a different tax on rented and owned properties distorts the market. Short-term wealthy residents will buy in order to pay lower taxes and long-term less-wealthy residents will be forced to rent at higher prices.

WHEREAS, the City of Austin 2022-23 Budget's "Taxpayer Impact Statement" has only one rate that decreased, the "Property Tax Bill", and it is unavailable to Austin's renters.

WHEREAS, the City of Austin 2022-23 Budget's "Taxpayer Impact Statement" calculated the property tax for the homeowner using the "median homestead", which implies that it is the 50th percentile of the 44.7% of housing units that are owner-occupied.

WHEREAS, the City of Austin 2022-23 Budget's "Taxpayer Impact Statement" spends more than half the page discussing details of the Homestead Exemptions, a tax discount only available to homeowners.

WHEREAS, the City of Austin 2022-23 Budget includes a 20% general homestead exemption, which gives a larger tax discount to residents with more expensive houses. The Travis County Appraisal District reports that in 2022, the City of Austin laws exempted \$15.0 billion of homeowners' taxable value. This discount, unavailable to renters, averaged \$502 per housing unit.

WHEREAS, the laws of the State of Texas include a 10% increase cap on the assessed values of homesteads, which gives a larger tax discount to residents with more expensive homes. The Travis County Appraisal District reports that in 2022, the homestead cap exempted \$33.5 billion of homeowners' taxable value. This discount, unavailable to renters, averaged \$1,174 per housing unit.

WHEREAS, Austin's voters consider renters respected members of the community, as demonstrates by electing renters to City Council.

NOW, THEREFORE, BE IT RESOLVED that the Economic Prosperity Commission recommends that the City of Austin:

Require that the City of Austin 2023-24 Budget shall respect renters as "Typical" residents of Austin.

Require that the City of Austin 2023-24 Budget's "Taxpayer Impact Statement" add a line for the average tax per rental unit, which includes the property tax and all other taxes and annual fees on rental properties.

Require that the City of Austin 2023-24 Budget's "Taxpayer Impact Statement" rename the line "TOTAL YEARLY IMPACT" to "TOTAL YEARLY IMPACT (homeowner)"

and add a line for "TOTAL YEARLY IMPACT (renter)", which includes the average taxes and fees paid per rental unit.

Require that the City of Austin 2023-24 Budget's "Taxpayer Impact Statement" include a calculation of "TOTAL YEARLY IMPACT (renter)" for the previous budget, Fiscal Year 2022-23, and compute a percentage increase from Fiscal Year 2022-23 to Fiscal Year 2023-24.

Require that the City of Austin 2023-24 Budget's "Taxpayer Impact Statement" use the bottom half of the page to hold a table of "TOTAL YEARLY IMPACT" for Austin residents at all income levels. Rows should be by household income for every 10th percentile, from bottom 10% to top 10%. The row headers should be income brackets in dollar amounts. (Not income percentiles, since most residents do not know their income percentile.) Unless City staff have more detailed knowledge, they can assume that residents in the bottom 10th percentile of income uses the average (mathematical mean) of the bottom 10th percentile of residential Austin Energy usage, residential Austin Water usage, etc.. City Staff should estimate what proportion of each income bracket are homeowners and renters and assign an average (mathematical mean) property tax weighted by that proportion, based on properties that income bracket would rent or own. If that cannot be determined, Staff should assume the bottom 55.3% rent and the top 44.7% own, and update those percentages based on input from the City Demographer. The table's columns would be the "TOTAL YEARLY IMPACT" for 2022-23 and 2023-24 and the dollar change between years. Three additional columns would show the same amount for "Senior/Disabled" residents. Since this table includes low-income residents, the City Staff may include cash and in-kind benefits given directly to specific Austinites as part of the "TOTAL YEARLY IMPACT" for residents. By using the average (mathematical mean), the average (mathematical mean) of each column will be the average for every resident of the City of Austin.

Require that the City of Austin 2023-24 Budget include tables, possibly in the appendix, that show the breakdown of fees and the proportion of homeowners vs. non-homeowners for each income percentile. In short, for each income bracket from bottom 10% to top 10%, it should repeat the table that on the top half of the "Taxpayer Impact Statement" for each income percentile.

Require that in the following years' budgets, such as the City of Austin 2024-25 Budget, the percentiles of the "Taxpayer Impact Statement" be calculated more accurately. That is, attempt to match up Austin Energy fees, Austin Water fees, property tax, etc. by household address and then, next to each income bracket, display the average fee for each percentile of total households. The staff should make adjustments to accurately reflect households without addresses or whose addresses change. The adjustments should be clearly explained in the budget, possibly in an appendix.

Require that in this year's and all future years' budgets, any mention of Property Tax for a representative homeowners include similar treatment of Property Tax effects on a similar renter. This should apply to any mention, be it in figures, tables or graphs. Staff should be aware that the "median homeowner" is probably at the 70th percentile of income in Austin, while the "median renter" is probably close to the 30th percentile. For example, pages 157 to 161 of the City of Austin 2022-23 Approved Budget includes a graph of "City Property Tax Bill on Median-Value Home as a Share of Median Family Income: FY18 - FY22". For this graph, a similar treatment for a similar renter would be the property tax paid by someone renting the median-value home, not the property tax paid by the median renter.

Date of Approval: March 27th, 2023

Record of the vote: Unanimous on a 6-0 vote

X

Kelsey Hitchingham
Chair

X


Michael Nahas
Vice Chair