

Alleviating the Appraisal Burden: A Cost-Benefit Analysis of Property Tax Relief

The Center for Civic and Public Policy Improvement

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1 | Introduction



Southeast Affordable Housing Initiative

- Partnership between CCPPI and Midtown Redevelopment Authority (MRA)
- 77004 and 77021
- Low-moderate income: 80-120% AMI (75K-113K)
- Goal: sustainable, affordable rentals and homes
 - Reduced housing cost burden (<30% of income)



Project Objective

- High appraisals (350k+) = unaffordable property tax bills
 - Pushes homeowners out
- Proposal: base appraisals on purchase price + 10%
- Conduct cost-benefit analysis
 - Loss of tax revenue
 - Individual and community benefits
- Focus on program participants: first-time homebuyers



Cost Analysis | 2



Method

- CCPPI provided sample of recently sold homes
- Used HCAD and Harris County tax records
- Basis: average first appraisals and % taxed
 - Most first appraisals in 2021/2022
- Also calculated average high appraisal (77004 only)



Sample Appraisals and Taxes

	77004	77021
Avg. 1st appraisal	\$334K	\$226K
Avg. high (\$350,000+) appraisal	\$421K	N/A
Avg. taxed % 2023	1.27%	1.33%



Method Cont.

- Projected 5-year tax revenue with 10% annual appraisal increase
- Estimate 1 (E1): Usual revenue for upcoming 100+ properties
- Estimate 2 (E2): Repeated E1 with higher 77004 appraisal values
- Estimate 3 (E3): CCPPI Proposal - purchase price + 10%
 - Compared against E1 & E2



Findings

- **77004: CCPPI Proposal costs \$9K/home (vs E1)**
 - **Costs \$15K/home with high appraisals (vs E2)**
- 77021: CCPPI Proposal costs \$100/home (vs E1)
- Total tax revenue losses: \$800K (vs E1), \$1.5M (vs E2)
- 77021 has lower appraisals, less benefit
 - Explored alternatives



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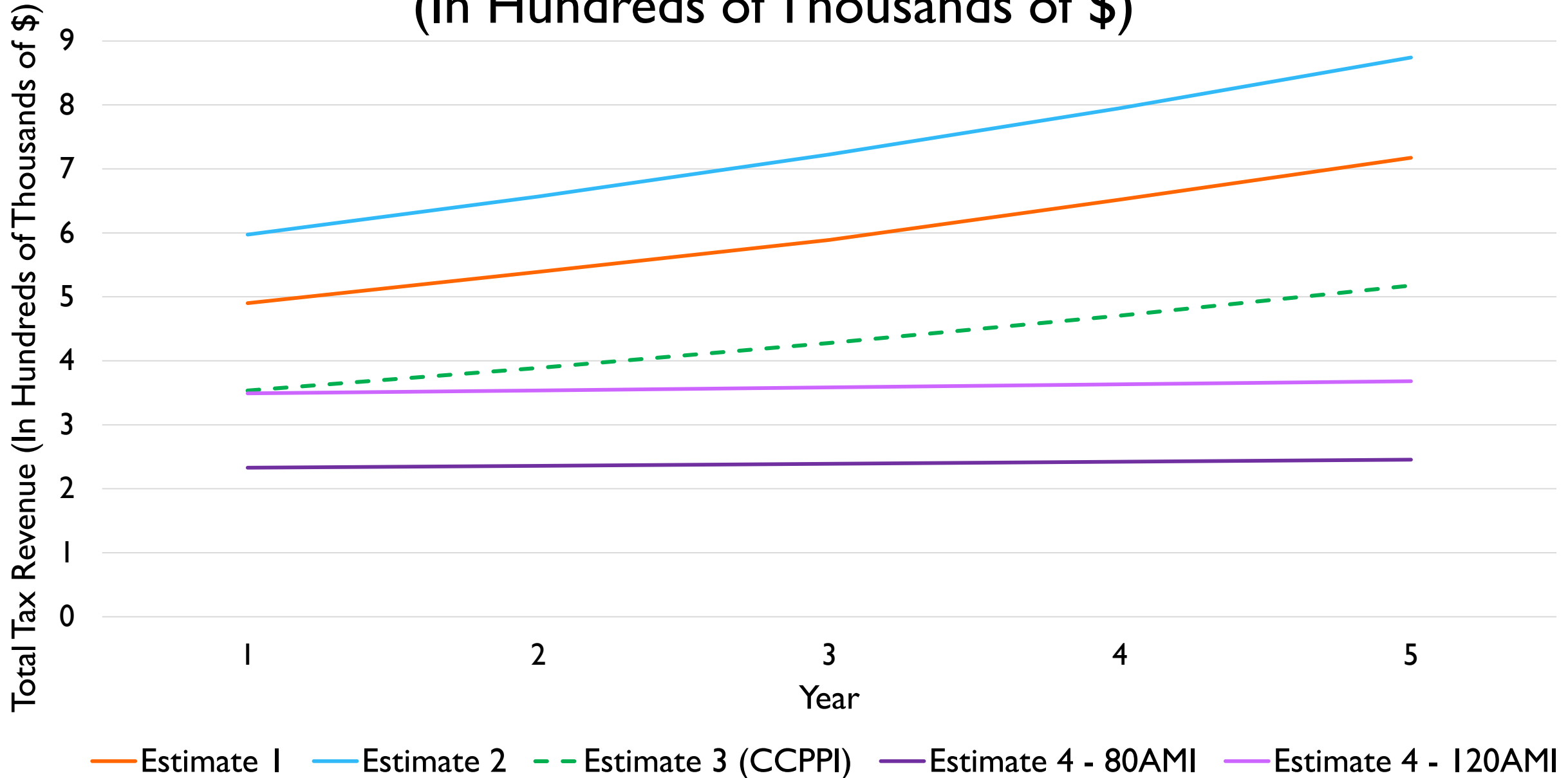


Income-Cap Alternative

- Used in 29 other states
- Estimate 4 (E4): cap property taxes at 2.5% income
 - 80-120% AMI: \$1.9K- 2.9K
- Greater individual benefit, but greater loss for county:
 - 77021: \$4K-9K household savings vs EI
 - 77004: \$11K-16K household savings vs EI
 - Total county loss: \$1.2M-1.8M



Tax Revenue to Harris County (In Hundreds of Thousands of \$)



3 | Benefit Analysis

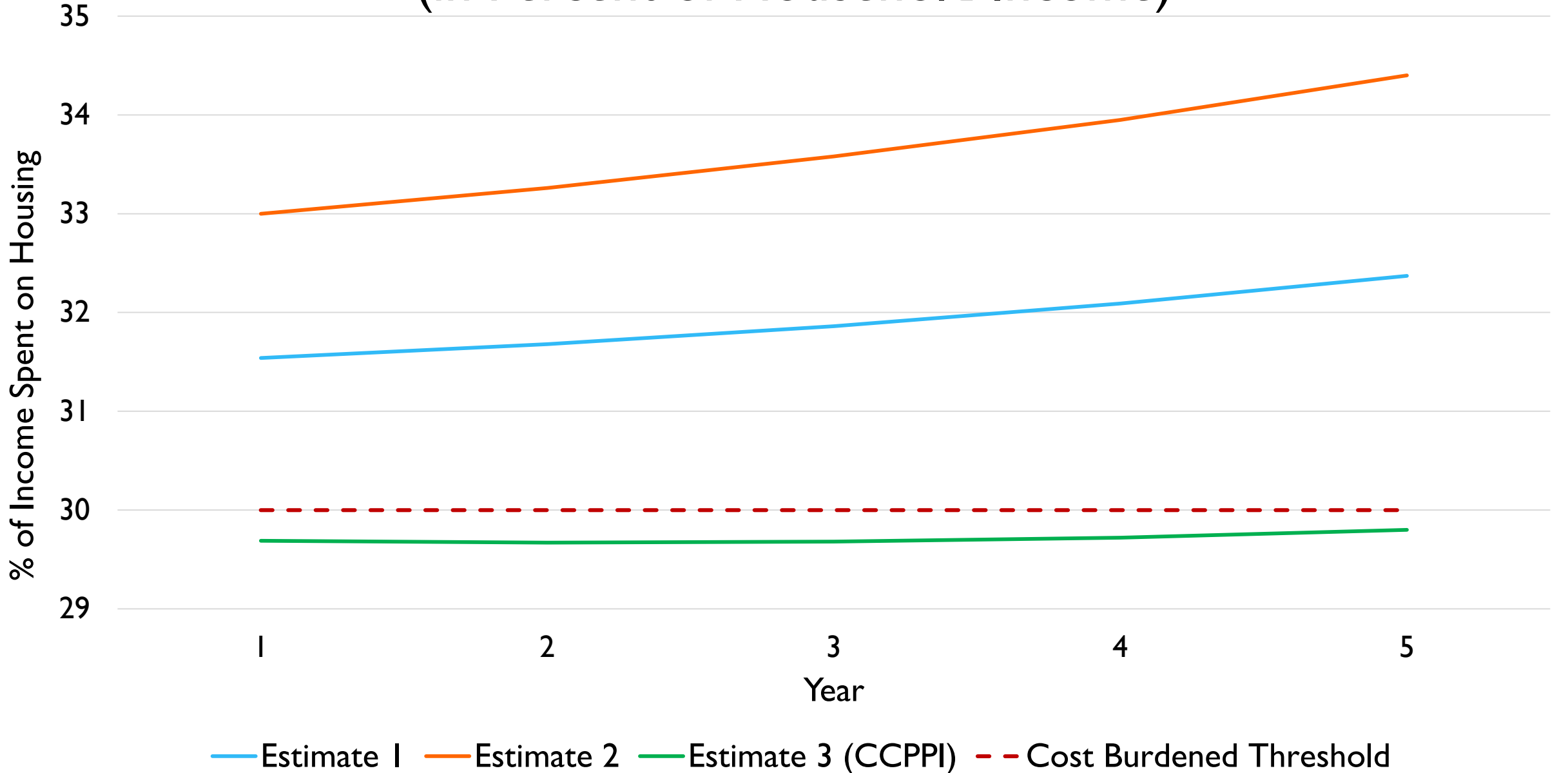


Overarching Benefits

- Housing cost burden will be 20-34% of income in 77004/77021
 - Mortgage, insurance, property tax, utilities, etc.
- CCPPI proposal lowers 2-5 p.p. (77004)
- Positive externalities
 - Denver homeownership program: net social benefit of \$6,000/participant



77004 80% AMI Cost Burden Comparison (in Percent of Household Income)



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Economy & Health

Economy

- Wealth building
 - \$6,000-\$10,000+/year in wealth holdings
- More demand for local goods/services
- Business property & sales tax

Health

- Homeowners' health > renters' health
- More income: food and healthcare
- Reduced housing stress
 - Physical and mental impacts



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Community & Education

Community

- Less foreclosure & crime
- Homeownership = less turnover, more stability
- Greater social cohesion
- Better quality of life

Education

- Stable housing, less educational disruptions
- Increased graduation rates + higher attainment
- \$200,000+ more in lifetime earnings



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Limitation

- Benefits often measured by comparing prior vs. current housing
- Lack of knowledge of CCPPI's residents and impact
- Partial solution: polling residents
 - Past situation, & safety, health, community connection, etc.
 - Is their current situation worse/better than before?



Recommendations | 4



Summary & Next Steps

- **CCPPI's proposal save homeowners \$9-15K in 77004**
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- County loss, but variety of individual and community benefits
- Recommend CCPPI survey participants
- Future research can explore additional funding sources



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