



Date: August 8, 2021

To: Wanda S. Page, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Community Development
Subject: Developing a Plan for an Expanded Property Tax Assistance Program

Executive Summary

At the June 21, 2021, City Council meeting, the City Council asked the Administration to develop a proposal for an expanded property tax assistance program serving low-income homeowners in the City. City Council requested that the Administration share with them the proposed process for developing a proposal in August. The purpose of the memo is to summarize the process that staff recommends following to develop a city-wide Longtime Homeowner Grant Program, including the issues to be considered in developing options. The Administration has set a November 2021 target date to present options to the City Council.

Motion

To receive a presentation on the plan to develop a city-wide Longtime Homeowner Grant Program.

Background

The current Longtime Homeowner Grant Program is designed to assist eligible homeowners in the identified target areas (Southside, Northeast Central Durham, and Southwest Central Durham) with an increase in property tax obligations based upon the 2016 Durham County property taxes valuations. These increases in property taxes are believed to be the direct result of the City's neighborhood revitalization that occurred from 2013 to 2016. Many homeowners in the low to moderate-income range have limited resources and find it difficult to afford the increase in property taxes.

At the time, the City Council requested the Administration draft a property tax relief program. The Longtime Homeowner Grant Program assists eligible homeowners in the target areas identified as having a qualifying event (circumstances where the City's revitalization or home improvement activities have caused an excessive increase in property valuations and property taxes) occurring within the last five years by providing a grant to assist with the additional funds needed to pay their assessments. Homeowners that meet the established program guidelines can apply for a grant. The program began in the fall of 2017 as a three-year pilot project. In 2020, City Council asked the Administration to continue the program for an additional pilot year which is the 2021 application period.

Issues and Analysis

For the Longtime Homeowner Grant Program to transition from three neighborhood-based target areas to city-wide, several areas of consideration will require analysis, which will have cost implications. Staff recommends that a proposal for an expanded property tax relief program

address the following topics: legal recommendations, key policy and program issues, program administration, and program cost. These are described in greater detail below.

(1) Legal Recommendations

The City Attorney's Office recommends the following to be incorporated in the proposals: 1) the program either should be city-wide or targeted areas where city housing investment has occurred, and 2) payments must be made directly to the tax collector on behalf of the qualified applicant, rather than making payments to the applicant.

(2) Key Policy and Program Issues

Several public policies and program design issues will impact the shape of a city-wide property tax assistance program. These choices will ultimately affect the cost projections. Key issues are summarized in the table below:

Issue	Considerations
Income Threshold	<ul style="list-style-type: none"> ▪ Should the program establish an absolute income threshold for all households, as with the state property tax relief programs, or use a relative measure such as percentage of area median income? ▪ What is the recommended income threshold – absolute or relative – for the program?
Other household eligibility requirements	<ul style="list-style-type: none"> ▪ Should there be any other eligibility requirements, such as the homeowner's age, tenure as the homeowner and/or date of a home purchase? These could be ways to focus assistance on specific high priority groups, such as longtime homeowners.
Income Calculation	<ul style="list-style-type: none"> ▪ Should income calculation be based on homeowner income, as with the state programs, or household income, as typically required for affordable housing programs? Household income is more time-consuming to verify than homeowner income, but it gives a complete picture of household financial position.
County vs. City Property Taxes	<ul style="list-style-type: none"> ▪ Will the program seek to assist with payment regarding the City share of property taxes, or is the intent also to provide assistance for the County share?
Connection with State Property Tax Relief Programs	<ul style="list-style-type: none"> ▪ Will households eligible for the Elderly/Disabled Homestead Exemption or Disabled Veterans Exclusion be required to apply for these programs first before seeking City assistance?
Amount of assistance	<ul style="list-style-type: none"> ▪ Should the amount of assistance be based on a percentage of taxes owed, a percentage of household income, or something else? ▪ Should there be a cap on award size?
Duration of Assistance	<ul style="list-style-type: none"> ▪ Should there be any limits on how many years of assistance a household can receive?
Payment of Assistance	<ul style="list-style-type: none"> ▪ Will payments be made to homeowners or Durham County Tax Administration? ▪ Will payments be made upfront to cover taxes that have not yet been paid or in arrears on a reimbursement basis?

(3) Program Administration

Based upon the program design, the Administration will consider whether the staffing should be in-house or outsourced to a third party. The administrative cost will depend upon the overall utilization of the program and, particularly, the number of ineligible applications. The assessment of whether an application is eligible or ineligible takes a similar amount of time prior to the eligible applications moving forward in the payment process. The volume of work for the proposed Longtime Homeowner Grant Program will be larger than the current program, given the more significant number of eligible applicants and the greater complexity involved in calculating eligibility based upon household income.

(4) Program Cost

Durham has an estimated 19,700 home-owning households that have a household income below 80% of the area median income. There are just under 15,000 home-owning households below 60% of the area median income. To develop an estimate, the Administration will need to examine the impact of variables such as:

- Household Size
- Average Income
- Average Home Price
- Average Property Tax Bill
- Application Unitization Rate
- Ineligible Applications

(5) Process and Timeline for Proposal Development

Staff projects that it will take about three months to research and develop the program options. Staff from several departments will be included in the development: Community Development Department, City Manager's Office, City Attorney's Office, Budget and Management Services Department, and the I-Team.

Alternatives

The Administration's goal is to provide the City Council with policy options to make the program city-wide. The Administration will need to assess and develop options for City Council consideration.

Financial Impact

This presentation has no financial impact on the City of Durham. The financial impact will be discussed when the program options are presented.

Equal Business Opportunity Summary

Due to the nature of this agenda item, a review by the Equity & Inclusion Department was not required.

Contractor Workforce Diversity & Hiring Practices

Due to the nature of this agenda item, obtaining Contractor Workforce Diversity & Hiring Practices information is not applicable.

Attachment

Presentation