



## CODENEXT V4 AND YOUR PROPERTY TAXES

### Would CodeNext V4's upzoning of the entire city raise property taxes?

**Yes, without a doubt.** The only question is by how much and how soon.

A recent [study](#) found that zoning for high-density housing “is far from the progressive policy tool it has been sold to be” and “mainly leads to building high-end housing in desirable locations.” [Another](#) showed that it leads to higher prices instead of lower ones. Austinites have seen that dynamic play out on the East Side, where generations of families have been displaced by luxury units. Higher property values mean higher taxes.

Mayor Adler asserts that taxes **on your home** will not go up because of upzoning. The mayor cites a state law that says homesteads may be assessed only as a residential use. This is correct as far as it goes. However, the Travis County Appraisal District may treat sales of nearby houses purchased by investors, motivated by upzoning, as comparable-sales to appraise your home. This is because the Appraisal District might not be aware that the sales were to investors intending to redevelop their property at a future time.

Mayor Adler asserts that the appraisal district (TCAD) can't use sales prices to investors because of the state law. What he is really saying is that even though TCAD may not know the difference between your house and the nearby investor-purchased house, you will have the right and burden to have TCAD not consider investor purchases by filing an appeal and bringing it to their attention. It will be up to the homeowner to try to convince an appraisal review board that the purchases were for development – even if development has not yet occurred.

So the Council proposes to put the burden on homeowners to keep their taxes from rising. Think of all the homeowners in Austin who don't have the resources and time to carry this burden.

Mayor Adler fails to highlight that upzoning of **rental properties and commercial properties** will definitely affect tax appraisals because the homestead valuation provision does not apply to rental property. Over twenty percent of single unit structures in Austin are [renter-occupied](#). In some neighborhoods, renters make up more than 50%. When appraisals go up, rents go up. When rents go up, tenants are displaced because the property becomes unaffordable.

## Does density increase property values?

It is undisputed that density increases property values. Increased property values lead to increased taxes. All we have to do is look at East Austin for proof. See this, from [Crossing Over: Sustainability, New Urbanism, and Gentrification in Austin, Texas](#), by Andrew M. Busch, 2015:

*“In the five years between 2000 and 2005, property taxes in the 78702 zip code, which covers the entire central Eastside from I-35 to Airport Boulevard and the Colorado River to Martin Luther King Jr. Boulevard, increased by over one hundred percent.*

...

***The increasing price of real estate and land in the developed areas and adjacent properties constitutes perhaps the most obvious way New Urbanism sets gentrification in motion. A recent study by the Urban Land Institute found that New Urban design alone can raise real estate prices dramatically. Property taxes also rise too quickly and dramatically for marginalized residents to endure. In 2004 a Human Rights Commission study found that approximately 70 percent of foreclosures in Austin occurred on the Eastside and recommended a ninety-day moratorium on new projects. A University of Texas study found that land values in one Eastside neighborhood, which housed a high concentration of the city's New Urban projects, rose 400 percent between 1998 and 2004. Property taxes increased by 123 percent. The average housing cost in the central Eastside rose 250 percent between 2000 and 2007, from \$77,000 to \$195,000. Even housing deemed affordable in transitional neighborhoods often excluded working class Eastside families. In 2005, the affordable housing baseline was set at \$56,000, 80 percent of Austin's median household income; the average household income among minorities in Austin was roughly half that in 2000. Racial change was obvious as real estate values and property taxes increased; between 2000 and 2010 the proportion of minority residents declined by at least 15 percent in every neighborhood on the central Eastside. "Austin's Smart Growth planning is a land grab," protested a letter writer to the Austin Chronicle, "a purge of lower income Austinites" from their traditional neighborhoods.”*** (emphasis added)

## How many properties are we talking about?

CodeNext V4 would upzone every property in the city. The City counts only as additional residential capacity what it thinks the market could produce. They say that number is 397,966 units of additional capacity over the next ten years despite the fact that the City's demographer has indicated that [the city needs only 75,000 to 85,000](#) more new residential units over 10 years, based on current growth rates. In fact, the citywide upzoning would cover a dramatically higher number of units. The net effect is that real estate redevelopers will be allowed to cherry-pick the most desirable locations to build luxury housing after displacing current

residents. As these redevelopments occur, the appraisal district will be using them as sales comparisons for reappraising nearby housing. This will increase your appraisal and taxes.

## The City of Austin admitted last year that CodeNext V3 would increase citywide tax collections, but they don't mention it today.

Here is a slide from the [Code Next Report Card](#) on Draft 3 comparing tax revenue per acre under the their estimate of the current code versus Draft 3. Draft 3 forecasted 287,000 total new housing capacity.



The current Report Card on V4 contains no such slide. Draft 4 forecasts 397,966 units of new capacity. Do the math. That pretty much sums it up. **Follow the money.**