

APPROVAL OF PROPERTY TAX EXEMPTIONS FOR ORGANIZATIONS  
CONSTRUCTING OR REHABILITATING LOW-INCOME MULTIFAMILY RENTAL  
HOUSING POLICY

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I. SCOPE, PURPOSE, AND DEFINITIONS

    a. Scope

- i. This policy applies to organizations and properties that meet the requirements defined in Section I.c. of this policy.

- ii. Organizations receiving an exemption under Texas Tax Code, Section 11.182, during any part of the 2003 tax year are not subject to this policy.
- iii. Housing projects whose purpose is to sell or rent single-family dwellings that are eligible for an exemption under Texas Tax Code, Section 11.1825, are not subject to this policy.
- iv. In the event that this policy conflicts with state or federal law, state and federal law supersede this policy.

b. Purpose

- i. Texas Tax Code, Section 11.1825, provides for exemptions to property taxes of real property owned by certain organizations that will rehabilitate or construct the property for the provision of housing to individuals and families meeting certain income requirements. On April 4, 2023, Commissioners Court directed the Office of County Administration (OCA), Management and Budget (OMB), Tax Assessor-Collector (TAC), Community Services Department (HCCSD), and any other relevant county departments to prepare a Countywide policy consistent with a balanced budget related to adopting certain tax exemptions for qualifying entities to construct and preserve affordable rental housing. This policy establishes the process and relevant parties responsible for allowing eligible organizations to receive property tax exemptions from Harris County taxes to accomplish the above purpose.

c. Definitions

- i. “Application Period” means the annual time period that an organization seeking a Property Tax Exemption may submit an application for the exemption.
- ii. “Commissioners Court” means the Harris County Commissioners Court.
- iii. “Date of Court Action” means the date which Commissioners Court acts on the written request for a property tax exemption under Texas Tax Code, Section 11.1825
- iv. “Exemption-Eligible Organization” means an organization that meets the requirements established by Texas Tax Code, Section 11.1825(b), (c), (d), and (e).
- v. “Exemption-Eligible Property” means a property located wholly or partially within Harris County that meets the requirements established by Texas Tax Code, Section 11.1825(f), (g), (i), (j), (k), (l), (m), and (p-1).
- vi. “Property Tax Exemption” means a property tax exemption allowed under Texas Tax Code, Section 11.1825, of Harris County taxes.
- vii. “The County” means Harris County.

## II. APPLICATION FOR EXEMPTION AND DETERMINATION OF ELIGIBILITY

a. Submission of Application for Exemption

- i. Each fiscal year, OMB must determine the dates of the Application Period. OMB must inform HCCSD of these dates as soon as possible. These dates must be posted on OMB's and HCCSD's respective websites.
- ii. During the Application Period, an organization seeking a Property Tax Exemption must submit an application to HCCSD requesting the Property Tax Exemption.
- iii. A copy of this application must be submitted by the organization seeking a Property Tax Exemption to the offices of the Harris County Judge, all Harris County Commissioner Precincts, and OMB. The copies must be sent on the same day the original application for Property Tax Exemption is sent.
- iv. HCCSD must promulgate an application form for this purpose within ninety (90) days after the effective date of this policy. HCCSD may develop rules related to the administration of this application for Property Tax Exemption, including the method of submission, backup documentation related to the application, among other rules deemed necessary by HCCSD. HCCSD must request that an organization seeking a Property Tax Exemption disclose any previous revocations of the exemption, as described in Section V.e.1. of this policy.
- v. HCCSD may require an application fee be submitted along with the application. This fee must be determined prior to the Application Period.

b. Determination of Eligibility

- i. Using the information provided by the organization seeking a Property Tax Exemption, HCCSD will determine whether the organization and property included in the above application are an Exemption-Eligible Organization and Exemption-Eligible Property, respectively.
- ii. HCCSD may request assistance from the Harris County Attorney's Office (CAO) or any other resources to make the above determination.
- iii. HCCSD must inform the organization requesting the Property Tax Exemption of their eligibility within fourteen (14) days after receipt of the application. If an organization requesting a Property Tax Exemption is deemed not eligible, HCCSD must provide the reasoning the organization is not eligible. The organization must be informed of its eligibility determination by notice using the method of communication that the application was submitted to HCCSD.
- iv. HCCSD must inform HCAD and OMB of any organizations and properties deemed eligible for a Property Tax Exemption no later than five (5) days after the determination was made.

### III. DETERMINATION OF RECOMMENDATION TO COMMISSIONERS COURT

a. Determination of Fiscal Impact to the County

- i. Each fiscal year, OMB must determine a fixed amount of General Fund revenue that may be allocated toward the total amount of Property Tax Exemptions, including any Property Tax Exemptions currently active.
- ii. Upon receipt of a notice that HCCSD has determined an organization and property are Property Tax Exemption-eligible, OMB must determine whether the amount of the possible Property Tax Exemption does not exceed the allocated amount for Property Tax Exemptions during that fiscal year. The exemptions may be calculated at the following rates:
  1. 50% of the appraised value of the property or
  2. Any other reasonable amount that is deemed appropriate by HCCSD.
- iii. HCAD must calculate the appraised value of the property using the income method of appraisal, as defined by Texas Tax Code, Section 23.012.
- iv. OMB may consider previous revocations of a Property Tax Exemption, as described in Section V.e.1. of this policy, when making its determination of the exemption's fiscal impact.
- v. OMB must inform HCCSD of the results of the fiscal impact of the Property Tax Exemption to the County within fourteen (14) days after the date the notification was provided by HCCSD regarding eligibility of the respective organization and property.

b. Determination of Housing Need

- i. Once HCCSD has determined an organization and property are Property Tax Exemption-eligible, HCCSD must analyze the need for additional rental housing for low-income individuals and families in the County.
- ii. HCCSD may use existing studies, plans, or other documents to complete this analysis.
- iii. HCCSD must complete this analysis within twenty-one (21) days upon making a determination regarding eligibility of the respective organization and property.

c. Recommendation to Commissioners Court

- i. Once HCCSD has received notification of the fiscal impact of the Property Tax Exemption and completed an analysis of the need for additional rental housing for low-income individuals and families, HCCSD will complete an agenda item packet to submit to Commissioners Court. The packet will include at least:
  1. Relevant information related to the Exemption-Eligible Organization and Exemption-Eligible Property;
  2. The analysis of the fiscal impact of the Property Tax Exemption to the County at the rates listed in Section III.a.ii. of this policy;
  3. The analysis of the County's housing need;

4. Information requested by HCCSD as described by Section II.a.iv.; and
  5. A recommendation, based solely on the above information, as to whether Commissioners Court should approve the Property Tax Exemption and at what rate.
- ii. HCCSD must submit this agenda item packet to Commissioners Court following the deadline schedule and submission procedures established by OCA. Information listed on the meeting agenda must include:
1. The name of the organization seeking the Property Tax Exemption;
  2. An address or other identifier of the property related to the Property Tax Exemption; and
  3. The percentage of the Property Tax Exemption being recommended by HCCSD.

#### IV. COMMISSIONERS COURT ACTION

##### a. Decisions Allowed

- i. On the Date of Court Action, Commissioners Court must determine whether to approve HCCSD's recommendation related to the proposed Property Tax Exemption. Decisions allowed include:
  1. Approval of the recommended Property Tax Exemption using the rates determined as a result of Section III.a.2. of this policy or
  2. Denial due to one of the following reasons:
    - a. The County cannot afford the loss of property tax revenue; or
    - b. The County does not need additional low-income rental housing.

##### b. Notification of Decision

- i. No later than five (5) days after a decision on the Property Tax Exemption has been made by Commissioners Court, HCCSD must notify the organization requesting the Property Tax Exemption of the decision. A copy of this notification must be sent to HCCAD.
- ii. If the decision was to deny the Property Tax Exemption, then one of the reasons described in Section IV.a.i.3. of this policy must be provided. If the decision was to approve the Property Tax Exemption, the rate of the approved Property Tax Exemption must be provided.

##### c. Impact of Denial on Future Applications

- i. Denial of an application based on the reasons provided in Section IV.i.2. of this policy does not preclude an organization from applying for a Property Tax Exemption during a future fiscal year.

#### V. IMPLEMENTATION AND COMPLIANCE

- a. Effective Date of the Approved Exemption
  - i. HCAD must grant the approved Property Tax Exemption to the Exemption-Eligible Organization for the Exemption-Eligible Property upon receipt of the notification described in Section IV.b.i. of this policy.
- b. Appraisal Method, Capitalization Rate, and Public Notice
  - i. HCAD must calculate the appraised value of the property using the income method of appraisal, as defined by Texas Tax Code, Section 23.012.
  - ii. HCAD must provide public notice, which includes posting on HCAD's website, of the capitalization rate to be used that year to appraise the property.
    - 1. This information must be posted by January 31<sup>st</sup> of each year a property receives an exemption under this policy.
- c. Project Timeline Requirement
  - i. The organization receiving the Property Tax Exemption under this policy must rent or offer to rent the applicable square footage of dwellings to those eligible no later than three (3) years after the property is acquired.
- d. Transfer of Approved Property Tax Exemption from One Exemption-Eligible Organization to Another
  - i. If an Exemption-Eligible Organization seeks to maintain the approved Property Tax Exemption after an Exemption-Eligible Property has been acquired by the organization, as described in Texas Tax Code, Section 11.1825(t), then the organization that acquired the property must submit proper notice and evidence to HCAD within the timelines described by that same section in the Texas Tax Code.
  - ii. HCAD may extend the deadline provided for submission of notice and evidence, as applicable, for good cause shown.
  - iii. HCAD may develop rules related to the administration of the transfer of approved Property Tax Exemptions, as deemed necessary by HCAD.
  - iv. Transfer of approved Property Tax Exemptions do not need to be approved by Commissioners Court.
- e. Noncompliant Organizations or Properties
  - i. Any organizations that do not comply with any relevant statutory requirements or requirements listed in this policy will have the Property Tax Exemption revoked.
  - ii. Organizations and properties that have the Property Tax Exemption revoked due to noncompliance may reapply for an exemption in a future fiscal year. OMB must take any previous revocations of Property Tax

Exemptions into account when making its determination of fiscal impact, if the organization applies for the exemption again.

#### VI. EFFECTIVE DATE

- a. This policy is effective as of July 18, 2023.