



November 7, 2024

Chair Bettencourt, Vice Chair Springer, and Committee Members:

The Texas Apartment Association (“TAA”) is made up of 12,000 property owners, managers, and other rental-housing professionals who provide rental housing for more than 7 million Texans and proudly offer a diverse array of both single family and multifamily rental homes across the State of Texas. We appreciate the opportunity to provide testimony to the Senate Local Government Committee regarding housing affordability and property tax relief and reform.

Reducing property taxes has been and continues to be a top priority for TAA and its members. We applaud the 88th Texas Legislature for passing a historic \$18 billion property tax reduction package, which (1) increased the existing homestead exemption from \$40,000 to \$100,000 for 5.72 million homeowners, (2) compressed (i.e., reduced) school district maintenance and operations (“M&O”) tax rates by around 23% (from a 2022 state maximum compressed rate (“MCR”) of \$0.8941 to a 2023 state MCR of \$0.6880), and (3) implemented a 20% circuit-breaker on appraised-value increases for non-homestead real property valued up to \$5 million for three years.

Although this property tax reduction bill was overwhelmingly positive for Texas homeowners, we believe there is still more that can be done to ensure ALL property owners see the benefits. And the most recent financial projections from the Comptroller indicate that Texas’s continued strong economic position will ensure that another substantial budget surplus of roughly \$20 billion is available to support further compression of school district tax rates.

Housing affordability is impacted by multiple expense drivers—including insurance, interest rates, labor, land costs and materials—however, **property taxes continue to be among the single largest expenses for rental housing owners in Texas.**

This year, rents are down year-over-year in most markets across the state. However, this decrease is not due to weak demand, as demand remains strong across Texas. Rather, the decline is largely due to the massive volumes of new rental housing supply, primarily from projects started during the high-inflation period. Supply is functioning as intended, with RealPage data showing effective asking rents down YoY by 8.1% in Austin, 4.8% in San Antonio, 3.6% in McAllen/Brownsville, 3.5% in Dallas, 1.8% in Fort Worth, 1.6% in Corpus Christi, and 0.2% in Houston, which has seen less new supply compared to other major Texas markets.

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This data underscores the impact that additional supply has on moderating rent levels—a benefit to Texas renters—but also highlights the need for further property tax relief for property owners burdened by high operating expenses.

TAA and its members strongly support continuing to reduce property taxes and efforts to reform the property tax process to ensure a more consistent, predictable approach to tax rates and property valuations. Primarily, TAA supports further compression of school district M&O tax rates as the best option to continue cutting Texans’ property taxes. Statewide compression of school district M&O tax rates ensures that all Texans and all types of property owners benefit equally while also minimizing economic distortions in Texas’s tax system. And with Texas’s projected \$20 billion surplus, the Legislature could compress school district M&O tax rates by another \$0.107 like it did in S.B. 2. (at a biennial cost of around \$8.1 billion) or by \$0.1856 to reach a statewide MCR of \$0.4999 (at a biennial cost of around \$14.1 billion).

With the unprecedented levels of new rental housing supply coming online to enhance availability of housing, additional property tax reduction will allow our members to continue working to enhance affordability for Texas renters. Policies that facilitate the development, construction, and operation of an array of rental housing options are the most effective ways to address affordability.

Additionally, the two recent homestead-exemption increases (from \$25,000 to \$40,000 in 2022 and \$40,000 to \$100,000 in 2023) mean that the homestead exemption has more than kept pace with inflation and is well above its historic average percentage of home prices. First, adjusting the initial, 1979 \$5,000 homestead exemption for inflation would result in a roughly \$22,000 exemption in 2024, which is well below the current \$100,000 exemption. Similarly, adjusting the 1997 \$15,000 exemption and 2015 \$25,000 exemption for inflation would result in 2024 exemptions of roughly \$29,000 or \$33,000, respectively. Second, from 1990 to 2022, the value of the homestead exemption averaged 8.15% of the statewide average home price. But in 2024, the new \$100,000 exemption is over 23% of the statewide average home price. Together, this data indicates that the Legislature can maintain the homestead exemption at its current amount without further increases next session.

TAA also recommends that the Senate Local Government Committee consider the impact of municipal zoning regulations on housing affordability. Facilitating the development and construction of multifamily housing, along with duplexes, triplexes and townhomes, will allow more flexible housing options, create additional housing supply and help mitigate housing costs.



The Legislature must not take the “Texas Miracle” for granted; we must work together to keep Texas a competitive destination for business and affordable housing is key to that effort.

Lastly, streamlining the eviction process is essential not only for the protection of property rights but also as a necessary step to preserve housing affordability statewide. Prolonged and costly eviction processes—particularly those involving squatters—place significant financial burdens on property owners, which, in turn, affect housing affordability. When property owners incur excessive legal and operational costs to address unlawful occupancy, those costs inevitably contribute to higher rents, reducing the availability of affordable housing options for Texans.

Extended eviction timelines divert valuable resources that property managers and owners could otherwise invest in property upkeep, community amenities and other rental property. These inefficiencies ultimately reduce property owners’ ability to keep housing costs stable for renters and maintain high-quality rental properties. Streamlining the eviction process will not only provide relief to property owners but will also foster more stable, safer communities, as property owners can more effectively address non-compliant situations that can impact the overall quality of life and quantity of housing for all Texans.

Together, these reforms in property tax policy, eviction processes, and municipal zoning practices will enable Texas to remain a beacon for affordable housing, economic growth, and a high quality of life for all. We look forward to working with members of the Committee and the Legislature to serve as a resource and develop effective legislative solutions to address the needs of property owners as you consider additional measures to improve housing affordability and reduce property taxes.

Sincerely,

Chris Newton
Executive Vice President
Texas Apartment Association