

**To the Mayor and Members of the City Council****January 6, 2026**

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SUBJECT: PROPERTY TAX EXEMPTION REQUESTS FOR EXISTING AFFORDABLE HOUSING PROPERTIES

This report provides an overview of the property tax exemption requests for existing affordable housing properties. The owners of these existing affordable housing developments have paid City taxes for many years and have not previously been tax exempt. The organizations managing the properties have recently submitted requests for tax exemption to the City Council for consideration pursuant to Texas Tax Code 11.1825. The City Council has denied two such requests to date, and two more requests for existing affordable housing properties are pending on the January 13 City Council agenda, all recommended for denial.

For counties with a population of at least 2.1 million, Texas Tax Code 11.1825 allows organizations with properties that meet certain criteria and that construct or rehabilitate eligible low-income rental housing to request an exemption from taxation equal to 50% of the appraised value of the property. Given that Tarrant County reached this population threshold as of the 2020 Census, eligible organizations may ask for an exemption under this section by submitting a written request for the approval from the governing body of each impacted taxing unit. Pursuant to 11.1825(x), the City, as an impacted taxing unit, is required to approve or deny within 60 days after receiving a written request for such exemption.

Per the Code, the governing body can either approve the tax exemption request, approve an exemption for less than 50%, or deny the exemption request if it determines that:

- the taxing unit cannot afford the loss of ad valorem tax revenue that would result from approving the exemption; or
- additional housing for individuals or families meeting the income eligibility requirements of this section is not needed in the territory of the taxing unit.

Staff has determined that due to the projected property tax revenue shortfall in FY 2026, as well as an anticipated FY 2027 General Fund deficit that will require additional departmental budget reductions, the City cannot afford the loss of the ad valorem tax revenue that would result from approving these property tax exemptions. Based on these factors, staff has recommended that these requests be denied. Approving a tax exemption request for existing affordable housing properties would be unprecedented. It is worth noting that the Fort Worth Housing Finance Corporation (FWHFC) regularly partners with entities that are seeking a tax exemption to undertake projects that increase the amount of affordable housing. Tax exemption under those circumstances is for 100% of the value and only requires FWHFC board approval.

Should you have any questions regarding this report, please contact Neighborhood Services Director, Kacey Thomas, at 817-392-8187.

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City Manager