

## ACCF-R&E-Separate Voting Item

### 2. Reduction in Homeowner Grant Program

Issue: Should the Homeowner Grant Program benefit be reduced by one-third, from a base benefit of \$600/year to \$400/year, for an annual budget savings of \$600K?

Background: The Manager's proposed budget contains \$2.2M for a continuation of the Homeowner Grant real estate tax relief program for FY09. This exact same budget number has been in the adopted budgets since FY06.

This program was initiated in FY06 as a method of providing targeted tax relief to certain income brackets of homeowners, in response to the rapidly increasing residential assessments at the time. The program is presently limited to households with less than \$77,400 of income and \$340,000 of assets. Retirement accounts and the value of the personal residence are excluded from the asset test. The initial grant in FY06 was \$500, plus \$50 per dependent. These amounts were raised in FY07 to \$600 and \$75, respectively.

Since this introduction of this program, year-to-year assessment changes (excluding new construction) have stabilized. Pre-existing single-family home assessments rose 1.9% for CY07, and then dropped 1.2% for CY08. Condominiums saw their assessments actually drop by 1.8% in each of those two years.

Actual disbursements of benefits for this program have been approximately \$1.7M for each of the last two years. Actual FY07 program administration costs have been estimated at \$292,000.

Recommendation: Since assessments have stabilized over the past two years, while incomes have continued to climb, we believe a one-third reduction of the gross benefit is appropriate. County staff has estimated that a one-third reduction in the base benefit of this program (from \$600 down to \$400) would result in a budget savings of \$600K.