



## **ORANGE CHATHAM Association of REALTORS®**

### **Chapel Hill FY 2025-2026 Budget**

Presented to Amy Oland, Director Business Management, and Mary Jane Nirdlinger,  
Interim Town Manager, Town of Chapel Hill  
May 21, 2025

#### **OCHAR AND OUR ROLE IN THE COMMUNITY**

On behalf of the Government Affairs Committee of the Orange Chatham Association of REALTORS® (OCHAR), we appreciate the opportunity to provide input as the Town of Chapel Hill develops its budget for Fiscal Year 2025-2026.

OCHAR is a professional trade association representing over 600 members working in Orange and Chatham Counties. Our mission is to provide service, education, and support to our REALTOR® members; to serve as a community influencing advancing real estate property rights; and to promote a positive REALTOR® image through active civic engagement.

On December 2, 2024, a representative of our Government Affairs Committee attended the Town Council Working Session held at the Chapel Hill Public Library. During that meeting, Amy Oland, Director Business Management, Town of Chapel Hill, led the first in a series of discussions around the upcoming Town budget.

Realizing the important role property taxes will play in shaping the FY 2025-2026 budget, the Government Affairs Committee has remained actively engaged—attending all relevant work sessions and public meetings and carefully reviewing proposals presented by Town staff to the Council.

To follow is a collection of directional suggestions for Mrs. Oland, Interim Town Manager Mary Jane Nirdlinger, and their respective teams, as the Town develops their budget for the upcoming fiscal year.

## **THE CURRENT STATUS OF CHAPEL HILL'S FY 2025-2026 BUDGET**

At the February 12, 2025, Council Work Session, Amy Oland from the Town's Office of Business Management reported a projected \$2.5 million gap between revenues and expenditures in Chapel Hill's General Fund budget. According to Ms. Oland, this shortfall is primarily driven by three key factors: declining sales tax revenues, rising operating costs, and increased personnel expenses.

Given that 74% of the Town's General Fund is primarily supported by two of those revenue sources—property taxes (47%) and sales taxes (26%)—there is concern that the Town may attempt to close the budget gap by relying heavily on increased revenue from the recent countywide property revaluation.

While we fully recognize the role of property taxes in funding essential public services such as schools, public safety, infrastructure maintenance, and other critical community needs, we remain deeply concerned about the long-term consequences of moving away from a revenue neutral model in favor of a significantly higher property tax rate. Such a shift could undermine the Town's longstanding commitment to building a complete and inclusive community by disproportionately impacting residents with fixed or limited incomes, accelerating displacement and reducing housing stability for those the Town has pledged to support.

Before turning to the specific impact of rising property taxes on the Chapel Hill community, we would like to first offer an overview of how increasing property values more broadly affect communities at large.

## **THE OVERALL IMPACT OF HIGHER PROPERTY VALUES ON COMMUNITIES AT LARGE**

### **Financial Strain on Low-Income Households**

While increasing property values impacts taxpayers at all income levels, historically our most disenfranchised and marginalized suffer disproportionately.

According to the Institute on Taxation and Economic Policy, the poorest 20% of taxpayers spend 4.2% of their income on property taxes, while the wealthiest 1% spend just 1.7%. This disproportionate burden forces many low-income families to make difficult decisions—such as choosing between paying their property tax bill or covering basic necessities like food, medicine, or utilities. The resulting financial strain often leads to missed payments, penalties, and in some cases, tax foreclosure—further deepening their economic hardship.

### **Financial Strain on Higher-Income Households**

One of the most persistent misconceptions about rising property values is that homeowners with properties recently revalued at \$1 million or more are financially insulated from the impact of

higher property taxes. This is simply not the case. The adverse effects of escalating property taxes are well-documented across all income levels by a wide range of sources, including nonprofit research institutions, legal advocacy organizations, and national news outlets.

We are encouraged that members of the Chapel Hill Town Council have recognized the flaw in the argument that rising home equity offsets the burden of increased property taxes. As Councilmember Nollert noted during the April 16, 2025, council session, many residents whose homes have significantly appreciated in value—particularly due to post-COVID market trends—are not wealthy. Many are longtime residents, such as professors and retirees, living on fixed incomes. When they purchased their homes years ago, they budgeted for modest, incremental tax increases consistent with the original purchase price—not the sharply elevated valuations now tied to proximity to the University and heightened demand.

As a result, many homeowners now find themselves "house rich, cash poor"—their properties have appreciated significantly in value, but that equity remains inaccessible unless they sell. Meanwhile, property taxes have risen sharply, while their incomes have remained flat, creating serious financial strain and threatening long-term housing stability for residents who have long sustained and shaped our community.

#### **Displacement, Community Impact and Intergenerational Wealth Loss**

As property values rise, long-standing residents—particularly in rapidly gentrifying neighborhoods—often struggle to keep up with the growing cost of staying in their homes. This dynamic contributes not only to physical displacement, but also to the erosion of long-established cultural and community bonds. In many cases, the social fabric of neighborhoods is disrupted, leading to broader patterns of economic and demographic displacement.

Over time, consistently high property taxes can force vulnerable homeowners into distress sales or lead to tax liens and foreclosures. These consequences extend beyond individual families, eroding opportunities for intergenerational wealth-building, particularly within communities of color. A report from the National Consumer Law Center underscores how rising property taxes and related costs increase the risk of foreclosure, especially for heirs' property—a common form of ownership in Black communities in the South.

#### **Racial and Economic Disparities**

Racial and economic disparities are further magnified by inequities in property tax assessments. Research from *Stateline* reveals that Black homeowners are more likely to face over-assessments compared to their home's market value, leading to a disproportionately high tax burden.

### **THE FALLACY OF A TAX ASSISTANCE FUND TO MITIGATE ESCALATING PROPERTY TAXES**

One way to help alleviate the disproportionate property tax burden on low- and moderate-income families is through tax assistance programs. Currently, Chapel Hill offers two such programs to support residents: the Orange County Longtime Homeowners Assistance (LHA) Program and Chapel Hill's own Property Tax Assistance Program.

Although these programs have helped mitigate some of the effects of rising property values and tax rates in the past, Council has acknowledged that they have significant limitations. During the May 7, 2025, Chapel Hill Town Council meeting, Mayor Anderson noted that continuing to rely on them will not fully address the broader challenges posed by the substantial increases in property taxes that are being considered. . Rather than increasing funding those programs, the mayor reiterated, comprehensive solutions outside of line-item budget increases are needed to address the financial strain on homeowners more efficiently.

### **PROPERTY TAX INCREASE ONLY A PIECE OF THE OVERALL TAX BILL**

While rising property taxes affect residents across all income levels, they represent only one part of a homeowner's total tax bill. Currently, Chapel Hill residents face a combined tax rate of 1.6529 (\$0.592 of that is specifically allocated to property tax). This places Chapel Hill among the municipalities with the highest overall tax burdens in North Carolina.

Recognizing the already significant strain on taxpayers, Interim Town Manager Nirdlinger proposed lowering the Town's property tax rate from \$0.592 to \$0.508 at the May 7, 2025, Town Council meeting. While any reduction in the tax rate certainly would bring welcome relief to taxpayers, the actual monetary relief it would bring is a bit misleading. Due to the sharp increase in property valuations, homeowners will still experience a net increase in their tax bills—even with the proposed rate cut.

With the broader implications of increased property taxes in mind, we will now focus on how these proposed increases will specifically impact the Chapel Hill community.

### **HOW BEST INTENTIONS COULD DISMANTLE BEST PRACTICES**

Over the past two decades, the Town of Chapel Hill has worked collaboratively with local business leaders, community advocates, stakeholders, and independent experts to develop public policies, launch strategic initiatives, and adopt best practices in municipal governance.

Two recent efforts that reflect the Town's core values and long-term aspirations are the *Downtown Together Initiative Plan* and the *Chapel Hill Affordable Housing Plan and Investment Strategy*. While these initiatives have already contributed significantly to Chapel Hill's desire to create a vibrant,



walkable, entrepreneurial, and culturally rich environment, we believe an increasing reliance on property taxes to fund these initiatives may inadvertently undermine the very outcomes they seek to achieve.

**The Downtown Together Initiative Plan.** Completed in 2022, the *Downtown Together Initiative Plan* outlines a bold vision for economic revitalization and long-term growth in Chapel Hill. A key component of the plan is the strategic marketing of the newly established *Rosemary Innovation District* to attract startups, small businesses, and entrepreneurs to the downtown area.

Here are just a few unintended consequences that have historically arisen from higher operating costs due to increasing property taxes—particularly during a period of economic uncertainty:

- **Chapel Hill becomes less competitive** compared to peer communities with lower tax burdens;
- **New businesses are deterred from locating downtown** due to reduced financial feasibility;
- **Existing businesses face greater risk** of downsizing, relocation, or closure due to rising expenses, and;
- **Make long-term planning more difficult for businesses** by exposing businesses to real estate volatility.

These factors will not only pose barriers to economic development by hampering efforts to recruit and retain companies in Chapel Hill, the anticipated 34% increase in property taxes also undermines the plan's core objective of making downtown more vibrant, accessible, and economically resilient.

The net result is that downtown Chapel Hill will eventually become less inclusive and increasingly inaccessible to lower-income residents and small, locally owned businesses.

**The Chapel Hill Affordable Housing Plan and Investment Strategy.** Approved in September 2023, *The Chapel Hill Affordable Housing Plan and Investment Strategy* represents another critical component of the Town's vision to build a more inclusive and equitable community.

Chapel Hill is currently confronting major housing challenges, including a limited supply of affordable homes, rising rents, and shrinking opportunities for homeownership—especially for households earning less than \$50,000 per year. An increase in property taxes adds yet another financial strain on both renters and homeowners, worsening affordability, accelerating displacement, and discouraging homeownership among moderate- and low-income residents.

## **CONCLUSION**

We recognize and appreciate the complexity of municipal budget planning and the importance of investing in Chapel Hill's future. As the Town Council evaluates funding strategies for FY 2025–2026 and beyond, we respectfully urge consideration of revenue approaches that uphold the Town's core goals: affordability, equity, and economic vitality—without disproportionately burdening the very residents and businesses these strategic plans are intended to support.

A balanced and diversified revenue strategy is essential to safeguarding housing affordability, supporting small business viability, and achieving the bold objectives outlined in the Downtown Together Initiative, the Chapel Hill Affordable Housing Plan and Investment Strategy, and other key planning documents that guide the Town's long-term vision.

We urge the Council to pursue a more balanced approach to revenue generation—one that protects residents from excessive tax burdens, encourages business development, and sustains investment in downtown without placing a disproportionate burden on property owners, renters, and small businesses.

To that end, we strongly encourage the Council to avoid over-reliance on property taxes as a primary funding mechanism. Doing so risks eroding community trust, deterring local investment, and ultimately undermining the inclusive, forward-looking Chapel Hill we all seek to build.

Thank you for your thoughtful consideration.

Cathy Carr

  
Cathy Carr (May 19, 2025 14:20 EDT)

Chairman, Government Affairs Committee

ORANGE CHATHAM Association of REALTORS®, OCHAR

## SOURCES

In addition to member suggestions, the Chapel Hill FY 2025-2026 Review Subcommittee has reviewed policy suggestions outlined in the reports cited below:

### Budget Specific

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- **2025-2026 Budget Development.** Town of Chapel Hill Website, as of 4/7/25  
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- **2025-2026 Budget Development.** “2025 Budget Revaluation Presentation,” Presented by Nancy Freeman, Tax Administer, Orange County to Town Council at March 24, 2025, Work Session, [https://mccmeetingspublic.blob.core.usgovcloudapi.net/hillsbronc-meet-74b337a40cba4579adf86ba3c41fa1bc/ITEM-Attachment-001-6369f2567df4462d867e1f9457fde6ed.pdf?utm\\_source=chatgpt.com](https://mccmeetingspublic.blob.core.usgovcloudapi.net/hillsbronc-meet-74b337a40cba4579adf86ba3c41fa1bc/ITEM-Attachment-001-6369f2567df4462d867e1f9457fde6ed.pdf?utm_source=chatgpt.com)
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- **2025-2026 Budget Development.** “5-Year Budget Update - Draft Presentation for 12.02.24”, Presented by Amy Oland, Director Business Management to Town Council at December 2, 2024 Work Session, <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=7032404&GUID=0E6E2DF1-266A-4F71-876B-8F63A378EEFB>
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- **Town of Chapel Hill, North Carolina Annual Comprehensive Financial Report For the fiscal year ended June 30, 2024.** Town of Chapel Hill Business Management Department, as of 4/17/25 <https://www.townofchapelhill.org/home/showpublisheddocument/56664/638676910374770000>

#### Chapel Hill Planning

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