

# Neighborhood Empowerment Zones

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AUGUST 21, 2024: POLICY AND VALUATION COMMITTEE

# Discussion Topics

- What is a Neighborhood Empowerment Zone (NEZ)?
- NEZ Adoption Process
- Municipal Authority
- Eligibility Criteria (examples)

- Incentives and Funding
- Fort Worth example
- Area Examples
- Questions/ Comments

## What is a Neighborhood Empowerment Zone (NEZ)?

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- A NEZ is a municipal planning and development program/tool that allows a municipality to designate a defined geographic area for the purpose of providing municipal property tax abatements, fee waivers, release of city liens, etc.
- These incentives are designed to promote affordable housing, economic development and expanded services.
- These incentives are available to property owners who build or rehabilitate property within a NEZ.

## What is a Neighborhood Empowerment Zone (NEZ)?

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- Chapter 378 of the Local Government Code (LGC) provides the enabling legislation for the NEZ program.
- Specifically, LGC section 378.002 states that a municipality may create a neighborhood empowerment zone covering a part of the municipality if the municipality determines the creation of the zone would promote:
  - (1) the creation of affordable housing, including manufactured housing, in the zone;
  - (2) an increase in economic development in the zone;
  - (3) an increase in the quality of social services, education, or public safety provided to residents of the zone; or
  - (4) the rehabilitation of affordable housing in the zone.

# NEZ Adoption Process

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- LGC section 378.003 provides the steps for the adoption of NEZ.
  - (a) A municipality may create a zone if the governing body of the municipality adopts a resolution containing:
    - (1) the determination described by Section 378.002;
    - (2) a description of the boundaries of the zone;
    - (3) a finding by the governing body that the creation of the zone benefits and is for the public purpose of increasing the public health, safety, and welfare of the persons in the municipality;
    - (4) a finding by the governing body that the creation of the zone satisfies the requirements of Section 312.202, Tax Code (i.e. reinvestment zone).
  - (b) A municipality may create more than one zone and may include an area in more than one zone.

# Municipal Authority

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- LGC section 378.004 allows cities the following authority:
  - (1) waive or adopt fees related to the construction of buildings in the zone, including fees related to the inspection of buildings and impact fees;
  - (2) enter into agreements, for a period of not more than 10 years, for the purpose of benefiting the zone, for refunds of municipal sales tax on sales made in the zone;
  - (3) enter into agreements abating municipal property taxes on property in the zone subject to the duration limits of Section 312.204, Tax Code; and
  - (4) set baseline performance standards, such as the Energy Star Program as developed by the Department of Energy, to encourage the use of alternative building materials that address concerns relating to the environment or to the building costs, maintenance, or energy consumption.

# Eligibility Criteria Examples

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- Council would be required to establish NEZ project eligibility. Some project eligibility examples include:
  - (1) Number of jobs created
  - (2) Land use type (e.g. residential-only; commercial-only)
  - (3) Total amount of capital investment
  - (4) Project must be a permanent structure
  - (5) Project must be conforming with zoning, plat status
  - (6) Project must have no outstanding code compliance cases, liens or owed taxes
  - (7) Rehabilitation work must be receipted and greater than a certain percentage of County appraised value

# NEZ Incentives and Funding

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- Examples of possible NEZ incentives include:
  - (1) Development Fee waivers (e.g. zoning, platting, commercial site plan fees)
  - (2) Impact fee reimbursements
  - (3) Release of city liens
  - (4) City Property tax abatement (would require City Council action)
- Fee waiver incentives would result in foregone revenue (i.e. General Fund)



# NEZ Benefits

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- A NEZ could assist with:
- Reducing blight
- Extend life cycle of housing through rehabilitation
- Encourage new investment in the community
- Investment and incentives bring increased awareness, attention and heightened visibility, which may (over time) reduce instances of criminal-related property damage and mischief

## Local Data

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- Development Services and the Police Department met and discussed areas that might benefit from a NEZ, based on statistical data
- Staff identified three areas, which we have listed as Target Areas 1, 2 and 3
- This area is largely comprised of older housing stock and has benefitted from targeted Code Compliance action in the past
- The common code compliance violations in these areas include property maintenance, high grass, junk and trash, dilapidated fences, yard parking and inoperable vehicles.

# Target Area 1

- Area is mainly comprised of Hillery Heights, Montclair Addition and Crestmoor Park neighborhoods.
- This area is generally bounded by the SW Alsbury, NW Douglas, Wilshire, Newton, Rand and Renfro rights-of-way.



## ■ Target Area 2

- Area is comprised of Tarrant Addition.
- This area is generally bounded by the SW Johnson, SE Dian, S Warren and SE Tarrant rights-of-way.



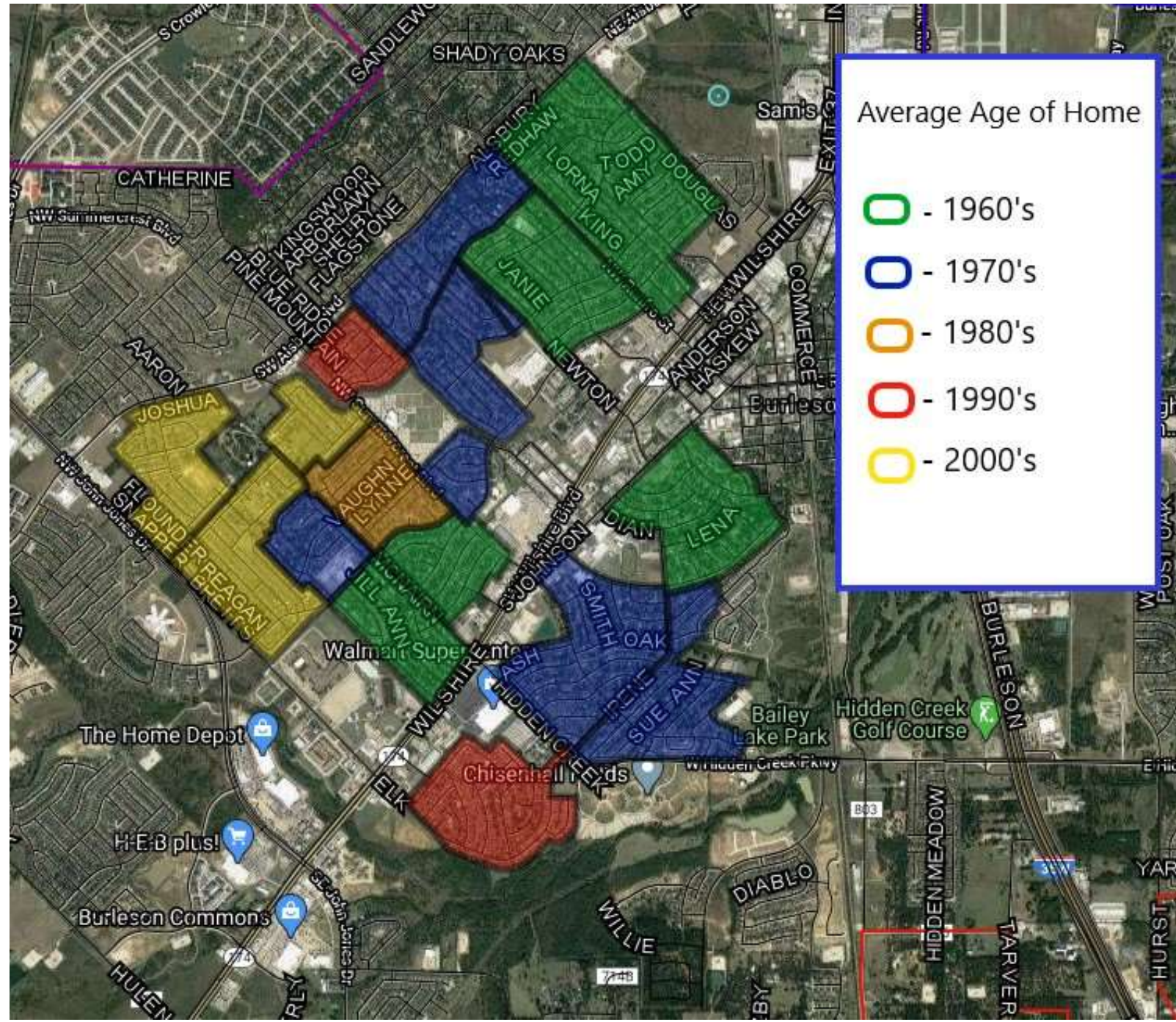
- Target Area 3

- Area is comprised of Summercrest Addition.
- This area is generally bounded by the SW Wilshire, NW Summercrest, SW Hillside rights-of-way and along the north line Burleson High School .



# Average Age of Housing Stock

- This map graphic depicts the average age of homes within and around the Target Areas.
- The prevailing stock of housing is 45+ years old.
- A NEZ could extend a lifeline to prolong the life cycle of these homes.



# Next Steps

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- If the Committee makes the recommendation to pursue a NEZ, the next steps for the full Council to consider are:
- Evaluation and Identification of the need for a NEZ
- Evaluation and identification of possible NEZ Target Areas
- Discussion of creation of a NEZ policy and basic incentives and tax abatement policy (Tax Code 312), to include eligibility criteria and funding sources
- Discussion of multi-faceted outreach and educational efforts to inform property owners within any proposed Target Area of the program
- Creation/Adoption per resolution (LGC 378)
- Note: *public notice and public hearings are not required, but staff strongly encourages both to allow for public comment/feedback*

## Fort Worth NEZ Program

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- The City of Fort Worth has a robust Neighborhood Empowerment Zone program.
- Staff has included their NEZ information as a reference point.





# Questions / Comments

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