



# Neighborhood Empowerment Zones (NEZ)

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COUNCIL POLICY AND VALUATION COMMITTEE

APRIL 23, 2025

## Local Government Code (LGC) Chapter 378

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Local Government Code (LGC) Chapter 378 allows 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

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(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; and

(4) a finding by the governing body that the creation of the zone satisfies the requirements of Section 312.202, Tax Code.

(b) A municipality may create more than one zone and may include an area in more than one zone.

# Texas Tax Code Chapter 312

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- Tax Code Section 312.202 establishes criteria for reinvestments zones.
- Council must finding that a designated area contains a combination of the following:
  - a substantial number of substandard, slum, deteriorated, or deteriorating structures;
  - the predominance of defective or inadequate sidewalks or streets;
  - faulty size, adequacy, accessibility, or usefulness of lots; unsanitary or unsafe conditions;
  - the deterioration of site or other improvements;
  - tax or special assessment delinquency exceeding the fair value of the land;
  - defective or unusual conditions of title;
  - conditions that endanger life or property by fire or other cause

## Texas Tax Code 312

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- Additionally, 312.202 lists several other criteria relating to obsolete platting, deteriorating conditions, etc.
- Section 312.204 of the Tax Code only allows exemption on taxation for a portion of the value of the real property or of tangible personal property located on the real property, or both, for a period not to exceed 10 years, on the condition that the owner of the property make specific improvements or repairs to the property.

# Possible Incentives and Benefits

## Example of Incentives

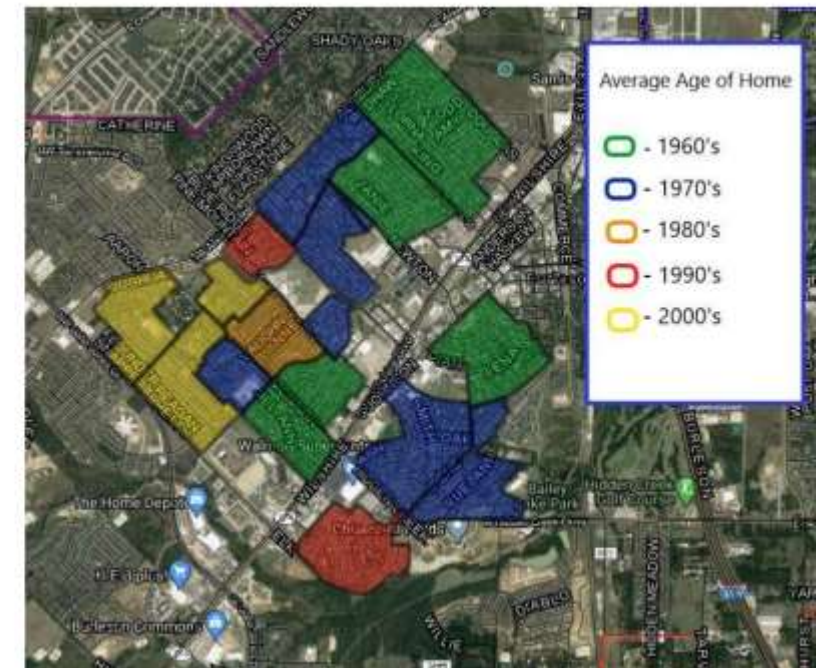
- City Property Tax Abatement (Council Action)
- Release of Liens
- Development Fee Waivers – (*NOTE: Results in Foregone Revenue from General Fund*)
- Refunds of municipal sales tax
- Set baseline performance standards for alternative building materials

## Benefits of NEZ

- 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

# Staff Research

- Development Services and the Police Department met and discussed areas that might benefit from a NEZ, based on statistical data.
- Staff identified three target areas.
- These areas are 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.



# Previous Committee Direction

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- August 21, 2024 – Staff provided a presentation to the Policy and Valuation Committee.
- Directed staff to move forward with specific focus on single family residential homes.
- Staff subsequently narrowed the three target areas down to a “Target Pilot” area.



# Target Pilot Area Facts

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- NEZ designation aids pilot area with rehabilitation of residential structures to revitalize a specific geographic area
- Limited to residential uses only
- Hillary – Montclair Area - 464 residential lots
- Structures over 60 years old
- Average 2024 property appraisal valuation of \$218,787 (assessment falls below \$309,000 HUD criteria)



# Incentive Options

Fee Waiver Examples
Tax Abatement (3 – 10 Years)
Lien Fees
Demolition Fees
Building Permit Fees
One-trade Permit Fees
Inspection Fees
Water & Sewer Tap Fees

City	Tax Abatement	Program Status
Amarillo	100% - 10 years	
Beaumont	100 % – 7 years	
Commerce	100% - 10 years	
Ft. Worth	100% - 5 years	78 FY 24 - Active
Laredo	100% - 10 years	
Nolanville	100% - 5 years	
Plano	Fee Waivers only	

**Tax Incentive** - Property owners that make qualified improvements to enhance the value of their homes can receive incentives based on the taxable value **AFTER** the improvement. Property tax abatements are granted for the **INCREASE OF TAXABLE VALUE CAUSED BY IMPROVEMENTS** to the property as a result of the investment amount. (requires public hearing and City Council approval)

## Fee Waivers

	Tax Abatement	Lien Waivers	Construction Abatement	Platting Fees	Preliminary Plan Fees	Zoning Fees	Sign Permit Fees	Demolition Fees	Building Permit Fees	One-Trade Permit Fees	Plan Review Fees	Inspection Fees	CO Fees	Water & Sewer Tap Fees
Amarillo	X			X	X	X	X	X	X	X	X	X	X	X
Beaumont	X	X	X				X	X	X	X	X	X	X	X
Commerce	X	X							X			X		X
Ft Worth	X	X		X		X	X	X	X	X	X	X		
Laredo	X			X		X		X	X	X	X			X
Nolanville	X	X		X		X	X	X	X	X	X	X		
Plano	X					X	X	X	X	X	X	X	X	X



# Improvement Criteria from Other Cities

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- **Ft. Worth** – minimum **30%** improvement value as determined by the Tarrant County Appraisal District value– \$100 Application fee
- **Amarillo** - minimum **20%** improvement value as determined by the Potter- Randall Appraisal District value – no fee to apply
- **Beaumont** - Substantial Investment: NEZ for new construction or renovation of single family uses for investments of \$50,000 or greater and may be granted for all other uses for investment of \$75,000 or greater.
- **Commerce** – no investment criteria; just needs to be located within NEZ
- **Laredo** - minimum **20%** improvement value as determined by the Webb County Appraisal District value - \$100 application fee
- **Nolanville** – minimum **30%** improvement value as determined by the Bell County Appraisal District value – \$100 Application fee
- **Plano** - New multifamily development, or redevelopment when project costs are a minimum of \$8,000 per dwelling unit.

# NEZ Only Applies to City Property Tax

Taxing Entity	Tax Rate	Can taxes be waived with NEZ?	Home Value	Property Tax
Johnson County	0.329276	No		
BISD	1.2552	No		
City of Burleson	0.6627	Yes	*\$218,787	\$1,449.90

\*Based on Average Home Value \$218,787 in Hillary / Montclair target area located in both Johnson and Tarrant County

# Tax Abatement Example: Rehabilitation of Existing Home

Property owners that make qualified improvements to enhance the value of their homes can receive incentives based on the taxable value **AFTER** the improvement. Property tax abatements are granted for the increase in taxable value caused by the improvements to the property as a result of the investment amount.

Proposing Minimum investment of 20% of JCAD improvement value.

**EXAMPLE – If a \$218,787 home is remodeled (20% value = \$43,757)**

	Appraised value	COB Tax Rate	City Taxes owed	City Taxes forgiven	City Taxes Paid
Before Remodel	\$218,787	.6627	\$1,449	\$0	\$1,449
After Remodel – Year 1	\$262,544	.6627	\$1,739	\$290	\$1,449

# Example Fee Waiver Estimate for Remodel

Fee Type	NEZ waivers
Plan Review	\$30
Building permit fee	\$307
Trade valuation	\$135
Sub Total	\$472

\* Fees based the BTX's average remodel permit for FY 24



# BTX Home Improvement Rebate Program

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- General Fund: \$25,000 overall program budget
- Applicable citywide to those that meet criteria
- Up to \$5,000 Rebate on improvements
- Owner-occupied single family houses, duplexes, townhomes, and condominiums within Burleson city limits
- Houses 25 years or older
- Expenditures on the property must total 10% or more of CAD value of property.
  - For example, a \$150,000 property must have a minimum investment of \$15,000 to qualify; a \$250,000 property must have a minimum investment of \$25,000 to qualify
- Current on all state, federal, and local taxes at the time of application
- The Appraisal District total value of the home must be less than or equal to 70% of the Federal Housing Administration single-family mortgage limit (FHA - \$524,225)

# NEZ Considerations

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- Three year property appraisal cycles may limit property tax abatement options
- What if property sells – do we continue abatement?
- Accurately tracking abatements
- Can someone participate in NEZ and BTX Rebate Program?
- Regulatory finding requirements may lead to negative public perceptions

# Options

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- Implement NEZ program?
  - Development Investment criteria
  - Development/ Building Permit Fee Waivers
  - Release of liens
  - Reduced City Property Taxes (3 -10 years)
- Eliminate BTX rebate program?
- Both - Implement NEZ and keep BTX rebate program?

# Next Steps

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- Full Council direction
- If we move forward with NEZ – Timeline for implementation?
- Public engagement

## Potential Timeline



# Committee Direction

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- Staff is seeking the Committee's direction for further action on this item.