

Using Tax Incentives to Spur Home Improvements in Middle Neighborhoods

City of Arlington
Arlington, TX

The Arlington Home Improvement Incentive Program (AHIP) was created to infuse investment into existing housing stock and incentivize homeowners to invest in their homes and neighborhoods. Although flanked by Dallas and Fort Worth – two areas that are exploding with development of new and modern homes – houses in Arlington are more dated and in need of investment. Neighborhoods in Arlington are full of historic homes built in the 1960s, 70s and 80s, and the city of Arlington believes that bringing investment to the area will also draw commercial businesses and job opportunities.

How It Works: AHIP gives homeowners a one-year tax incentive for doing large improvement projects. Projects must amount to at least \$20,000 and the homeowner must apply for the incentive before the project begins. That \$20,000 figure was determined by taking 10% of the average home value in the area, which is around \$200,000. The City logs the pre-improvement city tax value and executes an incentive agreement with the homeowner.

Once the rehab project is complete, the homeowner submits a claim form to the City. City staff verify that the new, increased, after-rehab tax bill has been paid, and then cuts a check to the homeowner based on the increase in the City tax bill after improvements were made. The city portion of the tax bill is only about a quarter of the total tax bill; school districts, counties, hospital districts, and some special assessments make up the rest. The City calculates the pre- and post-work difference in taxes and multiplies that amount by 10, so the homeowner receives 10 times the increase in taxes.

For example, if the improvement increases the City portion of the tax bill by \$250, the homeowner would receive ten times that amount, or \$2,500. The incentive is capped at \$5,000 per home. Funding comes from a one-time set aside of general funds, which was established in 2011. Typical projects include new kitchens, baths, lot improvements, and pools, and homeowners may include more than one item. The program does not allow landscaping or other non-permanent improvements.

There are no income limits to participate in this program, so that it can incentivize property owners in middle neighborhoods to update their homes and appeal to future generations of homebuyers. The City has additional programs that are income-limited, including those funded by CDBG.

Individuals must own the home and the work needs to be completed within a 24-month period. The incentive is not limited to owner-occupied homeowners - landlords and small investors may also apply - but large real estate conglomerates are not eligible. The other requirement is homeowners must communicate details of the project to the City, and apply, before work starts. Although each project is only eligible for one year of taxes, homeowners can apply for the incentive more than once if they have more than one project, and funds received can be used in any way by the homeowner.

Challenges: One program challenge is making sure homeowners apply for the incentive before work begins (it would otherwise not be an incentive) so communication is key. In addition, marketing can be tricky as it can be difficult to explain how the program works. Another challenge is the time lapse between completion of the project and receiving payment. Tax bills are estimated in January and billed to the homeowner in October, but payment isn't due until the following January. Since the tax bill must be paid to the appraisal district before the incentive can be paid out, it can be a year or more before a

homeowner receives a check from the City. Entities could consider alternate payment structures, such as using a nonprofit to provide funds for façade improvements, though that may result in funds being limited to certain incomes which would reduce the broader impact on the community. Finally, the City of Arlington allows seniors over 65 to freeze their tax value so any improvements would not result in an increase in the city tax amount. This means seniors with the exemption would not get the incentive if they attempted to participate in the program.

Best Practices: Take the time to communicate with the public about the program. Also, work to strengthen relationships with members of the building department so they can share information with homeowners who are requesting building permits or notify your program when a request comes in.

Arlington’s Neighborhood Engagement Program: The city of Arlington has multiple programs focusing on neighborhood engagement and improvement, listed below. [Visit their website](#) for more information!

Neighborhood Matching Grant	The Neighborhood Matching Grant is for neighborhood projects that beautify and enhance public spaces. The matching part of the grant means the neighborhood must contribute 20% of the project cost: 10% in cash and the rest in volunteer hours and in-kind donations. Projects must benefit the neighborhood as a whole or at least a significant number of residents. Neighborhood groups must have an EIN number from the IRS and a bank account, and the maximum award amount is \$25,000. Neighborhood groups may use funds for various projects including beautification strategies like landscaping, street toppers, signage, playgrounds, new sidewalks, and so on. This program not only improves the neighborhood but supports resident leadership activities and project management skills. This program is funded by a gas well revenue fund through the annual budgeting process.
Block Party Trailer	The City of Arlington’s block party trailer has everything needed for a neighborhood block party and is free to any neighborhood group. It includes tables, chairs, coolers, street barricades, yard games, etc. for a successful block party. Neighborhood groups apply for the trailer online, and a street closure if needed, and must get buy-in from other residents in the area before gaining approval. Once approved, the City drops the trailer off the Friday before the event and picks it up the Monday after.
Neighborhood Leadership Network	This working group connects neighborhood leaders from around the city to each other and focuses on identifying best practices for addressing neighborhood issues and building partnerships with city representatives. The group meets quarterly to plan and implement different initiatives and identify local resources, and network members have access to an email listserv to reach out to others in the area to address common, or not so common, issues.
Neighborhood Planning Program	Neighborhoods with significant engagement and experiencing transformational development may engage with the City in a Neighborhood Planning process. Through this program, residents work with city staff to discuss preferences and work with the planning committee to make recommendations and suggest solutions. Plans go through several steps and oversights and eventually, if agreed to, become part of the City’s Comprehensive Plan.

Questions?

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