

February 3, 2014

**MEMO**

**TO:** Bruce D. Glasscock, City Manager  
Frank F. Turner, Deputy City Manager

**FROM:** Selso Mata, Chief Building Official  
Phyllis M. Jarrell, Director of Planning

**SUBJECT:** Housing Reinvestment Incentive Program

Please find attached a summary of the proposed Housing Reinvestment Incentive Program. City Council has approved funding to support an incentive program to encourage reinvestment in the city's older housing stock. The goals of the program include making houses and neighborhoods more attractive to new buyers, preserving affordable housing and supporting the city's tax base. Below is a review of the main components of the program.

Eligible Properties – qualifying properties include single-family houses, duplexes, townhouses and condominiums. The appraised value of the property must be less than or equal to the FHA single-family mortgage limit for Collin County, which is \$287,000 for 2014. Staff is recommending this approach to focus the program on the city's more affordable housing stock. The mortgage limit fluctuates each year to accommodate changes in housing prices. Houses must also be 25 years of age or older. Interior repairs to individual condominium units would be eligible; exterior repair and replacement is typically handled by property owner associations.

As proposed, owners of both owner-occupied and rental properties are eligible to apply for the program. In terms of neighborhood appearance and stability, upkeep and maintenance of both types of properties are important. In addition, the consultant presently reviewing the city's various neighborhood programs has reviewed property standards records, and has determined that a higher percentage of single-family rental properties receive notices than owner-occupied properties. Staff seeks Council's direction as to whether or not rental properties should be eligible for the program.

Incentive Structure – Improvements are eligible for the rebate program if the value of improvements equals or exceeds 10% of the total CAD appraised value (minimum \$10,000 for a \$100,000 property, for example). The rebate would be 10% of the value of the improvements, up to a maximum of \$5,000 per property per year. This incentive structure is designed to encourage property owners to make significant improvements in their properties. The \$5,000 cap on rebates will allow funding to stretch further to assist more properties.

It is unknown if the incentive is sufficient to motivate property owners to undertake deferred maintenance and improvements, or if the rebate incents someone to add more work to the job than originally intended. The program will need to be operating for some time to determine how effective it can be.

Qualifying Improvements – Most exterior and interior improvements will qualify for the incentive program, including landscaping. A list of eligible improvements is attached. Projects specifically recommended for exclusion from the program are new swimming pools (pool repairs and pool filling/removal are eligible), new rolling gates across driveways, accessory structures, including sheds, gazebos, and outdoor kitchens, and garage enclosures.

Program Management – Staff has worked to devise an administrative process that is simple and easy to navigate and administer. Applicants must acquire all needed building permits. Staff will review the estimated value of the projects based on industry standards to limit fraud. Property owners may perform the work themselves, but it will be valued based on industry standards. “Before” and “after” inspections will be made to confirm that work has been completed before a rebate check is issued. Community Services division staff performs similar activities in administering the city’s HUD-funded housing programs.

Funding Impacts – A total of \$750,000 has been set aside in the budget to fund this program and the consultant study noted above. The cost of the consulting study is \$133,000, leaving \$617,000 for the rebate program. This would provide rebates at the maximum \$5,000 for approximately 120 property owners. The program initially will be administered by existing staff in the Planning and Building Inspections staff. Some staff time presently being charged to the HUD grants will need to be shifted to the general fund. While one goal of the incentive program is to maintain and increase property values, it will take many years for the city to recover the rebate through increased property tax collections.

Next Steps -- Before rolling out the program to the public, staff will review it with a panel of local realtors and remodeling contractors to determine if the rebate would be a positive incentive for home sales and reinvestment. The program will be marketed in a variety of ways, including social media, Love Where You Live program, and offered to property owners who have received property standards notices.

Please let us know if you have questions or need additional information.

XC: Christina Day, Development Review Manager  
Shanette Brown, Community Services Manager  
Lori Schwarz, Comprehensive Planning Manager

# HOUSING REINVESTMENT INCENTIVE PROGRAM

## Eligible Properties

- Single family homes, duplexes, townhouses on individually platted lots
- Individual condominium units (interior work only)
- CAD value (land plus improvements) less than or equal to the FHA single-family mortgage limit for Collin County (\$287,000 in 2014)
- Structure must be a minimum of 25 years in age
- Owner occupied or rental property
- Current on payment of property taxes

## Incentive Structure

- Improvements qualify if the value equals or exceeds 10% of the total CAD appraised value (\$100,000 property requires \$10,000 of improvements; \$200,000 property requires \$20,000, etc.)
- Rebate incentive of 10% of the work value, up to a maximum of \$5,000

## Qualifying Improvements

See attached list for qualifying improvements. Specific exclusions:

- new pools (pool repairs and pool filling/removal are eligible)
- new rolling gates across driveways
- accessory structures (sheds, gazebos, outdoor kitchens)
- garage enclosures

## Application Process

- Property owner (not tenant) must submit an application and pay \$25 application fee.
- Applicants must provide estimated value of work, invoices and/or contracts.
- Applications must be submitted and approved before work starts. Rebates will not be given for completed project or projects in process.
- Applicant must have building permits for projects, if required.
- Applicants will have 3 months from the date the application is approved to complete projects.
- A property owner may submit multiple applications during a fiscal year, but the maximum annual rebate will be \$5,000 per address.
- DIY labor counts toward the value of the job, based on industry standards as determined by the Rehabilitation Estimators.

### **Staff Review and Inspections**

- Community Development Coordinators will meet with applicants and take applications.
- Rehabilitation Estimators will review estimated value of project, based on industry standards, to limit fraud. Landscape Architect will review estimated value of landscaping projects.
- “Before” and “after” inspections will be made before rebates are issued to confirm that work has been completed. No partial payments will be issued.
- For projects requiring building permits, the final inspection by the BI inspectors will serve as confirmation that work related to the permit has been completed. For other projects, the Rehabilitation Estimators will inspect.
- First year of program will be managed by existing staff from Planning Department and Building Inspections Department. Staffing needs and operational costs will be assessed after the first few months of applications have been processed.
- There will be a budgetary impact as staff time presently charged to the federal grant programs will instead be shifted to the general fund.

### **Marketing and Promotion of Program**

- Marketing and Community Engagement to promote the program through the website, social media, utility bill inserts, etc.
- Program will be promoted through Love Where You Live, Collin County Board of Realtors and local service organizations.
- Brochures will be prepared and available at Planning, Building Inspections and Property Standards offices.

## **HOUSING REINVESTMENT INCENTIVE PROGRAM QUALIFYING IMPROVEMENTS**

### **Exterior**

Foundation repair  
Slab leaks  
Sewer and water line repair/replacement  
Roof repair and replacement  
Exterior siding and soffit repair and replacement  
Window replacement  
Door replacement  
Garage door replacement and associated equipment  
Addition/replacement of roof turbines and ventilators  
Exterior painting  
Installation/replacement of gutters  
Replacement/repair of driveways and patios  
Fence repair and replacement  
Room additions  
Energy efficiency improvements  
Solar screens  
Pool repair/pool removal/pool replacement, including equipment

### **Landscaping**

Replacement/addition of turf, shrubs and trees  
Tree trimming  
Design services if part of contract  
New/replacement drip irrigation  
Sprinkler controller repair/replacement

### **Interior**

Replacement of plumbing fixtures  
New countertops and sinks  
Replacement/repair of cabinets and vanities  
Tub conversions to showers  
New tub enclosures  
New flooring  
Interior painting  
Drywall replacement/repair and texturing  
Repair/replacement of HVAC units  
Additional insulation  
Radiant barriers  
Weatherproofing  
Repair/replace electrical system – box, wiring, outlets