

Managing Gentrification and Displacement with Existing Tools

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Who is this presentation for?

- ▶ This discussion is focused on the perspective of the homeowner and neighborhood on how to manage gentrification and minimize displacement
- ▶ This does NOT focus on renters
- ▶ This focuses on helping homeowners who live in the City of Dallas, in Dallas County, and in DISD boundaries

What will we discuss?

- ▶ The impact of Homestead Exemptions
- ▶ The impact of Senior Exemptions and Tax Ceiling
- ▶ The impact of Senior Tax Deferrals
- ▶ The impact of the Homestead Cap
- ▶ How to apply these tools when dealing with gentrification
- ▶ Zoning
- ▶ Conclusions

Homestead Exemptions

- ▶ Homestead Exemptions for all taxing authorities in the City of Dallas/DISD/Dallas County give you a percentage discount on your taxable value and thus your taxes
- ▶ DISD also gives you a fixed 25,000 reduction on top of the percentage discount
- ▶ In the long run the percentage discount is far more important than the base discount. This is especially true in gentrifying neighborhoods since the saved amount grows with the value of the property.

The Impact of Homestead Exemptions

DCAD Value	Normal Taxes Owed	Discount	Percentage Savings
\$50,000	\$1 427.62	\$567.93	39.8%
\$100,000	\$2855.24	\$782.85	27.4%
\$200,000	\$5710.47	\$1212.70	21.2%
\$400,000	\$11 420.94	\$2072.38	18.1%

The Impact of Senior Exemptions and Tax Ceilings

- ▶ Senior Exemptions are a fixed amount. Because of this, you will receive the maximum benefit (about \$1800 per year) with a DCAD value above approx. \$112000
- ▶ What is FAR more valuable and important for seniors is the Senior Tax Ceiling for school taxes
- ▶ The tax ceiling is STATE LAW and also allows you to transfer the percentage of taxes paid to the school district to another home in Texas if you move.
- ▶ If the appraised value of your home is less than approx. \$77,500 when you or your spouse first qualify for the exemption, your school district taxes will always be **zero** no matter where you move in Texas or how valuable the house.

Senior Tax Deferral

- ▶ Senior Tax Deferral is a very powerful tool that should typically be used as a last resort when your primary goal is to stay in the home at all costs
- ▶ If you do this, you can not lose your home to taxes for as long as you live in the home
- ▶ You can defer your taxes, but you will still owe them
- ▶ They do not become payable until both you and your spouse are deceased
- ▶ You are charged 5% interest per year on taxes owed. Even with no appreciation/gentrification it would take at least 22 years (age 87) before the taxes exceed the value of the home

Homestead Cap

- ▶ STATE LAW that limits the increase in taxable appraisal value of a homestead property to no more than 10% per year beginning in the year AFTER you declare your homestead
- ▶ Homestead Caps are very valuable to all homeowners, but much more so to those who are not seniors
- ▶ This means that steady change (increases of less than 10% per year) won't cause this to save you money, but very sharp changes in value will cause this to gain a large increase in equity, without a proportionate increase in taxes

Planning with the Homestead Cap

- ▶ Because the Homestead Cap only helps when there are spikes in home values, as a neighborhood, you may want to consider trying to get multiple improvements/amenities at once (even if they come later) rather than spacing them out over time
- ▶ While protesting your values helps, if your actual DCAD value is more than 30-40% higher than your Homestead Capped Value, consider focusing on increasing the value higher since its likely you will pay the 10% cap either way

Things that can cause values to spike

- ▶ Trails
- ▶ Major retail development
- ▶ Significant school improvement (especially at the elementary level)
- ▶ Major park improvements
- ▶ Zoning changes (if there is actual demand for a better use)
- ▶ DCAD paying attention

What Is Zoning

- ▶ According to the City of Dallas
 - ▶ Zoning is the division of land into districts
 - ▶ Districts have regulations including those on land use, height, setbacks, lot size, density, coverage, and floor area ratio (FAR).
 - ▶ In order to build a certain type of building , you must have the appropriate zoning
 - ▶ In order to occupy a building with a certain use (grocery store, residence, manufacturing) you must have the appropriate zoning
 - ▶ Zoning did not always exist in the city

Both of these properties have the same zoning



Residential Zoning – Single Family

- ▶ Most of Dallas is zoned for single-family residential with R-7.5 being the most common
- ▶ Just because zoning allows an owner to build a large building, unless the area is desirable enough, it usually won't happen
- ▶ An area can have zoning that allows for much larger homes, but remain relatively static for decades and sometimes since the original development of the neighborhood
- ▶ Minimum lot size is a historically common way to exclude lower income households as well as minority homeowners

What zoning tools exist for single family neighborhoods

- ▶ Historic Overlays – Maintain a neighborhood exactly as it was built
- ▶ Neighborhood Stabilization Overlay (NSO) – Regulate things like height and setbacks
- ▶ Accessory Dwelling Unit Overlay – Allow construction of accessory dwelling units
- ▶ Conservation District – Used to regulate things such as density, architectural styles, height, and setbacks

Planned Development Districts (PDs)

- ▶ In Dallas, PDs basically mean custom zoning
- ▶ Used when planning for a larger area
- ▶ Often used when a development needs a variety of exceptions to the normal zoning code (parking, setbacks, height, etc.)
- ▶ Examples include PD193 (Oak Lawn), PD 468 (Oak Cliff Gateway), PD 298 (Bryan Place), and PD 389 (Illinois Station)

What do these tools mean for homeowners

- ▶ If you are truly facing gentrification, the tax rules incentives sharp changes in value over somewhat fast but steady appreciation
- ▶ Once you or your spouse make it to 65, things become much easier in regards to avoiding displacement
- ▶ Consider what you want your neighborhood to be like long term in terms of housing mix and price points before values start skyrocketing and before taxes become too high

What do these tools mean for seniors?

- ▶ Using existing tools, senior homeowners can not be displaced if they do not want to be displaced
- ▶ Senior homeowners are incentivized to increase the value of their property and improve their neighborhoods since they can not be displaced by rising values



What does this mean for neighborhoods?

- ▶ Planning is important, but when to use those plans are arguably more important
- ▶ Don't underestimate the potential of your neighborhood
- ▶ Prepare for success in getting the grocery store, trail, or amenity you wanted, but assume and prepare for higher values and taxes to follow
- ▶ Enjoy improving your communities, even with existing tools you have many ways to stay in place and benefit after you put in the hard work.



Questions?