

Date: February 14, 2019

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Community Development Department
Subject: CDD Longtime Homeowner Grant Program Recommendations

On February 21, 2019, the Community Development Department (CDD) will present recommendations for a multiyear expansion of the City's investment in affordable housing. As part of these recommendations, CDD is proposing to phase out the current Long-Time Homeowner Grant program and focus efforts on increasing utilization of existing state property tax programs and on homeowner education in neighborhoods where prices are rising. The purpose of this memo is to provide additional context for this recommendation.

Pilot Program Results to Date

The City of Durham Longtime Homeowner Grant is a pilot program offered to low income homeowners whose property values and tax obligations have increased as a result of the City's revitalization initiatives in the Southside, Northeast Central Durham, and Southwest Central Durham neighborhoods. Within the target neighborhoods, properties must be located within 500 feet of a City housing investment that occurred between 2010 and 2015. Homeowners must have household incomes at or below 80% of Area Median Income (AMI) and have owned and occupied their home as their primary residence since July 1, 2012.

2016 Tax Year Applications

The application period for the first year of the pilot, 2016, concluded in May 2018. For the 2016 property tax year, CDD received 43 applications from homeowners. Of these, 18 (42%) were approved for funding. The primary reasons that applications were denied was because the homeowner had not experienced a tax increase (56%). Another 20% of applicants were over income, and 12% were both over income and had not experienced a tax increase.

During the first year, CDD advertised the program by mailing letters to all homeowners in the three target neighborhoods informing them about the program. Over 1,000 letters were sent. Program information was shared with all neighborhood associations and CDD held community meetings in each of the three target neighborhoods. In addition, CDD staff made home visits to several elderly or disabled homeowners to help them fill out their applications.

2017 Tax Year

CDD opened the application process for the 2017 tax year on September 24, 2018. The last date for applications to be submitted is March 31, 2019. CDD has launched the process by mailing letters in English and Spanish to all homeowners in the three target neighborhoods informing them about the program. Department staff also reached out to all 2016 grantees to make sure they are aware of the 2017 process. Neighborhood meetings are scheduled to be held at the end of February.

To date, 37 applications have been received, and 24 awards have been made. Of those, 16 were to 'repeat' applicants - i.e. home owners who also received a grant for the 2016 tax year. This represents a net increase of 8 successful applicants over last year. The total amount awarded has gone up, from \$3,687 for 2016 to \$7,369 (to date) for the 2017 tax year. This is due to both the increase in the number of grants awarded and to the average grant size.

Table 1 summarizes the results of the pilot program for the 2016 tax year and results to date for the 2017 tax year.

	2016 Tax Year	2017 Tax Year (partial)
Applications		
Approved	18	24
Declined	25	13
<i>No tax increase</i>	56%	61%
<i>Over income</i>	20%	8%
<i>No increase & over income</i>	12%	8%
<i>Other</i>	4%	23%
Repeat Applicants	na	16
Award Amounts		
Total \$ awarded	\$3,687	\$7,349
Average \$ awarded	\$205	\$306
<i>Low award</i>	\$54	\$33
<i>High award</i>	\$421	\$908
Neighborhood (Approved)		
Northeast Central Durham	28%	42%
Southside	22%	16%
Southwest Central Durham	50%	42%
Utilization of State Exemptions (all)		
Not eligible	42%	57%
Eligible, enrolled	33%	38%
Eligible, not enrolled	26%	13%

* Application period for 2017 Tax Year will close 3/31/19.

Program Administration

During the 2016 tax year, CDD staff spent approximately 285 hours on the direct management of the program. This did not include time spent by management staff on oversight or by fiscal staff to process funding requests.

To date, the number of hours for the 2017 tax year is lower (105), although CDD expects that this number will rise by the time the application process closes at the end of March, particularly since community meetings are scheduled for later this month. Much of the staff time on the program is spent responding to queries from homeowners and helping them fill out paperwork. For clients with limited mobility, this includes making home visits.

Analysis

An analysis of the results to date suggests the following:

- The number of individuals served by the program is modest, as is the level of benefit provided. Expanding the pool of applicants is challenging. The least labor intensive

methods – electronic mail and U.S. mail – yield limited results. It is possible that direct outreach in the form of canvassing and more extensive community engagement would yield better results, but would be significantly more labor intensive.

- Program administration costs are high vis a vis the benefit being provided. This is ‘high touch’ program – as noted, staff spend a significant amount of time talking with clients individually, helping them through the program. The total cost of program administration to date (including labor and direct costs such as postage) is over \$20,000, which is significantly more than the total amount of grant funding awarded in the same period.
- The timing of the transaction is inefficient. By definition, the Longtime Homeowner Grant is a reimbursement program. Clients must either have paid their property taxes or have worked out a payment plan in order to be eligible to receive City assistance. This is in contrast to the State-approved property tax programs managed by Durham County, the Homestead Exemption and Circuit Breaker, which represent an actual reduction or deferral of taxes. For these programs, homeowners do not have to pay the amount that is waived or deferred up front.

Based on the experience to date, it is likely that scaling up the current program to serve larger numbers would entail significant program administration costs.

Recommendations

In light of the results to date, CDD recommends that the City consider changing its tactics to address the needs of low-income homeowners. Specifically, staff proposes to phase out the current Longtime Homeowner Grant program once the 2017 Tax Year process closes, and focus efforts on increasing utilization of existing state property tax programs and on homeowner education in neighborhoods where prices are rising.

In comparison with the City’s program, the existing state property tax relief programs are more efficient, because the benefit is provided at the time that taxes are paid. They are also more financially sustainable for the City long-term, given that the County and City each forego their share of taxes. In the City’s current program, the City is reimbursing both the County and City portions of property tax increases. It may be more efficient to increase utilization of the state property tax relief programs rather than operate a parallel city program.

Data suggest that the current State-authorized property tax relief programs are underutilized in Durham. During the first year of the Long Time Homeowner Grant implementation, for example, 25% of eligible homeowners had not applied for state property tax relief programs through the Durham County Tax Office. This percentage declined in the second year, but this is due in part to the fact that CDD staff worked to connect applicants to the Durham County Tax Office.

Moreover, property taxes are not the only – or most significant – threat to homeowner stability, particularly in areas where home prices are rising quickly. Anecdotal reports suggest that long-time residents are being targeted for what can be called ‘predatory’ acquisitions. This might take the form of high pressure sales tactics and cash offers for homes that are well below the market value of the home.

CDD is proposing to work with community partners to design and implement an outreach program focusing on low-income homeowners, particularly elderly and disabled households, in neighborhoods with significant price appreciation. The goal of the program would be two fold –

to ensure that residents take advantage of the existing state property tax relief programs and to provide owners with information about the value of their homes and their options for selling, so that they can make informed decisions about their real estate assets. CDD envisions that this outreach program would be executed by one or more community based organizations under contract to the City.