

# Strategies to Minimize Displacement Tax Abatement



**Benefit:** Maintain housing affordability for current residents



**Problem addressed:** Rising real estate values, increased property taxes



**Administrated by:** Jurisdiction's office of community development or economic development



**Scale of Impact:** Individual homeowners

## Introduction

[Brownfields](#)—or properties with environmental contamination or potentially contaminated land—are disproportionately located in or near communities of color and low-income communities. Residents near these properties may face [heightened health hazards and economic disinvestment](#) until the site undergoes assessment and cleanup, which can be a costly and lengthy process.

Safely reusing a brownfield site is an opportunity to improve community health and bring in new amenities. However, brownfield redevelopment can also exacerbate affordability and displacement concerns. As costs rise and it becomes more expensive to live in a community, lower income residents and small businesses are often displaced. Strong, early community engagement in the brownfields reuse process presents an opportunity for the community to have a meaningful role and input on how to minimize displacement through the cleanup and reuse process. Community leaders, stakeholders, and practitioners can be proactive and put strategies in place to minimize the risk of displacement. These strategies take time, resources, and political will to implement, and they are most effective if put into place before displacement is already occurring.



New homes in the Glenville neighborhood of Cleveland, Ohio. Image credit: Ideastream Public Media.

## Tool: Tax abatement

Tax abatements are financial programs designed to ease property taxes for developers and low- and moderate-income homebuyers, particularly in locations that are experiencing increasing property taxes due to rising property values. Abatement programs lower taxes for property owners or developers for construction of new homes or rehabilitation projects on existing homes over a certain number of years.

For long-time residents in areas which have seen significant growth and development, increased property taxes and increased monthly costs may present a major barrier to staying in a family home. In order to qualify for a tax abatement, applicants to the program must fit at a certain income threshold, which is determined by the jurisdiction. Tax abatement programs are administered at the town, city, or county level and vary in the tax percent reduction or abatement time depending on the jurisdiction that oversees the program.

For tax abatement policies that encourage the rehabilitation of existing homes, homeowners can receive a 100% reduction of tax from undergoing the rehabilitation project (meaning they only pay the taxed amount of the value of the home pre-restoration), while other policies reduce this cost by 50% for a certain number of years. For new construction, the property owner would receive a tax deduction based on the payment made to acquire the property.



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## Tips for Success

In some jurisdictions, energy efficiency and efforts to address the impacts of climate change have been enveloped into tax abatement programs. For example, rehabilitation projects or new developments which satisfy [LEED](#) or other environmental certifications qualify for extended duration periods of abatement or even lower tax rates.

Some cities have enveloped tax abatement programs into larger, long-term programs and initiatives, such as the [Community Reinvestment Act \(CRA\)](#) in Cincinnati, OH, which aims to build equity and reduce displacement for homeowners in disadvantaged areas by lowering construction and development costs.

Tax abatement programs should not be static; they should be revisited and changed to account for economic shifts or changes in market conditions. Some cities and towns also introduce tax abatement programs specifically for first-time homebuyers, veterans, and senior citizens in order to incorporate equity priorities and expand pathways to homeownership for disadvantaged or economically vulnerable residents in a community.

## Where to start

Tax abatement programs can be supported by a community's quantitative data on residential property costs and trends across areas of the community. Determining if tax abatement programs are a useful and appropriate strategy should include engaging with local community development and housing offices to obtain trends and data on residential home values, transactions, and other models that show patterns of displacement. With this information, communities can identify which areas of the community tax abatement programs may be most effective. Capacity-building and staff bandwidth to undertake such programs is necessary for the creation and administration of such programs. Learn more about tax abatement with [Local Housing Solutions'](#) resource, which highlights referential case studies nationally and an important overview of tax abatement programs.



## Questions to Ask in the Planning Process

- How has neighborhood change impacted the monthly costs for long-term residents in your community?
- How can the community be engaged to collect information about the potential impacts of tax abatement?
- Are there community or regional organizations that track information about tax burden, increased taxes due to improvements, or other relevant information? Do these groups consider minimizing displacement as a primary goal?
- What resources or communication channels does your government or economic agency use to raise awareness about accessing and utilizing tax abatement programs?

## Case Study



The City of Cleveland, OH has a [residential tax abatement program](#) which eliminates 100% of tax associated with new developments and remodeling projects for 15 years. If a homeowner undergoes a rehabilitation or improvement project on their home and receives tax abatement from the City of Cleveland, they would only pay the amount of taxes attributed to the home's value before renovation. Cleveland's tax abatement program not only encourages homeowners to undergo these projects, but also preserves affordability by eliminating tax increases they would owe with the increased property value from the improvements.

Staff from the City of Cleveland's tax abatement program noted that public education and the awareness of these programs should be prioritized moving forward. In 2020, the City published a comprehensive study which analyzed the effects of the tax abatement program and offered recommendations for future improvements of the program, which included linking community benefits agreements with abatement policies, embarking on coordinated initiatives to increase transparency of the program, and incentivizing green infrastructure through clauses in the tax abatement program. Read the report [here](#).



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