

Historic Tax Incentive For 1611 McKinney Avenue – Luna Tortilla Factory

January 20, 2009
Economic Development Committee



Request

- Review of a proposed historic preservation tax incentive over \$50,000 for the Luna Tortilla Factory located at 1611 McKinney Avenue.
- Applicant is seeking a Citywide Exemption as an Endangered Property under the historic preservation tax incentive program.
- Historic Tax Incentive Program was reviewed and approved by the Dallas City Council on November 26, 2007.
- Current request complies with all policy and procedures in this recently approved program.

Overview of Historic Tax Incentives Program

Category	Type	Percent of DCAD Improvement Value needed to meet the required expenditure	Amount of City of Dallas taxes exempted	Duration of the exemption
Urban Exemptions	Based on Major Rehab	75%	100%	10 years
	Based on Rehab	50%	Added Value	10 years
	Residential / ground floor conversion	50% must be converted to residential and 65% of street frontage must be converted to ground floor retail	100%	5 years
Revitalizing Exemptions	Based on Rehab	25%	100%	10 years
	Maintenance	3%	Added Value	3 years
Citywide Exemptions	Based on Rehab	50%	Added Value	10 years
	Endangered Property	25%	100%	10 years
Non-profit Exemptions	Non-profit	Be a not-for-profit with a designated historic landmark that is open to the public	100%	As long as the building remains a not-for-profit that is open to the public

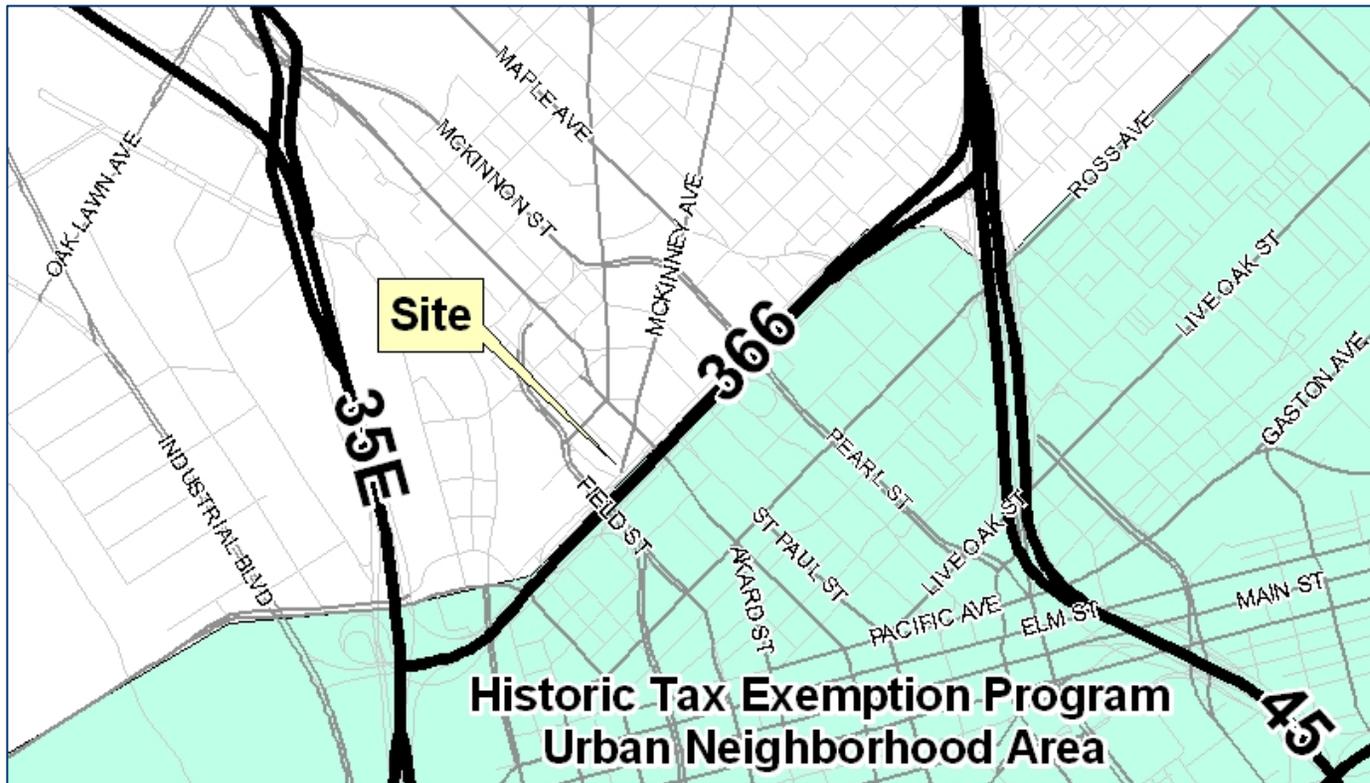
Historic Tax Incentive Program

- Citywide Exemption
 - Citywide exemptions must be located outside the defined revitalizing and urban exemption areas.
 - The “Endangered Property” exemption is specifically available to properties within the citywide exemption category.
 - The intent of the Endangered incentive is to encourage the rehabilitation of highly significant buildings located outside the urban core.

Historic Tax Incentive Program

- Citywide Neighborhood Exemption
 - The “Endangered Property” exemption allows for up to a 100% exemption of the city portion of the property taxes for a ten year period
 - To qualify for this exemption, the cost of rehabilitation that is completed must exceed 25 percent of the pre-rehabilitation value of the structure.
 - This provides for up to a 100% exemption of the city portion of the property taxes for a total of up to 10 years

Location



Background

- This is the Luna Tortilla Factory Historic District No. 110.
- The property is owned by Triton Downtown LLC.
- The building was built in the Spanish Eclectic-style in 1938 and is the last remaining original business in little Mexico, Dallas earliest Hispanic neighborhood.
- Currently, the building is vacant. The applicant has proposed to renovate the historic building for commercial use.

Background

- The Landmark Commission determined that this application should be treated as an Endangered Property because of the following reasons:
 - The Luna Tortilla Factory was included on Preservation Dallas' 11 Most Endangered Properties list in 2008.
 - The building faces increasing pressure from:
 - The development occurring in the immediate area and a sharp rise in property values.
 - Dallas Central Appraisal District (DCAD) has appraised the land at a much higher value than the structure.
 - The applicant has stated that it is difficult for the existing structure to generate enough revenue to pay the rising property taxes and make a reasonable profit.

2008 Values

Pre-rehabilitation Improvements Value:	\$1,000
Pre-rehabilitation Land Value:	\$1,800,000
Total Pre-rehabilitation Value	\$1,801,000
Minimum Required Expenditures (25% of the 2007 pre-rehabilitation improvement value)*:	\$3,120
Estimated Total Expenditures:	\$750,000

* The Historic Preservation Tax Incentive Program requires that the pre-rehabilitation value be the values used for the previous year, unless the most recent appraisals are lower. In this case, the 2007 pre-rehabilitation values are lower and are used to calculate the required expenditures (\$3,120), however for the purposes of calculating the exemption, the 2008 values were used because they provide a more accurate picture of the projected exemption.







Recommendation

- Approval of the application for a Certificate of Eligibility for a period of 10 years.
- This application meets all of the requirements of the Historic Preservation Tax Incentive Program ordinance that was approved by the City Council on November 26, 2007.