Historic Development Program Update

Economic Development and Housing Committee
February 14, 2006
Authority for Local Historic Property Tax Incentives

- State Enabling Legislation derived from Texas Property Tax Code, 11.24 Historic Sites passed by Legislature in 1979

- For more than 25 years local governments allowed granting property tax exemptions for significant buildings designated by municipality

- In 2005, property tax incentives are the single most effective statewide program for historic preservation
Some Texas Municipalities with Property Tax Incentives for Historic Buildings

Austin
San Antonio
Plano
Fort Worth
Houston
Brownsville
Abilene
Some other Major Cities with Property Tax Incentives for Historic Buildings

Los Angeles
Kansas City
Cleveland
Atlanta
Charleston
Savannah
San Francisco

Chicago
New York City
Philadelphia
San Diego
Phoenix
Washington, DC
Special Considerations for Historic Buildings

- Contribute architecturally and historically to the city’s presence
- Serve as an attraction for the city in its tourism and urban design
- Provide the basis for revitalization in most major urban centers
- Connect the city to its past - an important marketing concept for the city
Challenges for Historic Buildings

• Almost always being adapted for a new use for original design, therefore it has challenges in meeting its reuse

• May have limitations by location or access that must be enhanced to meet current needs

• May have inherent environmental issues that must be corrected for health and safety
Leveraging Incentives

→ Historic property tax incentives typically combined with federal incentives

→ Historic property tax incentives combined with state incentives or grants

→ The combination of these incentive packages have made it possible for rehabilitation of these properties

→ The availability of local incentives often makes it eligible for state and national incentives

→ The local incentives demonstrate the community’s commitment to reuse its assets that in turn attracts greater investments from other areas of the state and country
Other Issues

• Historic buildings that receive property incentives are typically designated and protected at the same time by local ordinances, adding significant regulatory control.

• Long-term return on these public investments is significant for the community.

• The reuse of historic buildings would not have occurred without the attraction.
Purpose of the Dallas Historic Development Program

To encourage revitalization and preservation of the City’s historic properties in downtown and older neighborhoods

- The purpose is to encourage redevelopment of historic buildings and return them to productive use
- Applications processed according to Council goals and guidelines authorized for Historic Development Program in 2004
- This program sunsets every 3 years and receives a thorough council review before it is re-authorized
Goals of the Historic Development Program

- Revitalize older neighborhoods
- Support private sector investment in historic properties
- Encourage home ownership
- Promote pedestrian-oriented, ground floor retail in the urban neighborhood
- Support new uses for vacant and deteriorated historic buildings
- Encourage low and moderate-income families to invest in revitalizing neighborhoods
Eligibility for the Historic Development Program

• To be eligible for the program, buildings must be contributing structures within a City historic overlay district

• The program area is divided into three categories based on location:
  o Urban Neighborhood (Downtown core, older often vacant structures, mostly commercial)
  o Revitalizing Neighborhoods (Older, often deteriorated, mostly residential structures)
  o City Wide
## Incentives Offered

<table>
<thead>
<tr>
<th>TYPE OF INCENTIVE</th>
<th>URBAN NEIGHBORHOOD</th>
<th>REVITALIZING NEIGHBORHOODS</th>
<th>CITY WIDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LARGE SCALE REHABILITATION</td>
<td>100% abatement for 10 years when costs exceed 75% of structure's pre-rehabilitation value *</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>SMALL SCALE REHABILITATION</td>
<td>Abatement on added value for 10 years when costs exceed 50% of structure's pre-rehabilitation value *</td>
<td>Abatement on added value for 10 years when costs exceed 50% of structure's pre-rehabilitation value * (If not owner-occupied)</td>
<td>Abatement on added value for 10 years when costs exceed 50% of structure's pre-rehabilitation value *</td>
</tr>
<tr>
<td>OWNER-OCCUPIED REHABILITATION</td>
<td>N/A</td>
<td>100% abatement for 10 years when costs exceed 25% of structure's pre-rehabilitation value and is owner-occupied, abatement may be extended for an additional five years if the building remains owner occupied *</td>
<td>N/A</td>
</tr>
<tr>
<td>RESIDENTIAL CONVERSION AND/OR GROUND FLOOR RETAIL</td>
<td>100% abatement for 5 years if 45% occupied and convert more than 50% of floor area to residential and/or 65% of ground floor to retail</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>MAINTENANCE</td>
<td>N/A</td>
<td>Abatement on added value for 3 years, renewable for 9 years total, when owner-occupied and costs equal or exceed 3% of structure’s pre-rehabilitation value</td>
<td>N/A</td>
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<tr>
<td>CONSERVATION EASEMENT</td>
<td>City accepts donation of character defining feature of historic property</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>TRANSFER OF DEVELOPMENT RIGHTS</td>
<td>Transfer minimum 20,000 square feet if rehabilitated in past 5 years and costs exceed 50% of pre-rehabilitation value</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Except that if the property is in a reinvestment zone the abatement will be on the value of the contributing structure (excluding land).
**Process**

- Application submitted and Certificate of Eligibility approved by Landmark Commission (30 - 60 days)

- City Council reviews and acts on requests for abatements over $50,000 (60 days)

- Rehabilitation work accomplished (3 months - 3 years)

- Administrative review and confirmation - final action is letter of verification authorizing abatement (60 - 90 days)
Abatement Process

**STEP 1:**
City receives application

**30-60 days**

City Council approves abatements >$50,000

Begin Work

**STEP 2:**

CE Approved

**60 days - skip to Step 3 if abatement < $50,000**

City receives filed copy from County

30 days

Owner files w/ County

30 - 60 days

Staff & Legal Review

3 mo. - 3 yrs

Work Complete

**STEP 3:**

City sends letter of verification to DCAD

2 weeks

Owner annually submits application to DCAD and receives abatement

**STEP 4:**
History of the Historic Development Program

The Historic Preservation Incentive Program (Ordinance No. 21874) was passed by Council on October 27, 1993. It was amended by council in 1998, 2001 and 2004, as required by the ordinance. Current ordinance will sunset on December 31, 2007, so must be re-authorized prior to that date.

Revisions developed based on committee input. Committee comprised of diverse representatives included Landmark Commission members, developers, preservationists, and homeowners.
Substantive Revisions

• Boundary changes and eligibility requirements
• Fine tuning of abatements offered
• Modifications to abatements allowed in TIF districts
• Clarifying Landmark and City Council review procedures
Examples of Rehabilitated Residential Properties

314 N. Clinton Prior To Rehabilitation
314 N. Clinton
After Rehabilitation
4610 Gaston Avenue Prior to Rehabilitation
4610 Gaston
After Rehabilitation
Examples of Rehabilitated Commercial Properties

3912 Willow (G and J Manufacturing) 
Prior To Rehabilitation
3912 Willow (G and J Manufacturing) After Rehabilitation
400 S. Central (Olive and Meyers) Prior to Rehabilitation
400 S. Central (Olive and Meyers) After Rehabilitation
3800 Commerce (Mitchell Building) Prior to Rehabilitation
3800 Commerce (Mitchell Building) After Rehabilitation
1122 Jackson Street (Santa Fe II Building) Prior to Rehabilitation
1122 Jackson Street (Santa Fe II Building) After Rehabilitation
Overview of Program
(All commercial and residential projects)

Estimated Number of Properties Eligible to Participate in the Program: 199

Estimated Number of Properties Receiving an Abatement: 155

* Estimated Annual City Abatement: $1,223,882

* All projects as of September 2005 receiving an abatement. Based on 2005 tax rate.
Impact on Development
(For projects with an abatement over $50,000)

- 33 properties rehabilitated or in process
- Private investment (rehabilitation costs only) = $312,332,305
- 3,364 residential units created
- 1,965 permanent jobs created

→ Of the 33 properties, 26 are currently receiving an abatement
→ Rehabilitation investment on the 26 properties = $183,845,801
→ Estimated total abatement on the 26 properties = $21,410,248
→ Every $1 spent by the city results in a private investment of $8.59

→ *The recapture rate is 1.7 years

* Recapture rate in years equals the amount of time it will take the city to recover forgone taxes, based on tax revenue at pre-rehabilitation value over the abatement period divided by the annual tax on improvements (added value), based on the active abatements.
Impact on Development (Cont.)
(For projects with an abatement over $50,000)

Commercial Abatements in Process

- Goodyear & Goodrich Bldg. (3809 Parry & 4140 Commerce)
- Elm Place Residences (501-509 Elm)
- American Beauty Mill (2400 S. Ervay)
- Mitchell Lofts (3800 Commerce)
- Joske’s/Majestic Lofts (1900 Elm)
- Magnolia Bldg. (1401 Commerce)
- Adam Hats Bldg. (2700 Canton)
- Kirby Bldg. (1501 Main)
- 2220 Canton
- Magnolia Station (1607 Lyte)
- Oil Well Supply Bldg. (2001 N. Lamar)
- Sante Fe II (1122 Jackson)
- Texas Farm & Ranch (3300 Main)
- Murray Bldg. (3401 Commerce)
- Continental Fin (3311 Elm)
- Western Union Bldg. (2030 Main)
- Paramount Bldg. (301 N. Market)
- Bluitt Sanitarium & RF Aspley Bldg (2036/38 Commerce)
- Sears Bldg. (1409 S. Lamar)
- Live Myers Bldg. (400 S. Central Expressway)
- Awalt Bldg. (208 N. Market)
- Futura Lofts (3221 Commerce)
- Futura Lofts (3210 Main)
- Cumberland Hill School Bldg. (1901 N. Akard)
- Davis Bldg. (1309 Main)
- Bromberg/Patterson House (3201 Wendover)
Impact on Development (Cont.)

(For projects with an abatement over $50,000)

Commercial Abatements

Recently Approved

• Mercantile (1704 Main)
• DP & L Bldg. (325 N. St. Paul)
• 1924 Main
• Fidelity Union Complex (1507 Pacific, 1511 Bryan, 318 Akard)
• U.S. Post Office Bldg. (404 N. Ervay)

Under Consideration

• Purse Bldg. (1601 Elm)
• Tower Petroleum (1907 Elm)
• 2018 Cadiz
• 2008 Commerce
Recommendation

- Continue to review historic abatement requests based on existing policy
- Consult with Economic Development to coordinate incentives and ensure alignment with City objectives
- Begin 2007 sunset review immediately:
  - Benchmark programs in other cities
  - Develop criteria for commercial projects with abatement over $50,000 to evaluate and determine appropriate level of incentive