



CITY OF DALLAS

## Memorandum


Date: May 29, 2009

To: City Council Economic Development Committee:  
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, Steve Salazar

Subject: Proposed Historic Preservation Tax Incentive

Included on the agenda for June 1, 2009 is a briefing on the proposed historic preservation tax incentive for 501 2<sup>nd</sup> Avenue, the Hickory Street Annex.

If you need further information please call Theresa O'Donnell at 214-671-9293.

  
A.C. Gonzalez  
Assistant City Manager

c: The Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Thomas Perkins, City Attorney  
Deborah Watkins, City Secretary  
Craig Kinton, City Auditor  
Judge C. Victor Lander, Judiciary  
Ryan S. Evans, First Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Ramon F. Miguez, P.E., Assistant City Manager  
Forest Turner, Interim Assistant City Manager  
David Cook, Chief Financial Officer  
Theresa O'Donnell, Director of Development Services  
Jean Chipperfield, Director, Budget and Management Services  
Helena Stevens-Thompson, Assistant to the City Manager  
Karl Zavitkovsky, Director, Office of Economic Development  
Hammond Perot, Assistant Director, Office of Economic Development

# Historic Tax Incentive For 501 2<sup>nd</sup> Avenue – Hickory Street Annex

June 1, 2009

Economic Development Committee



# Request

- Review of a proposed historic preservation tax incentive over \$50,000 for the Hickory Street Annex located at 501 2<sup>nd</sup> Avenue.
- Applicant is seeking an Urban Exemption Based on Major Rehab 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

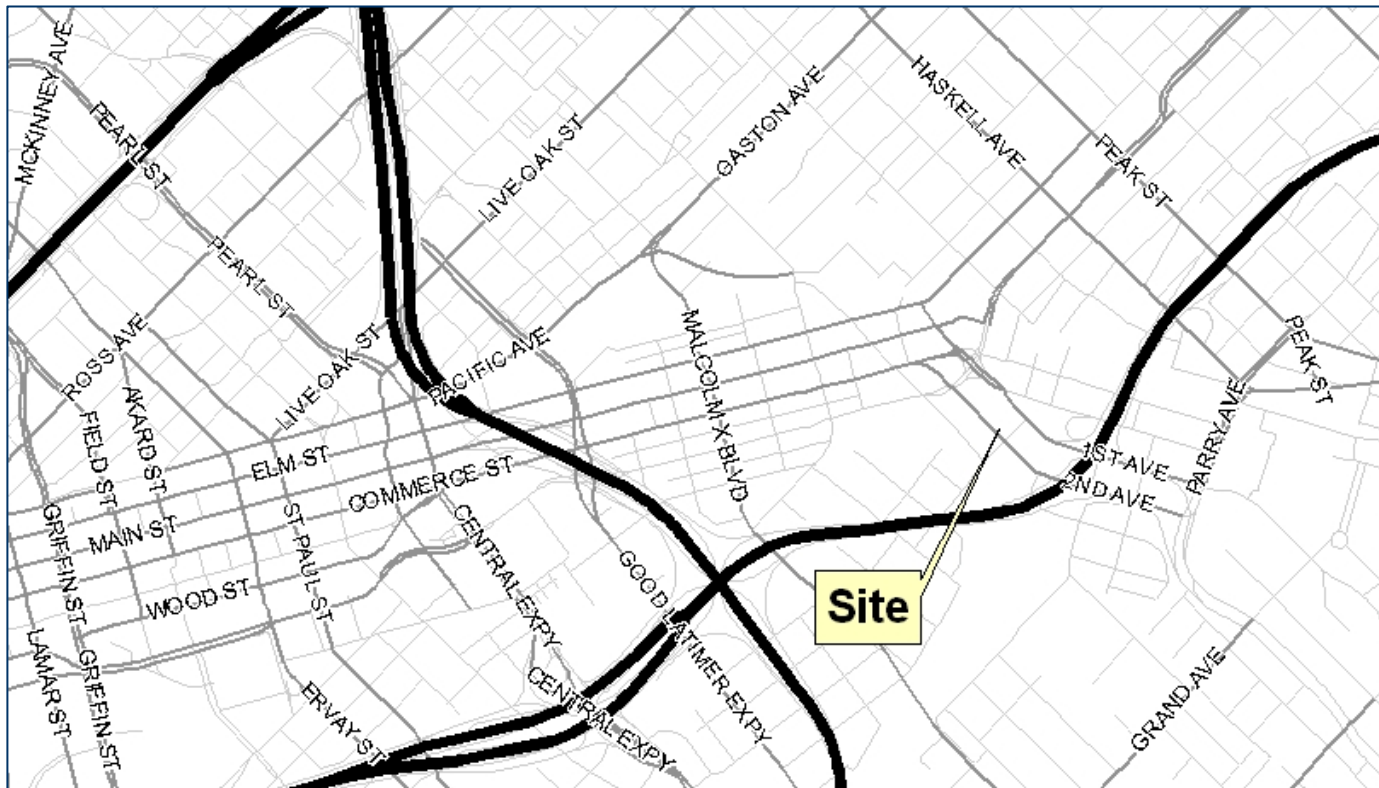
Category	Type	Percent of DCAD Improvement Value needed to meet the required expenditure	Amount of City of Dallas taxes exempted	Duration of the exemption
Urban Exemptions	Based on Major Rehab	75%	100%	10 years
	Based on Rehab	50%	Added Value	10 years
	Residential / ground floor conversion	50% must be 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

- Urban Exemptions

- The “Based on Major Rehab” exemption allows for up to a 100% exemption of the city portion of the property taxes for up to a ten year period.
- To qualify for this exemption, the cost of rehabilitation that is completed must exceed 75 percent of the pre-rehabilitation value of the structure.
- Exemptions exceeding \$50,000 must be approved by City Council. Council may approve or deny the portion of the exemption that exceeds \$50,000.

# Location



# Background

- This is in the Hickory Street Annex Historic District that is currently in the local historic designation process. This designation was initiated by the property owner. The designation was approved by the Landmark Commission in January 2009 and by the City Plan Commission on May 7, 2009.
- The property is owned by Kaelson Company Properties, Inc.
- Applicants may apply for tax exemptions while still in pre-designation status, however they must have the designation approved by the City Council prior to the exemption being granted.
- The applicant has proposed to renovate the historic building for retail/office use.
- The required minimum expenditure of \$170,438 has already been met; the applicant expects the project will be completed by 2010. \*

\* Note: Unlike Economic Development tax abatements, these exemptions can be requested after building permits are issued.

# Background

- The property is identified in a TxDOT Corridor Study preferred alignment for expansion of I-30 East corridor. A new feeder road / ramp is proposed across the southern end of the property, impacting at least two of the six buildings.
- In a draft Environmental Impact Statement prepared by URS/Lopez Garcia for TxDOT, the property was determined eligible for the National Register of Historic Places, naming all of the buildings as contributing to the district. TxDOT Environmental Division has concurred with this determination.
- The property owner has also initiated the process of listing the property on the National Register of Historic Places.



# 2008 Values

Pre-rehabilitation Improvements Value:	\$227,250
Pre-rehabilitation Land Value:	\$687,410
Total Pre-rehabilitation Value	\$914,660
Minimum Required Expenditures (75% of the pre-rehabilitation improvement value) :	\$170,438
Estimated Total Expenditures:	\$500,000









# Recommendation

- The Landmark Commission recommended approval of the application for a Certificate of Eligibility for a period of 10 years on January 5, 2010.
- Staff recommends that if Building A-2 or Building B are totally or partially demolished, the tax exemption will terminate as to those buildings, and the owner shall immediately repay to the City of Dallas all city property taxes that were not paid on Building A-2 or Building B because of the tax exemption.
- 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.

# Site Plan

