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 2nd 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 2nd 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 2nd 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

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

City Council Economic Development Committee – June 1, 2009
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-rehabilitation Improvements Value</td>
<td>$227,250</td>
</tr>
<tr>
<td>Pre-rehabilitation Land Value</td>
<td>$687,410</td>
</tr>
<tr>
<td>Total Pre-rehabilitation Value</td>
<td>$914,660</td>
</tr>
<tr>
<td>Minimum Required Expenditures (75% of the pre-rehabilitation improvement value)</td>
<td>$170,438</td>
</tr>
<tr>
<td>Estimated Total Expenditures:</td>
<td>$500,000</td>
</tr>
</tbody>
</table>
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

Second Avenue

Building "A-1"
Construction Date: 1921
Historic Function: Dock Building
Currently: Commercial/Office

Building "A-2"
Construction Date: 1921
Historic Function: Dock Building
Currently: Commercial/Office

Building "B"
Construction Date: 1921
Historic Function: Parts Warehouse
Currently: Commercial/Office
Event Space

Building "E"
Construction Date: 1921
Historic Function: Pump House #2
Currently: Commercial/Office

Building "D"
Construction Date: 1921
Historic Function: Pump House #1
Currently: Commercial/Office

Building "C"
Construction Date: 1921
Historic Function: Cooper Shop
Currently: Commercial/Office

No Build Zone

Hickory Street