



# Historic Preservation Tax Exemption Program

Economic Development Committee  
November 19, 2007



# Historic Preservation Tax Exemption Program



- The purpose of the briefing today is to update the Committee since the last meeting.
- The following six questions were raised at the October briefing.
- The existing program will sunset in December of this year.

# Historic Preservation Tax Exemption Program

- Why should a non-profit receive an exemption?

Currently, there is only one property that is receiving the non-profit exemption, the Aldredge House. Any income generated by public use of the building must be reinvested back into the maintenance of the building or into philanthropic efforts in Dallas

- Why eliminate the distinction between owner occupied and non-owner occupied?

The intention is to encourage additional rehabilitation and renovation regardless of the occupant.

# Historic Preservation Tax Exemption Program

- What assistance is available for citizens over 65 years of age?

This exemption can be stacked with other exemptions to lower the taxable value of a structure. Therefore someone receiving an Over 65 exemption could also receive an Historic Exemption.

- Can City Council cap the total exemption?

Yes. The City Council can approve or deny all or any part of an exemption.

# Historic Preservation Tax Exemption Program

- Can any building over 50 years old be designated?

No. To be eligible for this program, a building must be either (1) designated as an historic landmark, or (2) it must be contributing or potentially contributing structure in an historic district.

- Why allow a “second bite at the apple”?

Exemptions may be renewed if additional expenditures meet the new threshold for rehabilitation. This is to encourage the continued rehabilitation and use of historic properties and recognizes that historic structures require continuous maintenance and upkeep.

# Historic Preservation Tax Exemption Program



## Appendix

# Existing Historic Preservation Tax Incentive Program



- Goals of the Historic Tax Exemption Program are to:
  - Revitalize older neighborhoods to build and capture a stable tax base.
  - Support the private sector investment in historic properties.
  - Encourage home ownership.
  - Promote pedestrian oriented, ground floor retail in the Urban Historic Districts.
  - Support new uses for vacant and deteriorated historic buildings.
  - Encourage low and moderate income families to invest in Revitalizing Historic Districts.



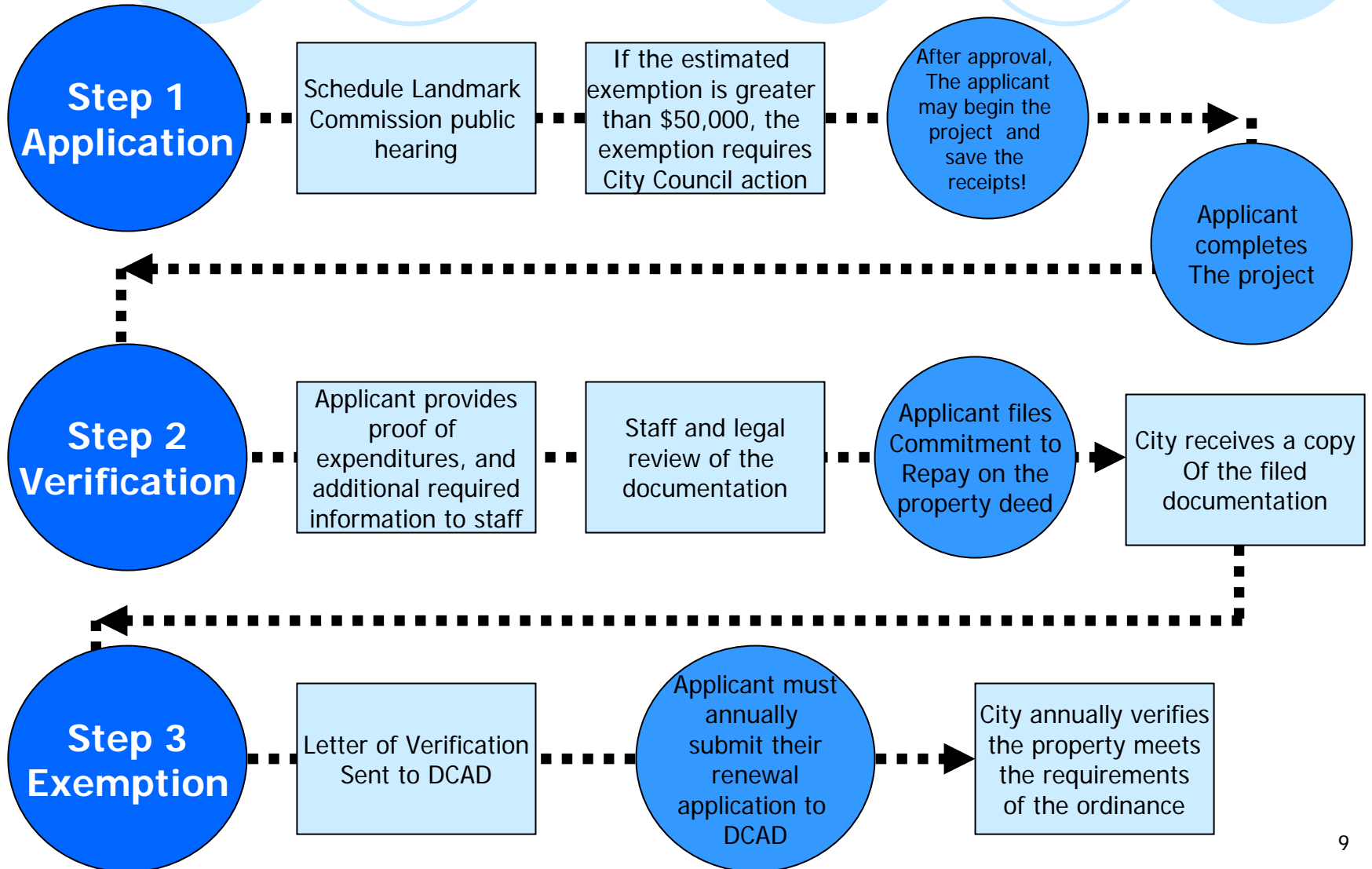
# Eligibility

- To be eligible for the program, a building must be designated as a historic landmark
- It also must be a contributing or a potentially contributing historic structure
- Typically, buildings are at least 50 years old and to be designated as historic landmarks.





# Exemption Process



# Historic Development Program

- The location of the structure and the amount of investment being made determines the level of eligible tax exemption.
- Types of Exemptions
  - Exemption on the *added* value of the **city** portion of the property taxes
  - Exemption of 100% of the **city** portion of the property taxes



# Historic Development Program

## ● Example:

- If two properties valued at \$150,000, both invest \$50,000, both will have a new value of \$200,000.

	Value being abated	Tax Rate	Annually Exempted	Total over 10 Yrs
<b>100 % Exemption</b>	\$200,000	0.007484	\$1,497	\$14,968
<b>Added Value Exemption</b>	\$50,000	0.007484	\$374	\$3,742

- Without any rehab to the building, the City would have been receiving, **\$1,122** in annual taxes.
- After the rehab, the city will be receiving **\$1,497** in annual taxes, a **33%** increase in taxes to be paid following the expiration of the tax exemption.

# Historic Development Program

- A historic exemption is similar to a Homestead exemption or an Over 65 exemption.
- Someone receiving an Over 65 exemption could also receive a Historic Exemption if they are doing improvements to the property. This exemption can be stacked with other exemptions to lower the taxable value of a structure.

# Historic Development Program

- In total, there are about 88 historic properties receiving exemptions in the program. Approximately 60 of these are single family homes.
- In 2007, tax exemptions have begun on 11 properties for a period of ten years in most cases.
- Over \$40 million dollars were spent on rehabilitation of structures on these 11 properties.
- The projected total tax exemptions for the entire duration of all 11 properties will be \$4.2 million.



# Types of Exemptions Offered Existing and Proposed Programs

# Existing Historic Development Program



- Currently there are three categories of exemptions available
  - Urban Neighborhoods
  - Revitalizing Neighborhoods
    - Junius Heights, Lakecliff, Peak's Suburban, South Blvd/ Park Row, 10<sup>th</sup> St, Wheatley Place, and Winnetka Heights
  - Citywide
    - All historic properties not in the Urban or Revitalizing Neighborhoods
    - Munger Place, State Thomas, and Swiss Avenue historic districts





# Urban Historic Districts

1<sup>st</sup> Category

# Existing Historic Development Program

## Urban Historic Districts (existing)

Type of Exemption	Required Expenditures	Amount of tax exemption	Duration of tax exemption	Renewable
Based on Rehab	75% of the improvement value of the structure	100% of all city property taxes	10 years	No
Based on Rehab	50% of the improvement value of the structure	Added Value only	10 Years	No
Residential / ground floor conversion	45% must be occupied, and either 50% must be converted to residential or 65% of ground floor must be converted to retail	100% of all city property taxes	5 Years	No

\* All exemptions combined may not exceed 15 years

# Proposed Changes to the Existing Program

- No changes to current exemptions available.
- Exemptions may be renewed if additional expenditures meet the new threshold for rehabilitation. This is to encourage the continued rehabilitation and use of our historic properties.
  - Example:
    - If a property with a \$10,000 improvement value applied for an exemption and spent the required \$2,500, they would receive their exemption for 10 years.
    - If after 9 years, they needed to complete more renovation, and the improvement value was now \$100,000, the applicant would need to spend an additional \$25,000 to qualify for a new 10 year exemption.

# Proposed Changes to the Existing Program

Urban Historic Districts (proposed)				
Type of Exemption	Required Expenditures	Amount of tax exemption	Duration of tax exemption	Renewable
Based on Rehab	75% of the improvement value of the structure	100% of all city property taxes	10 years	Yes
Based on Rehab	50% of the improvement value of the structure	Added Value only	10 Years	Yes
Residential / ground floor conversion	45% must be occupied, and either 50% must be converted to residential or 65% of ground floor must be converted to retail	100% of all city property taxes	5 Years	No

# Urban Neighborhood Properties

**Titche Building**



**SoCo Urban Lofts (Santa Fe Building)**



**Republic Tower**



# Revitalizing Historic Districts

2<sup>nd</sup> Category

# Existing Historic Development Program

## Revitalizing Historic Districts (existing)

Type of Exemption	Required Expenditures	Amount of the tax exemption	Duration of the tax exemption	Renewable
Owner Occupied Rehab	25% of the improvement value of the structure	100% of all city property taxes	10 years (may be extended 5 years if the property remains owner occupied)	No
Non-Owner Occupied Rehab	50% of the improvement value of the structure	Added Value only	10 Years	No
Maintenance	3% of the improvement value of the structure	Added Value only	3 Years	3 Times

\* All exemptions combined may not exceed 19 years



# Proposed Changes to the Existing Program

- Eliminate the distinction between owner occupied and non-owner occupied. The intent of this change is to encourage the rehabilitation of structures, regardless of the owner, and to improve the quality of housing available to the public.
- All properties in the Revitalizing Historic Districts are eligible for a 100% exemption if expenditures exceed 25% of the improvements value.
- Exemptions may be renewed if additional expenditures meet the new threshold for rehabilitation. This is to encourage the continued preservation and use of our historic properties.
- The Designation Committee can recommend to the Landmark Commission that new historic districts or amending historic districts be designated as Revitalizing Historic Districts in need of additional assistance.

# Proposed Changes to the Existing Program

## Revitalizing Historic Districts (proposed)

Type of Exemption	Required Expenditures	Amount of the tax exemption	Duration of the tax exemption	Renewable
Based on Rehab	25% of the improvement value of the structure	100% of all city property taxes	10 Years	Yes
Maintenance	3% of the improvement value of the structure	Added Value only	3 Years	Yes

# Revitalizing Historic Districts

4523 Junius – Peak's Suburban



1018 East 11th – 10<sup>th</sup> Street





# Citywide Historic Districts

3<sup>rd</sup> Category

# Existing Historic Development Program

## Citywide (existing)

Type of Exemption	Required Expenditures	Amount of the tax exemption	Duration of the tax exemption	Renewable
Based on Rehab	50% of the improvement value of the structure	Added Value only	10 years	No

\* A property may only receive an exemption once on these properties

# Proposed Changes to the Existing Program

- Creates a new category of exemption: Rehab of an Endangered Historic Property
  - This provision is intended for structures deteriorating within our more stable historic districts.
  - The intent of this change is to allow the Commission an opportunity to offer property owners a greater incentive to rehab rather than making application to demolish.
  - The LMC must determine that the property is threatened by deterioration, damage, or irretrievable irreplaceable loss due to neglect, disuse, disrepair, instability, lack of financial resources, or impending demolition.
  - Allows a 100% exemption for 25% expenditures on the property

# Proposed Changes to the Existing Program

- Exemptions may be renewed if additional expenditures meet the new threshold for rehabilitation. This is to encourage the continued preservation and use of our historic properties.





# Proposed Changes to the Existing Program

Citywide (proposed)				
Type of Exemption	Required Expenditures	Amount	Duration	Renewable
Based on Rehab	50% of the improvement value of the structure	Added Value only	10 years	Yes
Rehab of an Endangered Structure	25% of the improvement value of the structure	100% of all city property taxes	10 years	Yes

# Citywide Properties





# Other Exemptions Offered

# Existing Historic Development Program

## Other Incentives (existing)

### Non-Profit

Must be a Recorded Texas Landmarks that operates a not-for-profit that is open to the public.

Receives a 100% exemption on the city portion of the property taxes for long as long as it remains a not-for profit open to the public

### Conservation Easement

### Transfer of Development Rights

There is only one property that is receiving the non-profit exemption – Aldredge House. Any income produced for this property is channeled back into the property's maintenance and philanthropy efforts in Dallas.

# Proposed Changes to the Existing Program

## Other Incentives (proposed)

### Non-Profit

Must be a Recorded Texas Landmarks that operates a not-for-profit that is open to the public.  
Receives a 100% exemption on the city portion of the property taxes for long as long as it remains a not-for profit open to the public

### Conservation Easement

### Transfer of Development Rights

- Other incentives
  - No changes to the not-for-profit, conservation easement or transfer of development rights programs

# Overview of Proposed Incentives Program

Category	Type	Required Expenditures	Amount	Duration	Renewable
<b>Urban Historic Districts</b>	Based on Rehab	75%	100%	10 years	Yes
	Based on Rehab	50%	Added Value	10 years	Yes
	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	No
<b>Revitalizing Historic Districts</b>	Based on Rehab	25%	100%	10 years	Yes
	Maintenance	3%	Added Value	3 years	Yes
<b>"Citywide"</b>	Based on Rehab	50%	Added Value	10 years	Yes
	Endangered Property	25%	100%	10 years	Yes
<b>Non-profit</b>	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	Annually
<b>Conservation Easement</b>					
<b>Transfer of Development Rights</b>					



# Additional Proposed Changes



# Proposed Changes to the Existing Program

- Name of the program
  - Existing: Historic Development Program
  - Proposed: Historic Preservation Tax Exemptions and Other Economic Development Incentives for Historic Properties

# Proposed Changes to the Existing Program

- Add a mission statement that includes the following goals:
  - Providing education and assistance to owners of historic properties
  - Coordinating activities with other city departments
  - Coordinating with existing programs in other departments
  - Seeking funding from outside sources, specifically to assist low and moderate income families in rehabilitating and maintaining owner-occupied historic properties.

# Proposed Changes to the Existing Program

- “Abatement” to “exemption”
  - Changes all occurrences of the word abatement to exemption.
  - A property tax *abatement* is authorized under chapter 311 and 312 of the Texas Tax Code and is a partial waiver of property taxes in a reinvestment zone.
  - A property tax *exemption* is authorized under Chapter 11 of the Texas Tax Code. A tax exemption excludes all or part of a property's value from property taxation, ultimately resulting in lower property taxes.

# Proposed Changes to the Existing Program

- Reinvestment Districts

- Existing program: Consent of boards and other taxing entities is required for tax exemptions in a reinvestment zone. Decreased exemptions available in reinvestment zones.
- Proposed: All properties are treated the same without regard to reinvestment zones to the extent permitted by law and terms of any bonds issued in connection with reinvestment zones.

# Proposed Changes to the Existing Program

- Administrative changes for the Certificate of Eligibility and Letter of Verification requirements
  - Many of the application requirements in the existing program are duplicated at the time of verification. Most of the information listed in the existing program is not necessary for the majority of CE's processed. Staff will list any additional items in the application as items that may be requested, but they are not required in order to process the application.
  - Clarifies that neighborhood Task Force review of applications is not required.

# Proposed Changes to the Existing Program

- Work Done Prior to the CE Approval
  - Existing program: Landmark Commission may approve expenditures spent one year prior to the approval of the Certificate of Eligibility
  - Proposed: Landmark Commission may approve expenditures spent three years prior to the approval of the Certificate of Eligibility
- City Council Review
  - Clarification: The City Council may deny **all or part** of the amount over \$50,000.

# Proposed Changes to the Existing Program

## ● Completion of Rehabilitation and Extensions

### ○ Existing program:

- Requires all rehabilitation to be completed within 3 years, but may apply for an extension from the Landmark Commission.
- The Landmark Commission may extend the CE for additional periods of up to three years each. The CE expires automatically if rehabilitation is not completed.

### ○ Proposed clarifications:

- The Landmark Commission determines the date by which the project must be completed, and the date by which the Certificate of Occupancy must be issued.
- The Landmark Commission may extend the required completion date if there has been good faith toward completion and the extension of the completion date will further preservation of the property. The default completion time is 3 years if one is not stipulated.

# Proposed Changes to the Existing Program

- When an Exemption May Begin

- Existing Program:

- For residential properties: completion of the project.
- For commercial properties: completion the project and submission of a copy of the certificate of occupancy, if required.



# Proposed Changes to the Existing Program

## ● When an Exemption May Begin

### ○ Proposed:

- Residential properties: when the required minimum expenditures threshold has been met.
- Commercial properties: the applicant has completed rehabilitation that exceeds the minimum required expenditures, even if a Certificate of Occupancy has not yet been obtained.
- The applicant will still be required complete the project.
- This proposed change allows the applicant to receive an exemption while completing the project rather than requiring the completion of the project before they can receive the exemption.
- The applicant would still have the option to wait until the project is completed to receive their exemption.
- *Ultimately, starting the exemption earlier would get the property back on the tax rolls faster and at a higher valuation.*

# Proposed Changes to the Existing Program

- Commitment to Repay Requirements
  - Clarifications: The owner must repay the taxes forgone in the event of unauthorized alteration or demolition of the property.
  - Clarifies the required information that must be contained within the Commitment to Repay document. The Commitment to Repay is used by the Dallas Central Appraisal District as a base for what type of exemption a property may receive if eligible, and to verify eligibility annually.
- Adding reference to Article XI to Chapter 51 to match Chapter 51A.
- Sunset Provision
  - December 31, 2015
- Coordination between pending tax exemptions
- Penalties Section referenced from Dallas City Code

# Timeline of ordinance development

- July - Briefing at Landmark Commission
- July Task Force Meetings – briefings on proposed changes
- August 6 – Landmark Commission Recommended approval of the proposed changes
- August 28 – Community meeting held. Approximately 125 people attended.
- September - November – Economic Development Committee consideration
- December – City Council Hearing and consideration
- December – current program will sunset without City Council action