

Mayor and Council Communication

DATE: 12/17/19

M&C FILE NUMBER: M&C 19-0422

LOG NAME: 06400 COMMERCE ST. HSTE - CORRECTION

SUBJECT

Amend Mayor and Council Communication G-18693 to Accurately Reflect the 2012 Property Values for 400 Commerce Street (formerly 111 E. 4th Street Fort Worth; Original Town, Block 52, Lot 9) and to Clarify the Boundary of the Affected Property for the Purpose of Correctly Calculating its Historic Site Tax Exemption (COUNCIL DISTRICT 9)

RECOMMENDATION:

It is recommended that City Council amend Mayor and Council Communication G-18693 to accurately reflect the 2012 Property Values for 400 Commerce Street (formerly 111 E. 4th Street Fort Worth; Original Town, Block 52, Lot 9) and to clarify the boundary of the affected property for the purpose of correctly calculating its historic site tax exemption to be the following amounts:

1. Land Value = \$175,000.00
 2. Improvement/Structure Value = \$704,432.00
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions to correct the values and boundaries of a property receiving an historic site tax exemption (HSTE).

Background

On November 12, 1996, the City Council adopted Ordinance No. 12769, designating the property at 114 E. 4th Street (Fort Worth Original Town, Block 52, Lots 9-10) as demolition delay (DD) because it contained the historic Land Title Building and its annex. The Land Title Building sits on Lot 9, while the annex sat on Lot 10.

As part of its redevelopment plans, the property owner submitted applications to demolish the annex, use the cleared land of Lot 10 for new structures, and renovate the remaining historic Land Title Building. On December 12, 2011, the Historic and Cultural Landmarks Commission (HCLC) granted a certificate of appropriateness (COA) for the demolition of the annex building (on Lot 10). The annex was demolished in 2012, around the same time that the property was replatted.

After the HCLC had approved the COA and demolition of the annex had begun, the property owner submitted an application to nominate and designate the Land Title Building as HC in November of 2012, which the City Council approved on February 3, 2015 (Ordinance No. 21629-02-2015). In its application, the property owner identified both Lots 9 and 10. While both lots were subject to the previous DD designation, the historic structure was wholly contained on Lot 9, and only that property was eligible for the HC designation. Staff failed to notice this issue and continued to reference Lot 10 in subsequent actions.

Once the Property had been nominated, interim controls took effect and required certain City approvals of any exterior work on the structure. In July of 2013, the Property owner submitted an application for a historic site tax exemption to rehabilitate the Land Title Building on the Property, along with a detailed description of the work. The application, however, also included a legal description that encompassed the prior Lot 10 on which the demolished annex once stood. The rehabilitation project commenced and ended in 2013.

On March 22, 2016, City Council approved M&C G-18693, authorizing the HSTE for this Property. The base-year taxable value in that M&C reflected the 2012 improvement (structure) and land values for *both* Lots 9 (Land Title Building) and 10 (demolished annex/new build property), instead of just Lot 9. Thus, City Council set the improvement (structure) value at \$873,125.00 and land value at \$350,000.00, instead of the 2012 values for just the Land Title Building (\$704,432.00) and Lot 9 (\$175,000.00).

NOTE - In conveying information about the Council-approved HSTE to the Tarrant Appraisal District, a former City staff member erroneously referred to the 2013 (gutted, mid-construction) value of the improvements - \$176,640.00 – instead of the pre-commencement (2012) value that was mandated by the terms of the ordinance as it existed at the time.

These issues came to staff's attention earlier this year, when the property owner raised concerns about using the Lot 10 land value, which was resulting in the HSTE for Lot 9 being less than it should have been. Having more thoroughly researched the issue, staff agrees that Lot 10, and its associated values, should be excluded from the HSTE and its calculations as that parcel contains a new build structure and is not necessary for access and use of the historic Land Title Building. This M&C seeks to make those corrections.

Applicable Historic Site Tax Exemption

At the time this Property received its historic site tax exemption in March of 2016, any structure designated as HC and the land necessary for access to and use of the structure that was substantially rehabilitated were eligible to receive a HSTE. Under the HSTE for city tax valuation

purposes, the structure and land should have an assessed value for a period of 10 years that is equal to the assessed value of the structure and land for the tax year immediately prior to the commencement of the rehabilitation (aka, base-year taxable value) – in this instance 2012. In other words, the Property was entitled to an exemption from City ad valorem taxes equal to the difference between: (1) the City of Fort Worth current-year taxable value after application of any other applicable exemption and (2) the City of Fort Worth base-year (2012) taxable value after application of any applicable exemption.

Correct Values for the Historic Site Tax Exemption

As noted above, the historic Land Title Building only sits on Lot 9; thus, the base-year taxable value should have been calculated based on the values of the land and improvement (structure) on Lot 9 in 2012. The values noted above reflect the fact that Lot 10 is outside the scope of the HSTE.

According to the Tarrant Appraisal District, the 2012 values for Lot 9 and the historic Land Title Building (excluding the former annex) in 2012 were:

- 1. Structure/Improvement Value = \$704,432.00
- 2. Land Value = \$175,000.00

These changes are effective beginning with the adoption of this M&C. For tax year 2019, staff will be working with TAD and the property owner to ensure that the property owner gets the benefit of the lower base-year land value in calculating the HSTE for the current year.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that this action will have no material effect on City funds.

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