

Mayor and Council Communication

DATE: 12/03/19

M&C FILE NUMBER: M&C 19-0338

LOG NAME: 06CANCEL AUTOMATIC HISTORIC TAX EXEMPTIONS

SUBJECT

Adopt an Ordinance Canceling the Historic Site Tax Exemption for the Following Properties: (1) 401 W. Lancaster Avenue, (2) 608-610 Main Street, (3) 9121 Heron Avenue, (4) 131 E. Exchange Avenue, (5) 1200 & 1212 E. Lancaster Avenue, (6) 201 W. Vickery Boulevard, (7) 306 W. Cannon Street, (8) 308 W. Cannon Street, (9) 908 E. 3rd Street, (10) 655 May Street, and (11) 303 Crump Street (900 E. 2nd Street) (COUNCIL DISTRICTS 2, 7, 8 and 9)

RECOMMENDATION:

It is recommended that City Council adopt the attached Ordinance canceling the Historic Site Tax Exemption for the following properties: (1) 401 W. Lancaster Avenue, (2) 608-610 Main Street, (3) 9121 Heron Avenue, (4) 131 E. Exchange Avenue, (5) 1200 & 1212 E. Lancaster Avenue, (6) 201 W. Vickery Boulevard, (7) 306 W. Cannon Street, (8) 308 W. Cannon Street, (9) 908 E. 3rd Street, (10) 655 May Street, and (11) 303 Crump Street (900 E. 2nd Street).

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to cancel the historic site tax exemption for the following properties: (1) 401 W. Lancaster Avenue, (2) 608-610 Main Street, (3) 9121 Heron Avenue, (4) 131 E. Exchange Avenue, (5) 1200 & 1212 E. Lancaster Avenue, (6) 201 W. Vickery Boulevard, (7) 306 W. Cannon Street, (8) 308 W. Cannon Street, (9) 908 E. 3rd Street, (10) 655 May Street, and (11) 303 Crump Street (900 E. 2nd Street) (collectively, "Properties"). On May 23, 1995, the City Council adopted Ordinance Number 11970 which, among other things, set out a new tax incentive for properties designated as highly significant endangered ("HSE"), with the stated purpose to "encourage historic preservation . . . for the stabilization, rehabilitation and renovation" of such properties.

One of the tax incentives allowed HSE properties to receive a City ad valorem tax exemption equal to all of the assessed value of the designated structure automatically upon designation of the structure as HSE ("Tax Exemption"), which was an interim measure pending rehabilitation, and to receive a City ad valorem tax exemption on both the structure and the land for up to 15 years following such rehabilitation. To receive the Tax Exemption on a yearly basis, the property owner was obligated to apply each year to the appraisal district pursuant to the provisions of the Texas Tax Code. The Tax Exemption was intended to act as a stop-gap measure to provide interim relief until the property owner could rehabilitate the historic structure and take advantage of the enhanced rehabilitation incentive in lieu of the Tax Exemption.

This intent was made explicit in Ordinance Number 13896 (adopted on or about August 10, 1999), which, among other things, amended the Tax Exemption to set a termination/expiration date tied to qualifying for the rehabilitation incentive. Ordinance No. 13896 neglected to set a termination/expiration date for the Tax Exemption if the property never qualified for the rehabilitation incentive, resulting in a Tax Exemption continuing indefinitely, contrary to its intended purpose.

Recognizing that the automatic Tax Exemption was no longer serving its intended purpose of encouraging historic preservation, the City Council adopted Ordinance Number 17647-07-2007 on July 10, 2007 completely removing the Tax Exemption from consideration as a tax incentive in favor of project-based incentives, including those for stabilization and rehabilitation.

There are currently eleven (11) HSE properties that are still eligible to receive the Tax Exemption on a yearly basis, with 1999 being the average year that most properties became eligible. The property at 401 W. Lancaster Avenue became eligible to receive the Tax Exemption on January 1, 1996, but has yet to be rehabilitated or renovated in any material fashion. The remaining ten (10) Properties have not made the annual application to the appraisal district and, therefore, have not received the Tax Exemption after initially becoming eligible. Because the Tax Exemption for each of these properties has failed to fulfill its stated purpose of encouraging historic preservation through stabilization, rehabilitation, or renovation, staff recommends that City Council cancel each of the Tax Exemptions.

The cancellation of the Tax Exemption on each of the Properties will be effective on December 31, 2019. None of the Properties will be eligible to receive the Tax Exemption after December 31, 2019.

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 the impact from repealing these historic tax exemptions will be built into the City's long-term financial forecast of the General Fund.

Originating Business Unit Head:

Sarah Fullenwider 7623

Additional Information Contact:

Sarah Fullenwider 7623