



# Historic Preservation Tax Incentive Program

## General information and instructions for applying for a historic tax exemption



## There are Incentives Available for Rehabilitating Historic Structures!

Thank you for your interest in preserving the historic and architectural legacy of the City of Dallas. The Historic Preservation Incentive Program was developed to encourage preservation of historic buildings and the revitalization of neighborhoods throughout the City of Dallas. The program consists of tax exemptions, conservation easements, and transfer of development rights. This information packet deals only with the tax exemption program; please ask city staff if you have questions about the other incentives, which are only available in urban historic districts. The Department of Development Services administers the Historic Preservation Incentive Program with the assistance of the Dallas Landmark Commission, the Dallas Central Appraisal District, and the Dallas County Tax Assessor.

### General Information:

- **Reward for private investment:** This tax exemption is a reward for those who invest in historic resources. The tax exemptions apply only to the city property taxes, not to other property taxes, such as Dallas County and Dallas Independent School District. This exemption is not a grant, and there are not monies available to assist in the restoration of the structure under this program.
- **Who can receive a tax exemption:** To be eligible for the Historic Preservation Incentive Program, your building must be a contributing structure within any city historic district. It must be designated as a City of Dallas historic district or an individual historic district. The type of incentive available depends on how much you invest in rehabilitation and where your property is located.
- **Types of exemptions:** The program is divided into three areas (see the map at the end of this packet):
  - Urban historic districts
  - Revitalizing historic districts
  - All other areasWhere the property is located determines the minimum required expenditures to be eligible. This amount of money is a percentage of the Dallas Central Appraisal District's appraised (or market) value of the historic structure.
- **What work qualifies:** Qualified expenditures include labor and materials for interior or exterior repair or replacement of features that help preserve a structure, such as, but not limited to, roofing, windows, sheetrocking, carpentry, electrical, plumbing, mechanical, flooring, and replacing fixtures such as sinks, bath tubs and toilets. See page 6 for a more complete list.
- **Procedure for application:** Make an application to the Landmark Commission to determine eligibility of the property and the proposed work. Once the work is completed, submit an application to staff for verification of the work completed. After the city issues a letter of verification, the owner must make an annual request to DCAD to receive the exemption. The applicant should coordinate with staff regarding any additional application requirements.
- **How are the minimum expenditures determined:** Staff uses the Improvement Value listed on the DCAD website for the year prior to the date of the application. If the application is made on September 13, 2007, staff will use the 2006 Market Value to determine the required expenditures.

- **What if the work has already been completed:** Generally, only work done after issuance of the Certificate of Eligibility may be counted (the Landmark Commission may, however, approve work done prior to issuance of the Certificate of Eligibility if the work was done within the last three years and will further the purpose of the program). Exemptions cannot be applied for or issued retroactively. Applicants will need to make a Step 1 Application to the Landmark Commission, and once the work is completed, submit a Step 2 Application to staff for verification.
- **Renewals:** Additional terms for tax exemptions may be applied for at any time. The new application must meet all the requirements of a new application in terms of required expenditures, based on the appraised value on the DCAD website for the year prior to the new application.
- **New owners of the property during the term of the tax exemption:** The exemption travels with the property, however the new owner will still be required to file the exemption renewal form with DCAD annually.

## Type of Exemption:

Please ask staff which category of exemption you qualify to receive.

Category		Type	Required Expenditures	Amount	Duration	Renewable
<b>Urban Historic Districts</b> Includes all properties located within the Urban historic district area shown on the last page of this packet	<input type="checkbox"/>	Based on Rehab	75%	100%	10 years	Yes
	<input type="checkbox"/>	Based on Rehab	50%	Added Value	10 years	Yes
	<input type="checkbox"/>	Residential / ground floor conversion	50% must be converted to residential and 65% of ground floor must be converted to retail	100%	5 years	No
<b>Revitalizing Historic Districts</b> Includes properties located in: <ul style="list-style-type: none"> <li>• Junius Heights</li> <li>• Lakecliff</li> <li>• Peak's Suburban</li> <li>• South Blvd. / Park Row</li> <li>• 10<sup>th</sup> Street</li> <li>• Wheatley Place</li> <li>• Winnetka Heights</li> </ul>	<input type="checkbox"/>	Based on Rehab	25%	100%	10 years	Yes
	<input type="checkbox"/>	Maintenance	3%	Added Value	3 years	Yes
<b>"Citywide"</b> Includes properties located in: <ul style="list-style-type: none"> <li>• Munger Place</li> <li>• State Thomas</li> <li>• Swiss Avenue</li> <li>• All properties not located within the Urban or Revitalizing historic districts</li> </ul>	<input type="checkbox"/>	Based on Rehab	50%	Added Value	10 years	Yes
	<input type="checkbox"/>	Endangered Property	25%	100%	10 years	Yes
<b>Ownership by a non-profit entity open to the public</b>	<input type="checkbox"/>	Non-profit	Be a designated historic landmark that is open to the public and is owned by a non-profit with	100%	As long as the building is owned by a non-profit entity and is open to the public	Annually

PLEASE NOTE: All tax exemption approvals that accumulatively (new applications and renewals) will receive exemptions totaling in excess of \$50,000 will have to be approved by both the Landmark Commission and the City Council.

## Application Process

There are three steps to getting a tax exemption:

- Step 1 - Apply for a determination of eligibility by the Landmark Commission. After approval, perform the rehabilitation work.
- Step 2 - Apply for a letter of verification after the rehabilitation is complete.
- Step 3 - Apply directly to Dallas County Appraisal District every year, for the duration of the exemption.

### Step 1— Application to the Landmark Commission

**Apply for a determination of eligibility for a tax exemption, and apply for any required Certificate of Appropriateness.**

The Landmark Commission determines eligibility based on whether the structure is a contributing structure in an existing or pending historic district, and whether the proposed rehabilitation work helps preserve the historic property. Complete the application to determine eligibility and submit it to staff prior to the **first Thursday of each month** for consideration by the Landmark Commission at next available monthly public hearing the following month. Staff can help you fill out the application. You may attend the Landmark Commission hearing, or wait for notification of the Landmark Commission decision from city staff.

Approval is also required from City Council for all tax exemptions in excess of \$50,000 (i.e. all past and future projected tax foregone by the city as a result of the historic tax exemptions). To figure out the total amount of tax foregone by the city over the term of the exemption, you can go to [www.dallascad.org](http://www.dallascad.org), search for appraisals for your property, and scroll down to view the estimated taxes, calculate the amount that will be exempt, and multiply that by the number of years the exemption will be in place.

Applications to determine eligibility for tax exemptions should be submitted to the Landmark Commission before the rehabilitation work is started, however, the Landmark Commission may approve work completed within three years prior to the Landmark Commission hearing if the work completed would further the preservation of the property. In these cases, applicants should submit the documents required in Step 1 and Step 2 of the application procedure.

**After the Landmark Commission approval, complete the rehabilitation work, and be sure to keep your receipts!**

If the application is approved and all required certificates of appropriateness are approved, you may begin the rehabilitation work. Before doing any exterior work at a historic property, you must first obtain a certificate of appropriateness. All work must comply with the terms of the certificate of appropriateness. You must also obtain all necessary building permits and related city inspections. Keep track of all expenditures with receipts, checks, invoices and other documentation to prove expenditures, or, if you are using an architect or engineer, pay affidavits or schedules of value may provide sufficient documentation.

## **Step 2— Verification**

**Now that the work is completed, staff needs to verify that the work has been completed.**

You may apply for a letter of verification only after completing approved rehabilitation work that satisfies the minimum required expenditure set forth in the application for determination of eligibility. You must submit proof of expenditures for the required minimum amount, and provide all documents listed in the application for a letter of verification.

One of the documents required as part of this step in the application process is a commitment to repay, which outlines the property information, value and duration of the exemption, and permanently obligates the owner to repay any taxes that were exempted under this program if the historic property is ever demolished or materially altered by the willful act or negligence of the owner without necessary city approvals. Staff will provide the applicant with a completed commitment to repay document.

The owner must sign a commitment to repay, on a standard legal form for tax exempt properties, and record it in the real property records for the property. The commitment to repay must be signed and notarized by all the property owners and all lienholders. The signed document must be returned to City Hall to be approved as to form by the City Attorney. It will then be returned to the applicant to be recorded in the Dallas County real property records, at the Records Building, 500 South Main Street. Once the commitment to repay is recorded by the county, a copy must be returned to city staff.

## **Step 3—Annual application to DCAD**

**The city's paperwork is done, and now the applicant needs to turn in their annual application to DCAD to continue receiving the exemption.**

The property will be evaluated by city staff each year to determine whether the owner is in compliance with the terms of the tax exemption. If the owner is in compliance, city staff will send a letter to the Dallas Central Appraisal District to verify eligibility.

The property owner must also make an annual application to the Dallas Central Appraisal District or the tax exemption will not be allowed for that year. If you do not receive an annual application from the Dallas Central Appraisal District by March 1 of the year, please contact DCAD directly at (214) 631-1342.

## Cost Estimates

The following list is a general guide to determine what may be used towards expenditures for the exemptions, which includes but is not limited to: labor and materials for interior or exterior repair or replacement of features that help preserve a structure, such as, but not limited to, roofing, windows, sheetrocking, carpentry, electrical, plumbing, mechanical, flooring, and replacing fixtures such as sinks, bath tubs and toilets.

### Eligible exterior work:

- Architectural and engineering services if directly related to the eligible costs described above
- Carpentry
- Demolition and cleanup if directly related to the eligible costs described
- Electrical
- Elevators determined to be necessary to utilize the building
- Exterior doors
- Exterior brick veneers or treatments
- Facade items
- Flooring
- Foundation
- Gutter where necessary for structural integrity
- Heating and cooling
- Interior work that becomes a permanent part of the building that will help preserve the structure
- Mechanical
- Painting (exterior and interior)
- Porch
- Plumbing
- Rehabilitation of a contributing structure used for the required parking
- Roofing
- Security and/or fire protection systems
- Sheetrocking
- Siding
- Structural walls
- Structural subfloors
- Structural ceilings
- Termite damage and treatment
- Windows
- Other items deemed necessary by the Landmark Commission that assist in preserving of the historic structure

### Ineligible costs include, but are not limited to, the following:

- Landscaping
- Legal and accounting fees
- Overhead
- Plumbing and electrical fixtures; provided, however, documented replacement of historic fixtures may be considered eligible
- Purchasing tools
- Repairs of construction equipment
- Supervisor payroll
- Taxes
- Any other items not directly related to the exterior appearance or the structural integrity or viability of the building

## Frequently Asked Questions

### **Who can receive a property tax exemption?**

To be eligible for the exemption, a property must be a contributing structure or a potentially contributing structure in one of the city of Dallas historic landmarks or districts.

### **What is exempted?**

Only the city portion of the taxes. Each property pays taxes to the City, County, School District, and Hospital District. This exemption is only on the city portion of the property taxes. To view how much estimated city taxes the property will be paying, visit [www.dallascad.org](http://www.dallascad.org), search for appraisals, and scroll down to view the Estimated Taxes.

### **What is the application process?**

Submit a Step 1 Application before beginning the rehabilitation. If the application is approved (pending all required Certificate of Appropriateness approvals), the applicant may begin their work. The applicant must keep track of all their expenditures with receipts, checks, invoices and other documentation to prove expenditures. Once the expenditures have been spent, the applicant must complete a Step 2 Verification Application and provide all the necessary documentation to staff. Staff will provide the applicant with a completed Commitment to Repay document. The Commitment to Repay must be signed by the property owners, any leinholders on the property and the city attorney. This signed document must be filed on the property deed at the Records Building located at 500 S. Main. After that, annually, the applicant must reapply to DCAD to receive their exemption.

### **If I sell the property, can the new owner receive the exemption?**

Yes. The exemption travels with the property, however the new owner will still be required to annually file their exemption renewal form with DCAD.

### **What if I have already completed my rehabilitation and did not know about the program?**

The Landmark Commission typically approves Certificates of Eligibility prior to the rehabilitation work being completed, however they may approve work spent up to three years prior to the Landmark Commission hearing on the case. These applicants should submit the Step 1 and Step 2 Applications, as well as all the required documentation for both applications. The Landmark Commission will need to approve all expenditures completed prior to Certificate of Eligibility. The applicant should coordinate with staff regarding what additional application requirements they need to submit.

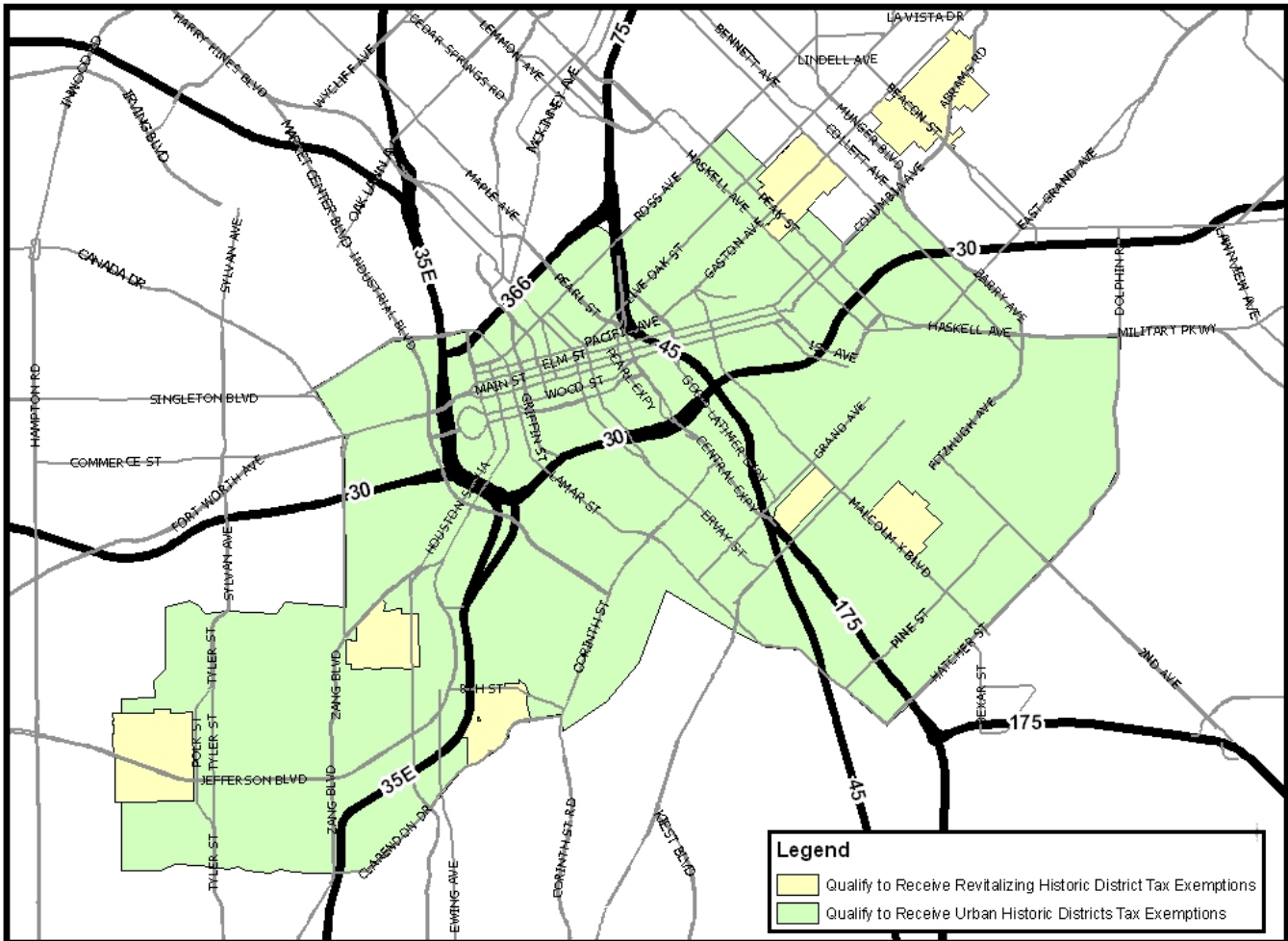
### **What is the Commitment to Repay?**

The Commitment to Repay is the standard legal document filed on the deed of all properties receiving historic exemptions. This document outlines the property information, value and duration of the exemption, as well as outlines the legal ramifications for partially or entirely destroying the property.

### **Is there money available to help me rehab my house?**

Unfortunately, no. There are some programs in the Housing Department to help low and moderate income households or neighborhoods, however anyone interested in these programs should contact the Housing Department directly at 214-670-5988.

## Historic Tax Exemption Program Map



### Important Phone Numbers:

#### City of Dallas

1500 Marilla, Room 5CN  
 Dallas, TX 75201  
 Phone: 214-670-5088  
[www.dallascityhall.com](http://www.dallascityhall.com)

#### Dallas Central Appraisal District

2949 North Stemmons Freeway  
 Dallas, Texas 75247  
 Phone: 214-631-0910  
[www.dallascad.org](http://www.dallascad.org)

#### Dallas County

500 Elm Street, Records Building  
 Dallas, TX 75202  
 Phone: 214-653-7811  
<http://www.dallascounty.org/>