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| STAFF REPORT |
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DATE: August 25, 2022

FROM: Paula Jarrett Nasta, AIA, Planning Manager

THROUGH: Jennifer Arnold, AICP, Director of Planning

SUBJECT: Conduct a Public Hearing to Consider/Discuss/Act on the Request by Sheri Shulenberger for Approval of a Level 2 Historic Neighborhood Improvement Zone Tax Exemption for the House Located at 1505 W Hunt Street.

STAFF RECOMMENDATION: Staff is recommending final approval of a Level 2 (50%) tax exemption for 1505 W Hunt Street under the Historic Neighborhood Improvement Zone Tax Exemption Program.

ITEM SUMMARY: On May 24, 2022, Staff issued a Letter of Eligibility determining that the proposed improvements at 1505 W Hunt Street would qualify for a Level 2 or Level 3 tax exemption.

On February 23, 2021, the applicant submitted paid receipts for the following:

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| • Windows | \$ 6,797.40 |
| • Insulation | \$ 3,179.57 |
| • <u>Strip, Sand, & Paint</u> | <u>\$12,568.23</u> |
| Total in excess of \$10,000 | \$22,637.21 |

The applicant has submitted the necessary documentation to qualify for a Level 2 (50%) tax exemption since the total money spent on verified exterior improvements exceeds \$10,000 and was completed within the 12-month period prescribed by the Historic Neighborhood Improvement Zone Tax Exemption Program. The Historic Preservation Officer has confirmed the documentation and the work.

BACKGROUND: On February 6, 2007, the City Council passed Ordinance #2007-02-014, as amended by Ordinance #2013-11-110 and 2015-12-105. The goal of the ordinance is to encourage preservation of McKinney's historic residential core by providing tax exemptions to owners of homes within a defined geographic area called the Historic Neighborhood Improvement Zone.

The ordinance establishes three levels under which owners of residential properties located in the Historic Neighborhood Improvement Zone may receive tax exemptions based on verified investments meeting specified criteria.

Under a Level 1 exemption, homes which receive a designation of the Historic Marker may receive a 100% exemption of the City's ad valorem taxes for a

period of 7 years. Level 1 exemption (and its accompanying Historic Marker) is administered by the Historic Preservation Officer and the Historic Preservation Advisory Board.

Under Level 2, owners who make verified exterior improvements costing at least \$10,000 during any 12-month period may receive a 50% exemption of the City's ad valorem taxes for a period of 15 years.

Under Level 3, owners who make verified exterior and/or interior improvements costing at least \$5,000 during any 12-month period may receive a 30% exemption of the City's ad valorem taxes for a period of 15 years. If an owner submits plans for additional improvements under Level 2 or Level 3 during any period of exemption previously granted under Level 3, such owner, upon approval of the Building and Standards Commission, may receive an exemption of 50% of the ad valorem taxes for a period of 15 years from the date of such approval.

The application process for Level 2 and Level 3 requires owners to submit plans for proposed improvements to residential properties to the Historic Preservation Officer (and to the Building Permits Department, if a building permit is required). Owners then receive a Letter of Eligibility if the Historic Preservation Officer determines that the proposed improvements qualify for the tax exemption program. Upon completion of the improvements, owners are required to submit documentation to the Historic Preservation Officer acknowledging that the improvements have been made in accordance with the plans and verifying that the eligible costs have been incurred. After receiving the final documentation from the applicant, the HPO completes a field investigation of the property to confirm the documentation.

The Ordinance states that: Owners may submit additional applications under Level 2 during any period of exemption. If such applications are approved, the exemption period shall be extended from the date of the last approval. In such event, the exemption periods run concurrently until the earliest approval expires and continues until the latter approval expires. The exemption begins in 2023 and expires in 2037.

For the verification process to be completed under Level 2 or Level 3, tax exemptions require final determination by the Building and Standards Commission.

ATTACHMENTS:

- Letter of eligibility
- Paid receipt(s)
- Photos of project before and after