CITY OF McKINNEY, TEXAS

Legislation Text

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Conduct a Public Hearing to Consider/Discuss/Act on an Ordinance Amending Chapter 98 of the City of McKinney Code of Ordinances by Amending the Historic Neighborhood Improvement Zone Tax Exemption Program

MEETING DATE: November 19, 2013

DEPARTMENT: Development Services - Planning Department

CONTACT: Guy Giersch, Historic Preservation Officer
Jennifer Arnold, Planning Manager
Michael Quint, Director of Planning

RECOMMENDED CITY COUNCIL ACTION:

- Staff recommends approval of the ordinance.

ITEM SUMMARY:

- Staff is proposing amendments to the Historic Neighborhood Improvement Zone Tax Exemption Program in order to improve the administration of the Historic Neighborhood Improvement Zone (HNIZ) program and to expand the current Neighborhood Empowerment Zone (NEZ) program to apply to non-residential, multi-family residential and vertically-integrated mixed use development projects.

- The most significant proposed changes to the administration of the HNIZ Tax Exemption Program are:

    - Increase the Annual Aggregate Cap of the HNIZ Program. Currently, an annual aggregate cap on the total amount of ad valorem taxes which can be exempted in any budget year under any or all of the exemption levels is set at $50,000. Since the original adoption of the HNIZ Program in 2007, the City has approved a total of 54 tax exemptions. With the existing 54 exemptions approved, Staff projects that the program will reach the $50,000 annual aggregate cap beginning in 2014. As a result, Staff is proposing to increase the annual aggregate cap to $100,000.

    - Modify the Term of a Level 1 Tax Exemption. Currently, residential properties that are approved for a Historic Marker may also receive a 100 percent exemption of the City's ad valorem tax for a period of 15 years. In order to ensure that the Program maintains exemption capacity over the long term, Staff proposes to modify the term of a Level 1 Tax Exemption from 15 years to 7 years. If approved, the modified term for a Level 1

Tax Exemption would become effective for all Level 1 Tax Exemptions approved on or after November 20, 2013. Level 1 Tax Exemptions that were approved prior to November 20 would remain at the 15 year term.

- Clarifying Provisions Associated with the Termination of a Tax Exemption. Staff proposes to include a clarifying provision to ensure that properties receiving a Level 1, Level 2, or Level 3 tax exemption promote the intent and philosophy of the Program. Should the Historic Preservation Officer find that a property receiving a Level 1, Level 2, or Level 3 exemption has fallen into a state of disrepair and/or is no longer meeting the intent and philosophy of the Program, the Property Owner shall be notified in writing and will have one year to remedy from the date of such written notification. If the issue is not remedied within one year, the Historic Preservation Officer will present information to the City Council for consideration of the termination of the tax exemption.

- As part of the 2012-2013 Impact Fee Update, Staff is also recommending the expansion of the Neighborhood Empowerment Zone overlay (NEZ) program to include a 100 percent waiver of roadway impact fees for multi-family residential, non-residential, and vertically-integrated mixed use development projects (up to $50,000 per project).

- As recommended, multi-family development projects requesting roadway impact fee waivers through the NEZ Program would require eligibility approval by the City Council as well as a final inspection of compliant construction by the Historic Preservation Officer.

- Staff is also recommending that new non-residential and vertically-integrated mixed use development projects be eligible to receive 100 percent roadway impact fee waivers. In order to be eligible to receive a roadway impact fee waiver, non-residential and vertically-integrated mixed use development projects must meet at least three of the following criteria:

(1) Compatibility. Construction is generally compatible with the massing, size, scale, and architectural features of the surrounding buildings and environment;

(2) Amenities. Construction includes enhanced pedestrian and/or streetscape amenities;

(3) Town Center Master Plan. Development project is consistent with, and promotes the Town Center Master Plan;

(4) Investment. New construction on a vacant site includes a minimum capital investment of $75,000. Rehabilitation of an existing building in accordance with the Secretary of the Interior Standards includes a minimum capital investment of $75,000 or 30 percent of the present building value as appraised by the Collin Central Appraisal District, whichever is greater;

(5) Mixed-Use. Construction includes vertical integration of residential and non-residential uses in the same structure with non-residential uses on the entire ground floor;

(6) Job Creation. Development project creates 1 new, full-time job (or correlative FTE) per 200 square feet of gross floor area; or

(7) Vacant/Underutilized Site/Building. Construction occurs within the Vacant/Underutilized Sites/Buildings Improvement Area as designated in the Tax Increment Reinvestment Zone Number 1 Project Plan.

- As part of the proposed expansion of the NEZ Program, impact fee waiver requests that are equal to or less than $50,000 would be approved by the Historic Preservation Officer. Impact fee waiver requests that exceed $50,000 would require City Council approval.

- For reference, Staff has included an attachment titled "*CIP Expenditures FY 08-12*" to demonstrate the relationship between roadway impact fee revenue and the funding of roadway improvement projects within the City's Capital Improvement Program (CIP) between FY 2008 and FY 2013.

- As a courtesy to property owners, Staff posted a 15-day Legal Notice in the McKinney-Courier Gazette.

BACKGROUND INFORMATION:

- Ordinance No. 2007-02-014 and as amended by Ordinance No. 2008-04-030 (known as the Historic Neighborhood Improvement Zone Tax Exemption Program) encourages the general maintenance and rehabilitation of single family homes located within the HNIZ (and the geographically coexistent NEZ) by offering financial incentives based on verified investments that meet specified criteria (Sections 98-83, 98-84 and 98-85 of the City of McKinney Code of Ordinances).

- Under Texas Local Government Code Chapter 378, a municipality can utilize a Neighborhood Empowerment Zone to waive fees related to the construction of buildings in the zone (including fees related to the inspection of buildings and impact fees) in order to promote the creation and rehabilitation of affordable housing as well as an increase in economic development in the zone.

- Currently in the NEZ, impact fees are waived only for new single family construction projects. In late 2011, City Council discussed the policy issue of roadway impact fees being a monetary disincentive to small-scale infill redevelopment in the Town Center.

- As a result, Staff recommended an approach for creating a targeted incentive specifically to eliminate roadway impact fees in the Town Center for non-residential and mixed use development projects by building upon the existing Neighborhood Empowerment Zone (NEZ) program.

- City Council discussed Staff's recommendation at the September 16, 2013 Work Session and was generally supportive of expanding the NEZ to include multi-family, non-residential, and mixed use development projects.

BOARD OR COMMISSION RECOMMENDATION:

- The Historic Preservation Advisory Board serves in an advisory capacity to the City Council and, as such, has provided written comments to the City Council regarding the amendment to Chapter 98 of the City of McKinney Code of Ordinances pertaining to the Historic Neighborhood Improvement Zone Tax Exemption Program (HNIZ Program).

- On November 7, 2013, the Historic Preservation Advisory Board considered and commented on Staff's recommendations to amend Chapter 98 of the City of McKinney Code of Ordinances. The meeting minutes will serve as the written comments are included as an attachment to this Staff Report.