

Historic Neighborhood Improvement Zone (HNIZ) Tax Exemption Program

Options for revising the program

Joint HPAB/Council Session
December 7, 2021
4:00pm

Historic Neighborhood Improvement Zone (HNIZ)

Purpose

- Preserve the city's unique and historic neighborhoods while encouraging property owners to maintain and/or rehabilitate their residences.
- Property owners within the HNIZ boundary may receive ad valorem tax exemptions inclusive of land and building improvements based on verified investment meeting specified criteria



HNIZ: Current Program Structure

Level 1

- *Requires:* Historic marker
- *Minimum investment:* “verified investment”
- *Exemption:* a One-time 100% exemption
- *Duration :* 7 years
- *Approved by:* Historic Preservation Advisory Board

Level 2

- *Requires:* Eligible work
- *Minimum investment:* \$10,000
- *Exemption:* 50%
- *Duration:* 15 years
- *Approved by:* Buildings & Standards Commission

Level 3

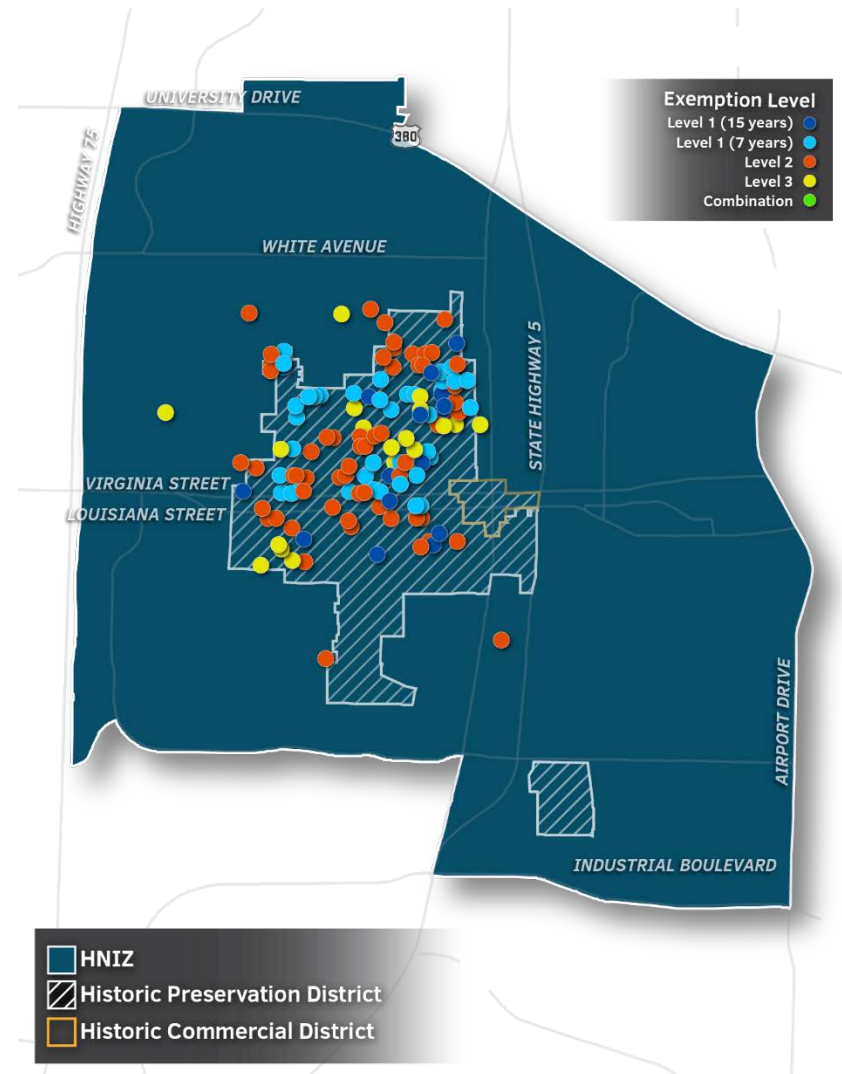
- *Requires:* Eligible work
- *Minimum investment:* \$5,000
- *Exemption:* 30%
- *Duration:* 15 years
- *Approved by:* Buildings & Standards Commission

Program Status: Estimated Annual Foregone Revenue

	Year	CCAD HT Exemption Value	Taxes Foregone	Homes
Ordinance and Aggregate Cap Established	2008	\$332,028	\$1,944	3
	2009	\$3,885,076	\$22,747	
	2010	\$6,320,165	\$37,004	
	2011	\$6,799,179	\$39,809	
Aggregate Cap Increase	2012	\$7,896,530	\$46,234	
	2013	\$8,207,402	\$48,054	56
	2014	\$11,191,888	\$65,528	
Aggregate Cap Increase	2015	\$13,971,918	\$81,456	99
	2016	\$19,748,795	\$113,160	
Aggregate Cap Increase	2017	\$26,234,025	\$141,715	
	2018	\$32,685,933	\$171,656	115
	2019	\$36,309,250	\$187,210	
Today	2020	\$32,720,258	\$166,429	
	2021	\$38,068,455	\$189,449	137

HNIZ Program: Identified Opportunities for Improvement

- Grow the program across the entire HNIZ area
- Raise the aggregate cap
- Expand educational potential of marker program
- Improve long-term functionality and viability of the program
- Improve administration



Comparing Programs Regionally

Program Requirements	McKinney	Plano	Frisco	Denton	Dallas
Program Limitations	Yes	Yes	Yes	Yes	Yes
Investment Requirements	Yes	Yes	Yes	Yes	Yes
Exemption Categories (by %)	Range 30% - 100%	Range 38% - 100%	Varied 50% or \$6 for every \$1 spent up to 100%	50%	Varies 50%; 100% or added improvement value
Exemption Calculation	Assessed value (land + structure)	Assessed value (structure only)	Assessed value (varies)	Assessed value (structure only)*	Assessed value (land + structure or added value)
Exemption Period	Varies 7-15 years	Varies Denied or Withdrawn	Varies 2 years; revoked	Varies 10 years	Varies 3-10+ years
Aggregate Cap	Yes \$250,000	No**	No	No**	No

**Land reasonably necessary to access structure also exempted*

***Approval required by Council either per project (Denton) or by annual review (Plano)*

HNIZ Program: Recommended Program Changes

Program Requirements	Current	Proposed
Approval Requirements <i>Proposed changes</i>	Varies HPAB; Buildings and Standards	Consistent HPAB
Investment Requirements <i>Proposed changes</i>	Yes Level 1 (verified) Level 2 (\$10,000) Level 3 (\$5,000)	Yes Level 1 (\$10,000) Level 2 (\$10,000) Level 3 (\$5,000)
Exemption Categories (by %) <i>No proposed changes</i>	Range 30% - 100%	Range 30% - 100%
Exemption Calculation <i>Proposed changes</i>	Assessed value (land + structure)	Assessed value (structure only)
Exemption Period <i>Proposed changes</i>	Varies 7-15 years	Consistent 10 years
Historic Qualifiers <i>Proposed changes</i>	Yes Level 1: marker + age (50)	Yes Level 1: marker + age (50) Level 2+3: age (40)
Aggregate Cap <i>Proposed changes</i>	\$250,000	\$500,000

Property Example: Under Current Program

Exemption calculated on assessed value for land and structure, exemption period varies by level

Assessed Value	HNIZ Investment	HNIZ Exemption	Taxable Value	Tax Rate (per \$100 value)	City Taxes Paid (per year)	City Taxes Exempted (per year)	Exemption Period	Total Taxes Exempted
\$350,000	none	none	\$350,000	\$0.00497655	\$1,742	\$0	n/a	\$0
\$350,000	Historic Marker	100% (Level 1)	\$0	\$0.00497655	\$0	\$1,742	7 years	\$12,194
\$350,000	\$10,000	50% (Level 2)	\$175,000	\$0.00497655	\$871	\$871	15 years	\$13,065
\$350,000	\$5,000	30% (Level 3)	\$245,000	\$0.00497655	\$1,219	\$523	15 years	\$7,845

Property Example: With Proposed Changes

Exemption calculated on assessed value for structure only; consistent exemption period

Assessed Value	HNIZ Investment	HNIZ Exemption	Taxable Value-Structure	Tax Rate (per \$100 value)	City Taxes Paid Structure Only (per year)	City Taxes Exempted (per year)	Exemption Period	Total Taxes Exempted
\$350,000	none	none	\$279,000	\$0.00497655	\$1,388	\$0	n/a	\$0
\$350,000	Historic Marker/ \$10,000	100% (Level 1)	\$0	\$0.00497655	\$0	\$1,388	10 years	\$13,880
\$350,000	\$10,000	50% (Level 2)	\$139,500	\$0.00497655	\$871	\$871	10 years	\$8,710
\$350,000	\$5,000	30% (Level 3)	\$195,300	\$0.00497655	\$972	\$416	10 years	\$4,160

Next Steps

- January 2022
 - Consideration/action on proposed ordinance amendments

- Spring 2022
 - Outreach campaign to expand awareness of program
 - Website changes
 - Applications available in the Citizen Self Service and Development Navigation Assistant platforms
 - Work with the EMPOC team and other city departments to spread awareness
 - Reach out to community groups
 - Presentation on HNIZ program in conjunction with the McKinney Library