

# Memorandum



CITY OF DALLAS

Report #372

DATE: November 1, 2002

TO: Honorable Mayor and Members of the City Council

SUBJECT: Performance Audit of the Planning and Development Department's Compliance with the Historic Preservation Incentives Program

We have conducted a limited performance audit of the City's Historic Preservation Incentive Program (Historic Program) managed by the Planning and Development Department (Planning) as part of our annual audit. We conducted our audit in accordance with government auditing standards and included tests of the records and other audit procedures that we considered necessary in the circumstances.

The objectives of our audit were to determine whether Historic Program recipients met program guidelines for initial eligibility, met contractual requirements for initial eligibility for tax abatements, met annual Dallas Central Appraisal District application requirements, and whether any ineligible properties received Historic Program tax abatements.

Our audit covered January 1999 through April 2002, although we reviewed certain matters and transactions that occurred outside that period. We reviewed Dallas Development Code Chapters 51 and 51A relating to the Historic Program and Historic Program application requirements. Additionally, we took a sample of eighteen properties receiving Historic Program tax incentives and reviewed the related files and analyzed related documentation for program compliance. We also reviewed Historic Program recipients' City real property tax records for the calendar years 1999 through 2002 (January 1, 2002 – April 30, 2002) and analyzed accounts to confirm Planning's certification of eligibility for recipients.

The Historic Program's abatements for 2002 were applied to 154 real property tax accounts, totaling \$175,956,496 in appraised value. Our sample of 18 properties consisted of 94 real property tax accounts totaling \$175,352,949 in appraised value for 2001 and representing \$1,170,481 in abated taxes (\$0.6675 per \$100).

The Historic Program recipients reviewed met program guidelines for initial eligibility. However, in some of the cases, the files did not contain all of the contractually required documents. Of the eighteen property files reviewed in our sample, fourteen (78%) of the files did not contain a Statement of Completion form and four (22%) of the files did not contain receipts of work completed for the cases. The absence of these documents precludes an affirmation of program compliance based upon our sample. We visited the four properties whose files did not contain receipts of completed work. It appears that the required work on all four properties was completed. Planning did certify the Historic Program recipients' eligibility to the Dallas Central Appraisal District for the abatement of property taxes for 1999-2002 based upon the execution of the Commitment to Pay form. All certified accounts from our sample received Historic Program property tax abatements for 1999-2001. Planning should ensure that the work meets the abatement requirements.

**We recommend** that the Planning staff follow the developed procedures to ensure that all Historic Program property file documentation be collected, complete, and in compliance with program requirements. Additionally, we recommend that Planning staff obtain the documentation absent from the sampled properties to confirm program compliance. If a property is not in compliance, appropriate action should be taken up to and including rescinding the tax abatement.

**Management's Response:**

- Agree – partially implemented. A Statement of Completion form will be obtained and placed within each folder for all future cases.
- Agree – partially implemented. The referred fourteen cases for 1999-2001 will be reviewed to insure that they meet the requirements for tax abatement. These files will be annotated to indicate the results of this review.
- Agree – partially implemented. We will take appropriate action such as decertification and any other appropriate legal action as may be deemed necessary if the documentation cannot be obtained.

We appreciate the cooperation that we received from the Planning staff.

If you have any questions, please contact me at 670-3223.

*Thomas M. Taylor*

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City Auditor

c: Teodoro Benavides, City Manager  
Ryan Evans, Assistant City Manager  
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