

Economic Incentives for the preservation of historic buildings designated by the City of Houston as a Landmark/Protected Landmark or Historic Building within a designated Historic District

A historic building that has been designated as a City of Houston Landmark **OR** Landmark and Protected Landmark, **and/OR** has been classified as a “contributing” or “potentially contributing” building (over 50 years of age) that is located within a designated City of Houston Historic District, may qualify for certain city property tax exemptions as well as other benefits for historic designation upon meeting the conditions of the City of Houston Code of Ordinances Chapter VII - Section 33 – HISTORIC PRESERVATION ORDINANCE (HPO) and Chapter 44 - TAXATION - Section 44-5 and/or 44-29. To benefit, a building must be designated first, and if the exterior work is part of the required expenditure to qualify, you must have the work approved by the HAHC prior to commencing the work. Once the completed application for designation is submitted to the Planning Department, the designation of a landmark and/or protected landmark may take up to three months to be designated. If work is planned, it is best to discuss the proposed work as well as the designation with Planning Department staff well in advance of submitting an application for designation, as not all buildings qualify for individual landmark designation or protected landmark designation, and if the building qualifies, and to qualify for tax exemptions, the work must be appropriate and be granted a certificate of appropriateness by the HAHC. While the Tax exemption ordinance was amended to allow for a five year look back for work already performed for buildings that are designated after work has been done, the owner may also be granted a tax exemption, but only provided the work was appropriate. Also the owner needs to have completed the work which must not only equal the minimum amount of expenditure required, but the work must have been completed and be approved by the HAHC, and the building must have been designated before making application to Finance and Administration Department prior to October 1 of that year to qualify for a tax exemption for the years to follow.

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the amount of qualified restoration expenditures. If all of the work performed was interior work, and met the minimum expenditure to qualify, then a certificate of appropriateness is not required. In the case of a "potentially contributing" building, the work approved and issued a COA by the HAHC must have the effect of reversing incompatible alterations or deteriorating conditions of the building's exterior as well.

The Tax Exemption Ordinance was amended, however, in June 2007, to provide that if appropriate exterior work was performed within five years (preceding) the actual designation by City Council of an individual building or an historic building within a designated historic district, then the property may also qualify for the 15 year tax exemption, provided that all the requirements are met as outlined previously. In addition, if expenditures for exterior work have already been completed and those expenditures are part or all of the required minimum expenditure to qualify for the tax exemption, then the building or historic district must also meet criteria for designation and be designated. Subsequently, the HAHC must approve the exterior work and issue a COA for the appropriate work, before qualifying for the tax exemption (see Forms on the P & D website: Certificate of Appropriateness and COA checklist). **If you must complete the work prior to designation or have already completed the work and you are seeking the designation after work has already been completed, which must have been completed within the last five years prior to the date of the building being designated by the City of Houston, you may risk that the building may not qualify for designation, or that the work is deemed inappropriate by the HAHC, or both, and thus will not qualify for tax exemptions.**

When the Property Tax Exemption is granted, it is transferable for transactions ordinarily regarded as a "sale" of the property to new owners who too then will be subject to the provisions of the HPO and Tax Exemption requirements. For condominiums, the Property Tax Exemption is transferable only once -- from the developer to the first buyer, but not thereafter for that particular unit. The director of finance and administration department shall conduct an annual review of each property granted the exemption, and if taxes are delinquent, the historic site has deteriorated, has been demolished or destroyed or has been the subject of the denial of a COA, then the changed condition shall constitute grounds for revocation of the exemption, and a return of the exempted taxes to the City of Houston. (See the ordinance for exact details)

An example for qualifying for the exemption is shown as follows:

Example:

An improved tract of land is worth a total of \$300,000, as follows:

Improvement: \$100K

Land: \$200K

If the owner/buyer of this historically designated building spends the following amounts on rehab/restoration AND the **exterior** work is **approved** by the HAHC (amount spent may also include expenditures for the interior work as well but interior work is NOT reviewed by the HAHC):

if spend \$50K on improvements, then qualify to apply for a 50% City property tax exemption for fifteen years on the HCAD improvement value only;
if spend \$75K on improvements, then qualify to apply for a 75% City property tax exemption for fifteen years on the HCAD improvement value only;
if spend \$100K or more on improvements, then qualify to apply for a 100% City property tax exemption for fifteen years on the HCAD improvement value only.

Once the work has been completed and/or the minimum amount is spent to qualify, the applicant may apply for the Property Tax Exemption if they have not been denied a certificate of appropriateness by the HAHC. Once HCAD has revalued or changed the improvement value as the result of the improvement expenditures, then the exemption applies to the new HCAD improvement value, usually assessed the year after the work has been completed, for which the exemption is granted for 15 years for that valuation on the improvements. Should the improvement value be increased by HCAD subsequently after the exemption is originally granted, then the property owner must pay the city property taxes on any increases for the improvement value thereafter during the 15 year exemption period.

The Tax Exemption amendment passed by City Council in June 2007 also provided for Tax relief for **significant historic structures**. To qualify, the building must be at least 50 years of age or older, **and** if the structure was originally built as a residence, it must be used for commercial purposes; or if a residence, it must now contain more than four units; **and** the structure must also have been designated as a Protected Landmark; **and** the structure must have been designated as a Recorded Texas Historical Landmark **OR** individually listed in the National Register of Historic Places, **OR** has been referenced as having historic significance in an authoritative survey conducted by a non-profit or governmental agency (including the HAHC). Each **significant historic structure** that meets the criteria must **also** obtain a 75% approval of the members of the HAHC present at a regularly scheduled meeting. The HAHC shall review the applications for tax relief for **significant historic structures** on an annual basis to determine whether the eligibility standards as outlined above, are met. The exemption granted by City Council, upon recommendation of the HAHC, shall exempt the **significant historic structure** from city ad valorem taxation for both the improvements and the land. The exemption is capped at \$30,000 per **significant historic structure** per year.

The designation application for a Landmark may be initiated by the current property owner **OR** the HAHC. The designation application for an Historic District may be initiated by 51% of the tract owners who own sites within the boundaries of the proposed historic district **OR** by the HAHC. If a majority of the tract owners (51%) initiate the application for a historic district, they must also own 51% of the land area within the historic district. Once designated, sites and/or landmarks are subject to the 90 day waiver provision in the Historic Preservation Ordinance (HPO). The 90 day waiver provision provides that if inappropriate activity to the exterior of the building is denied by the HAHC, then the applicant **may** proceed with that activity after waiting 90

days from the submittal of a completed Certificate of Appropriateness (COA) application. However, if the work is denied by the HAHC, then the applicant does not qualify for **ANY** City Tax Exemptions. On the other hand, the designation application for the Protected Landmark can **ONLY** be initiated by the current property owner, and only appropriate exterior work will be approved by the HAHC, which may then qualify the owner for the Tax Exemptions as outlined above. However, the owner of a Protected Landmark may not proceed with any inappropriate work, even after 90 days, when the work is denied by the HAHC, unless in the cases of requests for demolition or relocation, the owner can demonstrate an economic hardship or unusual and compelling circumstances, and then a COA may be granted by the HAHC. There is also an appeal process for a denial of a certificate of appropriateness by the HAHC. However, if any exterior work is denied by the HAHC, even if the site is subject to the 90 day waiver provision in the HPO, then the owner would not qualify for the tax exemption. (See P & D Website – “What does it mean to own a Protected Landmark”).

As a designated City of Houston historic building, your property will be exempt from compliance with Energy Code requirements in the Building Code.

You are eligible for a 50% discount on building permit fees for work to an historic building only when the HAHC issued a COA for the approved work.

City of Houston Historic Preservation staff as well as the HAHC can guide and help you through the application process, both for historic designation as well as the COA, to accomplish the elected work, while at the same time maintaining the architectural integrity and historical character of your building, and thus to qualify for city tax exemptions.

For more information on the City of Houston Historic designation of a building and/or Property Tax Exemptions for Historic Landmarks/Protected Landmarks or historic buildings within designated historic districts, or for any other questions, please visit the P & D website at: http://www.houstontx.gov/planning/historic_pres/hist_pres_links.htm or you can contact Randy Pace, Historic Preservation Officer, City of Houston, Planning & Development Department, at randy.pace@cityofhouston.net or Thomas McWhorter at Thomas.McWhorter@cityofhouston.net

Other incentives for owning/purchasing Historically Designated buildings

- A historic building may also qualify for a property tax exemption from Harris County. For more information, visit www.co.harris.tx.us or contact Harris County.
- A historic building that is classified as “income producing” may also qualify for federal tax credits when the building is eligible for listing or is designated individually and listed in the National Register of Historic Places or the building has been classified as “contributing” within an historic district listed in the National Register of Historic Places, U.S. Department of the Interior. For more information, please visit

Texas Historical Commission website at: <http://www.thc.state.tx.us/> or contact U. S. Department of the Interior at: www.doi.gov

- State Comptroller, State of Texas, also offers an exemption from paying sales tax on labor for historically certified projects. For more information, please visit their website at: <http://www.window.state.tx.us/>

Other benefits

- Special recognition by City Council for the historical and architectural significance of your building because of its age and criteria it met for designation, and continued education to assure that the building will be appropriately maintained and restored beyond your stewardship.
- Landmark plaque and/or Protected Landmark plaque to display at the property which is available for purchase by the owner of the property

For more information about City of Houston Landmark/Protected Landmark/Historic District designations or any other programs, many of which may be available only for specific projects or those projects located in specific geographic areas, please visit the Planning and Development Department website at:

www.houstonplanning.com

For further questions, you can contact Randy Pace, Historic Preservation Officer, City of Houston, Planning & Development Department, at randy.pace@cityofhouston.net or Thomas McWhorter at Thomas.McWhorter@cityofhouston.net.