Economic Incentives for the designation and the preservation of a City of Houston Landmark/Protected Landmark or Historic Buildings located within an 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 incentives for historic preservation upon meeting the conditions of the City of Houston Code of Ordinances Chapter 44 - TAXATION - Section 44-5 and/or 44-29 and Chapter VII - Section 33 – HISTORIC PRESERVATION ORDINANCE (HPO).

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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).

When the Property Tax Exemption is granted, it is transferable for transactions ordinarily regarded as a "sale" of the property to new owners and they too are subject to the provisions of the HPO. 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 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 to 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.

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. 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, after the work has been completed, for which the exemption is granted for 15 years. Should the improvement value be increased by HCAD subsequently after the exemption is originally granted for the HCAD value at the time the exemption is 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 property owner **OR** the HAHC. The designation application for an Historic District may be initiated by 51% of the property owners who own sites within the boundaries of the historic district **OR** by the HAHC. Once designated, those sites 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 application. However, if the work is denied by the HAHC, then the applicant does not qualify for **ANY** Property Tax Exemptions. On the other hand, the designation application for the Protected Landmark can **ONLY** be initiated by the property owner, and only appropriate exterior work will be approved by the HAHC, which may 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. However, if the owner can demonstrate an economic hardship or unusual and compelling circumstances, the COA may be granted but not approved for appropriate work, i.e. demolition. 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, 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 if the HAHC issued a COA for the approved work.

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

For more information on the City of Houston Property Tax Exemption for Historic Landmarks/Protected Landmarks or historic buildings within designated historic districts

or any other questions you might have, 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.

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" to 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 the 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 significance of your building because of its age and the additional criteria which had to have been met to obtain the designation, and assurance 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.