



Economic Incentives for Historic Buildings

The City of Houston may grant a tax exemption to qualified property owners who improve designated City historic properties. In addition to the tax incentives, owners of designated historic buildings may qualify for other benefits such as reduced building permit fees.

Historic Site Tax Exemptions

I. Historic Buildings

Who may qualify

An owner of:

- an historic building that has been designated as a City of Houston Landmark or Protected Landmark, or
- a building that has been classified as a “contributing” or “potentially contributing” structure located in a designated City of Houston Historic District.

How to qualify

- To qualify for this tax exemption, the owner of a City designated historic building must perform restoration and/or renovation work to the building. The expenditures for this work must amount to at least 50% of the assessed value of the improvements (i.e., buildings) prior to the work, as established by the Harris County Appraisal District (HCAD). The percentage of the tax exemption (from 50% up to 100%) is dependent on the amount of qualified expenditures relative to this initial year improvement value. The tax exemption applies to the HCAD improvement value only (not land value), for up to 15 years. The exemption applies only to City of Houston taxes, and does not apply to county or school district taxes on the property.

How to apply

Historic tax exemptions are processed through the City’s Finance Department. The building must be designated before the owner applies to the Finance Department for the exemption. The owner must demonstrate to the Finance Department that the expenditures were made for restoration, renovation and preservation purposes. Applications are due by October 1 in order to qualify for the tax exemption in the following year.

The exemption will begin on January 1 of the year following the date that the Finance Director determines that the owner has met all of the requirements, and will automatically continue as of January 1 of each year for the duration of the tax exemption period. The Finance Department will conduct an annual review of each property receiving the exemption. If taxes are found to be delinquent, the historic site has deteriorated or been destroyed or demolished, or the property has been the subject of a Certificate of Appropriateness issued pursuant to sections 33-247 or 33-250, then the changed condition, unless by catastrophic event, shall constitute grounds for revocation of the exemption and the return of the exempted taxes to the City of Houston. Please see the ordinance for exact details.

Should HCAD increase the assessed improvement value after the exemption is granted, the property owner must pay city property taxes on the increase in value during the exemption period.

Any exterior work used to qualify for the tax exemption must be approved by the Houston Archaeological and Historical Commission (HAHC) through a Certificate of Appropriateness (COA).

Interior renovation work may also be used to qualify for the exemption, and does not require a COA. In the case of a “potentially contributing” building, approved expenditures must include work towards reversing incompatible alterations or deteriorating conditions on the building’s exterior. If the HAHC determines that the proposed work is not appropriate for the historic structure and denies a COA application, the work will not qualify for the tax exemption.

Expenditures for work performed in the five years prior to historic designation of the structure may also qualify for the tax exemption if the work is later deemed appropriate and the HAHC subsequently issues a COA. However, it is strongly recommended that the owner designate the building and receive a COA in advance of performing the restoration work, as not all work will meet HAHC approval, nor will all buildings qualify for landmark designation.

Once the work has been approved and completed and the minimum amount is spent to qualify, the applicant may apply to the Finance Department to receive the tax exemption. See “How to apply” for more information.

The property tax exemption is transferable to subsequent owners of the property, except in the case of condominiums or other multi-family residential, where the exemption transfers only once – from the developer to the first purchaser of the unit.

How to Calculate

- “Base Value” = Assessed value of the historic structure or improvement prior to work/expenditures
- Tax Exemption does not apply to Land
- Minimum Expenditure: 50% of the Base Value; work performed within 5 years of historic designation
- Maximum Exemption: Equal to HCAD Assessed value of the improvement of Year 1 after exemption approval; up to 15 years

Expenditures	Exemption allowed
Less than 50% of base value	None
Between 50% and 100% of base value	Total Qualifying Expenditures
100% or more of base value	Maximum exemption as stated above

Step 1 - Determine your base value.

Example (Exemption Applies to City taxes only)	Base Year Value (prior to work)
Total assessed property values per HCAD	\$230,000
Land (minus)	\$150,000
Improvement (Building)	\$ 80,000

Step 2 — Determine qualified expenditures.

Step 3 — Determine City tax exemption.

If expenditures are:	% of Base Value (Improvement)	City tax exemption
\$ 40,000	50%	\$ 40,000
\$ 60,000	75%	\$ 60,000
\$ 80,000	100%	\$ 80,000*
\$100,000	125%	\$100,000*

* Plus any added value HCAD puts on historic building the first taxable year after completion.

Note: If assessment value by HCAD of the improvement goes up after first taxable year after completion, owner is responsible for paying city taxes on the difference.

II. Significant Historic Buildings

The City provides another tax exemption for 'significant' historic buildings. To qualify, the building must:

- be designated as a City of Houston Protected Landmark;
- be at least 50 years of age;
- have more than four units if residential and originally built and used for non-residential purposes;
- be individually listed in the National Register of Historic Places or designated as a Recorded Texas Historical Landmark or be referenced as having historical significance in an authoritative survey conducted by a non-profit or governmental agency; and
- obtain 75% approval of the members of the HAHC present at a regularly scheduled meeting.

The significant historic building may be exempted from city ad valorem taxes for both improvements and land, up to \$30,000 per year in perpetuity.

Other benefits of owning an Historic Building

- You are eligible for a 50% discount on building permit fees for work to a designated historic building if the HAHC issues a COA for the work.
- City Landmark and/or Protected Landmark plaque is available for display at the property (must be purchased by the property owner).
- As a designated City of Houston historic building, your property can be exempt from Energy Code requirements in the Building Code in order to preserve original materials and features.
- An historic building may also qualify for a property tax exemption from Harris County. For more information, visit www.co.harris.tx.us.
- A rehabilitated historic building that is classified as "income producing" may also qualify for federal investment 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: www.thc.state.tx.us/ or contact U. S. Department of the Interior at: www.doi.gov.
- The 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: www.window.state.tx.us/

Contact us

For more information, please visit the Planning Department website at www.houstonplanning.com and click on "Historic Preservation." City of Houston Historic Preservation staff can guide you through the application process for historic designation and for COAs.

You may also contact **Thomas McWhorter at 713-837-7963 or thomas.mcwhorter@houstontx.gov** for questions about Certificate of Appropriateness; or **Diana DuCroz at 713-837-7924 or diana.ducroz@houstontx.gov** for questions about landmark or historic district designation.

For more information regarding the tax exemptions, please contact **Keith Phillips at 713-837-0610 or keith.phillips@houstontx.gov** or go to www.houstontx.gov/finance/ecodev/historic.html.

See also the Historic Preservation Ordinance, City of Houston Code of Ordinances Chapter VII, Section 33, and the Tax Exemption Ordinance, Chapter 44, Sections 44-5 and 44-29, for further information.

