

## **Sec. 44-5. - Tax relief for the restoration or preservation of historical sites**

- (a) *Scope.* The city council may, by ordinance, grant tax relief in the form of an exemption from ad valorem taxation to any "historic site," which for purposes of this section means a structure that has been designated as a landmark, protected landmark, or as a contributing structure in a historic district pursuant to article VII of chapter 33 of this Code ("Historic Preservation Ordinance").
- (b) *Eligibility.* A property is eligible for tax exemption under this section in accordance with the following:
- (1) The tax exemption is only being sought for eligible work under subsection (e) of this section;
  - (2) The eligible work performed must be at a cost of at least 25 percent of the "base value," which for purposes of this section means the assessed value of the historic structure or improvements, not including the value of any land associated with the historic site;
  - (3) The eligible work is performed not earlier than five years before the application for tax exemption; and
  - (4) The eligible work is performed pursuant to a certificate of appropriateness granted by the Houston Archaeological and Historical Commission ("HAHC").
- (c) *Application.* An application for tax exemption under this section shall be filed with the director of the Finance Department, or his designee ("director of finance") in the form prescribed by the director of finance, and shall contain documentary evidence, including photographs and other documentation, of:
- (1) All completed work for which a tax exemption is sought;
  - (2) Itemized accounting of eligible costs, shown as distinct from any ineligible costs, associated with any interior and exterior construction for which a tax exemption is sought; and
  - (3) Compliance with the requirements of any certificates of appropriateness issued pursuant to the Historic Preservation Ordinance.
- Any application that does not contain sufficient documentary evidence under this section, including insufficiently itemized accounting of eligible costs as show distinctly from ineligible costs, shall be rejected by the director of finance and considered incomplete.
- (d) *Procedure.* The director of finance shall establish and promulgate procedures for the implementation of the exemption granted under this section, the review of applications for tax exemption pursuant to this section, including deadlines for submission and consideration of applications required for a tax exemption to be effective for the next tax year. The director of finance shall calculate the projected tax exemption in accordance with this section, and forward the recommendation and projected tax exemption to city council. The city council shall approve an application for tax exemption upon receipt of a recommendation and a projected tax exemption from the director of finance.
- (e) *Eligible work.* The following work qualifies for tax exemption under this section:

- (1) Restoration performed pursuant to a certificate of appropriateness granted under the Historic Preservation Ordinance;
  - (2) Repair or reconstruction of the historic portion of the structural components, which includes parts of a building such as walls, partitions, floors, ceilings; windows and doors; all components of a central air conditioning or heating system, whether within or adjacent to a building, including motors, compressors, pipes and ducts; plumbing and plumbing fixtures, such as sinks and bathtubs; electric wiring and lighting fixtures; chimneys; stairs, escalators, and elevators; interior sprinkler systems; fire escapes; and other components relating to the operation or maintenance of a building;
  - (3) Interior remodeling of the historic portion of the structure's paint, flooring, permanent coverings such as paneling or tiling;
  - (4) Professional services such as architectural, engineering, and other development fees; and
  - (5) Construction management and labor, materials, and reasonable overhead.
- (f) *Ineligible work.* The following work does not qualify for tax exemption under this section:
- (1) Appliances, consumer and industrial machinery, including machinery needed for the preparation and storage of food;
  - (2) Furniture, including cabinetry and countertops;
  - (3) Decks, fencing, retaining walls, swimming pools, and any exterior work such as sidewalks, driveways, and landscaping;
  - (4) Acquisition costs;
  - (5) Demolition and relocation costs;
  - (6) All costs, both exterior and interior, associated with the construction of a new addition or new construction, as those terms are defined in the Historic Preservation Ordinance;
  - (7) Work done outside the scope of a certificate of appropriateness required by the Historic Preservation Ordinance; and
  - (8) Work done pursuant to a certificate of remediation issued by the HAHC.
- (g) *Annual review of tax exemption.* The director of finance shall conduct an annual review of each property granted an exemption under this section and may recommend revocation of the tax exemption granted under this section to city council if:
- (1) The historic site is or has been the subject of a certificate of appropriateness issued pursuant to sections 33-247 or 33-250 of this Code;
  - (2) The owner of a historic site exceeds the scope of a certificate of appropriateness or takes any action without a certificate of appropriateness required by article VII of chapter 33 of this Code;
  - (3) The owner causes the property to be demolished by neglect under section 33-254 of this Code or as a dangerous building under chapter 10 of this Code; or
  - (4) City taxes assessed against the property are delinquent, as confirmed by the director of finance.

(h) *Calculation of tax exemption.* An exemption granted hereunder by the city council shall exempt the historic structure or improvements not including the value of any land associated with this historic site from ad valorem taxation and shall be computed on the following basis:

- (1) If the said qualifying expenditures are at least 25 percent but less than 100 percent of the base value, then the exemption for each tax year on the assessed value of the structure shall be equal to the amount of the qualifying expenditures; or
- (2) If the said qualifying expenditures are 100 percent or more of the base value, then for each tax year:
  - a. For single-family residential properties that are not within a qualifying census tract, the exemption shall be equal to the qualifying expenditures; or
  - b. For properties other than single-family residential properties and all properties within a qualifying census tracts, the exemption shall be 100 percent of the assessed value of the historic structure or improvements not including the value of any land associated with this historic site.

In any event, however, the exemption granted to any historic site pursuant to this section shall be subject to a limitation in the form of a maximum dollar amount. The maximum dollar amount shall be the assessed value of the historic structure in the year following demonstration of completion of the restoration or preservation work and demonstration of the qualifying expenditures to the director of finance. The amount of the exemption allowed on a historic structure shall not exceed the aforesaid maximum dollar amount in any tax year for the duration of the exemption period.

For purposes of this section, qualifying census tract means any population census tract if either:

- (1) The poverty rate for such tract is at least 20 percent; or
- (2) The median family income for such tract does not exceed 80 percent of the metropolitan area median family income.

- (i) *Term.* An exemption granted under this section shall begin on January 1 of the year following the date that the director of finance makes the determination that the owner of the historic site has met all of the requirements of this section for an exemption. The duration of the exemption shall be for a period of 15 years if the restoration project receives no financial incentive from the city funded by municipal hotel occupancy taxes, or ten years if the restoration project receives a financial incentive from the city funded by municipal hotel occupancy taxes. The exemption shall be automatically continued as of January 1 of each year succeeding the year the exemption was first granted for the duration of the ten- or 15-year period. The exemption shall be continued in the event of a transfer of an ownership interest or a portion of an ownership interest in the historic structure during such ten or 15-year period.
- (j) *Recordation.* A person who has an ownership interest in property that has been granted a historic site exemption from ad valorem taxation shall record a copy of the ordinance

providing for such exemption in the form prescribed by the city attorney in the real property records of the county in which the property is located. Failure on the part of the applicant to deliver a copy of such recorded ordinance, showing the date of recordation in the appropriate real property records, to the director of finance within 90 days of the date of passage of the ordinance providing for a tax exemption shall cause the expiration of the exemption at the end of such 90-day period.

- (k) *Recapture.* Tax receipts and tax certificates issued for any historic site receiving tax relief pursuant to this section shall be clearly marked: "Historic site—Subject to recapture of additional taxes under Code of Ordinances." Each year during which the property is granted tax relief, the director of finance shall note on his records the valuation which would have been made and the taxes that would have been due had the historic site not qualified for tax relief under this section. If the historic site is subsequently damaged, demolished, or destroyed, or if the tax exemption is revoked under this section, then the property shall be subject to a recapture of taxes and subject to penalties and interest calculated under pertinent provisions of the Texas Tax Code. The additional tax shall be equal to the total amount of tax relief granted under this section over the life of the structure. Such additional taxes shall be deposited in the Historic Preservation Fund. Until paid, there shall be a lien for additional taxes, penalty, and interest on the property granted tax relief under the provisions of this section. An obligation to pay recaptured taxes is extinguished by operation of force majeure. Force Majeure means: fires, floods, hurricanes, tornadoes, ice storms and other natural disasters, explosions, war, terrorist acts, riots, and the acts of superior governmental or military authority, and which the affected party is unable to prevent by the exercise of reasonable diligence. The term does not include any changes in general economic conditions such as inflation, interest rates, economic downturn or other factors of general application, bankruptcy or an event that merely makes performance more difficult, expensive or impractical.
- (l) A historic site for which an exemption has expired or has been withdrawn, revoked, or terminated may not requalify for a tax exemption under this section. Only one tax exemption at a time under this section may apply to a property.
- (m) Notwithstanding any other provision of this Code, a structure that has been designated as a landmark or as a contributing structure in a historic district pursuant to the Historic Preservation Ordinance and that is owned by the State of Texas or a political subdivision thereof is entitled to an exemption equal to 100 percent of the assessed value of the historic structure and the land necessary for access and use of such structure. If an application for an exemption pursuant to this subsection is granted prior to the adoption of the ad valorem tax rate for the tax year in which the application is granted, the exemption shall be effective as of January 1 of that tax year. If such an application is granted after the adoption of the ad valorem tax rate for the tax year in which the application is granted, the exemption shall be effective as of January 1 of the tax year following the date the application was granted. An exemption granted pursuant to this subsection shall remain effective until the property is sold.