



RECOMMENDATION RESOLUTION

Historic Preservation Commission

Recommendation Number: (2019-01RR): Implementation of incentive programs, including tax-based incentive programs, designed to encourage or enable the ownership, rehabilitation, and continued maintenance of historic structures in the City.

WHEREAS, the City's Comprehensive Plan, "Vision San Marcos: A River Runs Through Us," recognizes that the citizens of San Marcos "are conscious of preserving our rich historical past and will pursue future cultural enrichment."; and

WHEREAS, toward that end, the City boasts seven locally designated historic districts and eight locally designated landmarks while other structures and sites have been recognized at the national and state levels for their historical or cultural significance;

WHEREAS, the City Council has identified a Strategic Initiative for Workforce Housing with the outcome to maintain existing workforce housing in safe and healthy conditions; and

WHEREAS, to uphold the goals of the Comprehensive Plan, City Council's Strategic Initiatives, and to preserve the City's historical and cultural resources for future generations, the Historic Preservation Commission has explored possible incentive programs, including tax-based incentive programs that would encourage or enable the ownership, rehabilitation, and continued maintenance of historic structures and landmarks in the City.

NOW, THEREFORE, BE IT RESOLVED that the Historic Preservation Commission encourages the City Council to consider the adoption of incentive programs, including tax incentive programs such as those outlined in the memorandum attached to this resolution, designed to encourage or enable the ownership, rehabilitation, and continued maintenance of historic structures and landmarks in the City. The Commission further recommends that, if the City Council concurs that such incentives should be explored, the City Council refer the matter of possible incentives back to the Commission for the development of more specific recommendations for the adoption of ordinances, resolutions or programs, as appropriate, creating such incentives. Upon the transmittal of the final recommendations of the Commission to the City Council, the Commission respectfully requests the City Council consider implementation of the recommendations, together with any other incentives developed

independently by the City Council, that would encourage or enable the ownership, rehabilitation, and continued maintenance of historic structures and landmarks in the City.

Date of Approval: February 7, 2019

Record of the vote: Unanimous on a 6-0 vote

Attest: 

Griffin Spell, Chair, Historic Preservation Commission



BACKGROUND

Financial incentives can encourage rehabilitation of existing historic properties as well as encourage designation of new districts and landmarks. The Federal Historic Preservation Tax Incentives Program includes a 20 percent income tax credit for the rehabilitation of historic, income-producing buildings and the Texas Historic Preservation Tax Credit Program offers a 25 percent tax credit for the rehabilitation of historic, income-producing or non-profit buildings. Additionally, a state sales tax exemption on labor is available for work to buildings that are listed in the National Register of Historic Places. Local tax exemptions for historic properties are authorized by Title 1, Section 11.24 of the Texas Tax Code.

In comparison to other similarly sized cities along the corridor such as New Braunfels and Kyle, San Marcos is one of the only cities that does not offer some form of local tax incentive for historically designated properties. In 2001, an ordinance proposing ad valorem tax incentives for the preservation of historic buildings was drafted, but never adopted. The 2001 ordinance proposed exempting any increase in ad valorem taxes resulting from a qualifying project for a period of 10 years after the completion of the project.

The City of San Marcos has not designated a new historic district since the Hopkins Street Historic District was established in 2008; the most recent local landmark established is the Old First Baptist Church (2018). Local tax exemption programs can be used as a tool to encourage the establishment of new districts as well as local landmarks. A goal of the Historic Preservation Commission (HPC) is to expand protection of historic resources. This goal was strengthened at the Visioning Workshop in August 2018 to include a third objective: "Implement financial incentives for historic properties." The reason for including this as a third objective was to help prevent the loss of historic structures due to the growth of the City.

Another purpose of historic tax incentives is to discourage displacement of existing residents by mitigating the effects of rising property values after historic designation. A 2000 study by the Center for Urban Policy Research at Rutgers University titled *Historic Preservation and Residential Property Values: An Analysis of Texas Cities* found that, generally, designation enhances and has a positive impact on property values. It cautions that rising prices in designated neighborhoods may result in displacement of lower-income residents but points to tax incentives as a means of encouraging rehabilitation while dampening displacement.

At the January and February Regular Meetings, the Commission discussed their desire for a flexible financial incentive program to be crafted for San Marcos' historic properties and directed Staff to draft a recommendation resolution to be sent to City Council for discussion and possible consideration of a project to explore financial incentive programs.

JANUARY 3, 2019 HISTORIC PRESERVATION COMMISSION DISCUSSION

Staff presented three types of financial incentive programs to the Historic Preservation Commission. The HPC discussed the following incentive programs with the idea that the program crafted for San Marcos could potentially incorporate all three types of program, possibly more:

1. **Substantial Rehabilitation for Historic Properties**

- a. **Purpose:** To encourage preservation of existing substandard historic properties, prevent demolition, and spur economic development through rehabilitation.
- b. **Program Description:**
 - Investment of at least 50% of value of the building by property owner
 - Property owner receives a “freeze” on City taxes for a number of years.
 - Typical timeframe is 10 years
 - Both residential and commercial structure would be eligible

2. **New Historic Districts and Local Historic Landmarks**

- a. **Purpose:** To encourage the designation of new districts, prevent displacement of existing residents while addressing affordable housing needs, and prevent the loss of historic structures.
- b. **Program Description:**
 - Exemption on City taxes for structures in newly designated historic districts and locally designated historic landmarks
 - 25% is a typical percentage for new exemptions; typical timeframe is 10 years
 - Exemption for locally designated historic landmarks only applies for new designations outside of existing historic districts

3. **Maintenance**

- a. **Purpose:** To promote the upkeep of historic properties and stabilize tax valuations.
- b. **Program Description:**
 - Property owners of both residential and commercial historically-significant structures eligible for an exemption of assessed City taxes
 - Percentage exempted ranges from 25% - 100%
 - Reviewed annually

MY HISTORIC SMTX PHASE I HISTORIC RESOURCES SURVEY REPORT

The My Historic SMTX draft historic resources survey report for Phase 1 outlines many recommendations for further work, including designation of new historic districts, expansion of existing historic districts, and undertaking a local landmark designation

initiative to provide protection for significant individual historic resources. The report strongly recommends the development of financial incentives, such as a tax credit or tax abatement, in order to encourage local historic designation as well as to stimulate restoration and rehabilitation of historic buildings. The report also mentions including reduced or waived building and signage permit fees as additional financial incentives for designated landmarks or districts.

STAFF RECOMMENDATION AND NEXT STEPS

With the potential for new districts and new landmarks as well as the introduction of new preservation tools, Staff recommends tailoring a financial incentive program which would include a variety of types of incentives to best address the City's historic preservation needs utilizing the information contained within the My Historic SMTX Historic Resources Survey Report.

Public outreach is a critical component to a successful tax incentive program. This will ensure that those who could take advantage of are aware of it. A public outreach plan to involve relevant stakeholders and the public should be drafted upon project commencement. The following list was compiled by the Commission and Staff to help identify potentially relevant stakeholders:

- CONA
- Neighborhood Commission
- Heritage Association
- Main Street
- Economic Development Groups
- Hays County Tax Assessor's Office
- Hays County Appraisal District
- Realtors
- Architects
- Contractors
- News Media, including social media