

CITY OF MONTICELLO

August 18, 2015

MEMORANDUM

TO: City Council Members

FROM: Emily Anderson

IN RE: Consideration of Limited Ad Valorem Exemption for Historic Property Improvements

For some time, I have been researching statutorily-allowed, limited ad valorem tax exemptions available to owners of historic properties. This program is intended to assist in offsetting the cost of repair and maintenance of historic properties.

The Historic Design Review Board has looked at this program and has recommended the Council consider implementing the same. Some of the particular benefits discussed by the Board were:

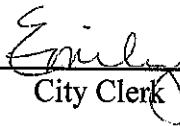
*Many historic buildings may be at particular risk for declining beyond the worth of allowing a deteriorated building to remain standing. The loss of these buildings, especially those in the downtown area, would be detrimental to the aesthetics of the entire area and possibly spur a decrease in the value of surrounding buildings. This program will create at least some incentive for investment in rehabilitation of these properties.

*As part of the ordinance, the City will require properties seeking the tax exemption to join the Historic District, which will aid in expansion of the District and protection of those properties.

*The exemption carries with it a preservation covenant to maintain the property.

I enclose a memorandum from the City of Fernandina Beach which is a helpful summation of the program. In truth, the ad valorem exemption is not widely used statewide, and, when it is, it often just provides minimal tax savings, but still has the potential to offer incentives for high cost projects.

Should the Council decide to move forward with the program, I will begin drafting the ordinances.



City Clerk

AD VALOREM EXEMPTION FOR HISTORIC PROPERTIES USED FOR CERTAIN COMMERCIAL OR NONPROFIT PURPOSES

PROGRAM DESCRIPTION

Section 196.1961, Florida Statutes, authorizes the board of county commissioners or the governing authority of any municipality to adopt an ordinance allowing ad valorem tax exemptions for certain commercial or nonprofit historic properties regularly open to the public. This local-option program provides an exemption of up to 50 percent of the assessed value of the historic property. The exemption applies only to the taxes levied by the government granting the exemptions.

ELIGIBLE APPLICANTS

Properties must be listed in the National Register of Historic Places, as defined in Section 267.021; or must be a contributing property to a National Register Historic District; or must be designated as a historic property or as a contributing property to a historic district under the terms of a local preservation ordinance. The property must be used for commercial purposes or used by a not-for-profit organization under Section 501(c)(3) or (6) of the Internal Revenue Code of 1986. "Regularly open to the public" is defined as a minimum of 40 hours per week for 45 weeks per year or an equivalent of 1,800 hours per year.

TYPE OF ASSISTANCE

Property tax exemption.

AVAILABLE FUNDING

N/A.

APPLICATION PROCESS/DEADLINES

No property shall be classified as historic property used for commercial or certain not-for-profit purposes unless a return is filed on or before March 1 of each year.

MATCHING/OTHER REQUIREMENTS

The property must be maintained in good repair and condition.

CONTACT

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AD VALOREM TAX EXEMPTION FOR IMPROVEMENTS TO HISTORIC PROPERTIES

PROGRAM DESCRIPTION

Section 196.1997, Florida Statutes, authorizes the board of county commissioners or the governing authority of any municipality to adopt an ordinance allowing ad valorem tax exemptions for up to 100 percent of the assessed value of improvements resulting from rehabilitation of historic properties. The term of the exemption may be for up to 10 years. The exemption applies only to taxes levied by the unit of government granting the exemption.

ELIGIBLE APPLICANTS

Depending on the provisions of the local ordinance, eligible properties may include those listed in the National Register of Historic Places, those contributing to a National Register Historic District and those designated as landmarks or as contributing to a designated historic district under the provisions of a local historic-preservation ordinance; residences and commercial properties may be eligible.

TYPE OF ASSISTANCE

Property tax exemption.

AVAILABLE FUNDING

N/A.

APPLICATION PROCESS/DEADLINES

Application is made on the Historic Preservation Property Tax Exemption Application (DOS Form No. HR3E101292) or a similar form approved by the Division of Historical Resources. Owners are encouraged to make applications and secure project approval before work begins. Applications are reviewed by local preservation offices in Florida Certified Local Government (CLG) communities or by the Florida Division of Historical Resources in other jurisdictions.

MATCHING/OTHER REQUIREMENTS

All work must comply with the recommended approaches to rehabilitation, as set forth in the secretary of the interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. A preservation covenant is required for the term of the exemption.

CONTACT

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Historic Preservation Exemption Programs

A.

B.

C.

<p>196.1961 Historic Properties Used for Certain Commercial or Non-Profit Purposes</p>	<p>Up to 50% of Assessed Value</p> <p>Listed in National Register of Historic Places or a contributing property to a National Register Historic District or must be designated as a historic property or as a contributing property to a historic district under the terms of a local preservation ordinance</p>	<p>196.1997 Improvements to Historic Properties</p>	<p>Up to 100% of Assessed Value of Improvements Up to 10 years</p> <p>Depends on local provisions & may include those: Listed in the National Register of Historic Places or A contributing property to a National Register Historic District or Designated as a landmark or Contributing to a designated historic district under the provision of a local historic-preservation ordinance Residences and Commercial property eligible</p> <p>Work must comply with recommended approaches to rehabilitation as set forth in the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings.</p> <p>A preservation covenant is required for the term of the exemption.</p>	<p>196.1998 Additional Exemptions for Historic Properties Open to the Public</p>	<p>Up to 100 percent of the Assessed Value as Improved and Assessed Value of Improvement must be equal to at least 50% of the Total Assessed Value of the Property as Improved. Meets criteria set forth in 196.1997</p>
<p>Must be used for commercial purposes or used by a not-for-profit under Section 501(c)(3) or (6) of the IRS Code of 1986</p>	<p>Regularly open to public min 40 hours per week for 45 weeks per year or 1,800 hours per year</p>	<p>Used for nonprofit or governmental services</p>	<p>Regularly or Frequently open for public's visitation and use.</p>		
<p>Must file a return with Property Appraiser on or before March 1st of each year on form DR-482HP</p>	<p>Apply using DOS Form Before & After work is performed Applications reviewed by local preservation offices in Florida Certified Local Government Communities or by Florida Division of Historical Resources</p>	<p>Applications reviewed and approved by Division of Historical Resources or the Local Historic Preservation Office, whichever is applicable</p>			



City of Fernandina Beach

PLANNING DEPARTMENT

MEMORANDUM

TO: Fernandina Beach City Commission
Michael J. Czymbor, City Manager

FROM: Adrienne Dessy, Planner II

DATE: November 10, 2009

RE: Historic Preservation Tax Exemption, Fla. Stat. §§ 196.1997 and 196.1998

*Helpful summation
of the tax exemptions*

Florida Historic Preservation Tax Exemptions

Florida Statutes currently allow for two types of historic preservation tax exemptions:

- §196.1961
 - This exemption provides for a municipality to adopt an ordinance exempting up to 50 percent of the assessed value of property which meets certain criteria related to certain commercial or nonprofit uses and historic property status.
 - Currently, the City of Fernandina Beach has adopted an ordinance allowing for this exemption. This exemption is found in Section 74-151 of the City Code.
- §§ 196.1997 and 196.1998
 - This exemption provides for a municipality to adopt an ordinance for a tax exemption for owners of historic properties engaged in restoration, rehabilitation or renovation of historic properties meeting criteria as outlined in the statute. The exemption allows for exemption of ad valorem taxation of up to 100 percent of the assessed value of all improvements to the property which results from the restoration or rehabilitation. § 196.1997 is applicable to private residential properties, while § 196.1998 refers specifically to properties open to the public.
 - For example:
 - Historic home meeting criteria valued at \$100,000.
 - Owner undertakes \$60,000 of improvements. Depending on property appraiser's value (may not be full \$60,000), the house could now be valued at \$160,000.
 - The \$60,000 improvements are abated for ad valorem taxes only for 10 years, and the property is taxed at \$100,000.
 - After 10 years, the ad valorem taxation is restored.
 - Currently, the City of Fernandina Beach has NOT adopted an ordinance allowing for this exemption. At their October 22, 2009 meeting, the HDC recommended that staff



City of Fernandina Beach

PLANNING DEPARTMENT

propose exploration of City adoption of this tax exemption as a Commission discussion item.

§196.1997 in Practice

Many communities in Florida have adopted the § 196.1997 exemption. As part of background research, staff investigated ordinances and policies from Gainesville, Eustis, Lake Park, Plant City, New Smyrna Beach, Jacksonville, St. Augustine, Fort Pierce, and West Palm Beach. The ordinances for each community detail the process utilized in each respective community, but in general the process is as follows:

- **Preconstruction Application**
 - A "Preconstruction Application" for the exemption must be made on a form provided by the City, which must contain, at a minimum, all of the required information found on the form approved by the Division of Historical Resources in accordance with Florida Administrative Code Chapter 1A-38. The City could require additional information, such as documentation of the cost of qualifying improvements.
 - There is typically a fee associated with the application.
 - The exemption application is to be filed before the improvements are initiated. In most communities, the exemption application is filed at the same time as an application for a Certificate of Appropriateness for HDC review is filed.
 - The designated City representative ensures that the proposed project is compliant with statutory requirements for the exemption. This could be done by the HDC at the same time as the COA application hearing.
- **Final Application and Review**
 - Most ordinances require the work to be completed within two to three years of an approved application.
 - Upon completion, the project must be reviewed by the designated City representative as a "final application." Documentation by the applicant must be submitted that demonstrates the total cost of work qualifies it as a qualifying improvement project. This may include paid bills, canceled checks, or an approved building permit application with the cost of work included.
- **Covenant**
 - A Preservation Exemption Covenant is required to be recorded at the time final application is approved. This covenant ensures that the property owner maintains the qualifying improvements to the property during the 10 year exemption period.
 - The Preservation Exemption Covenant must be provided to each applicant with the exemption application and a statement that a final application for the exemption must include a signed covenant.
 - Within a number of days after an approved application and receipt of a copy of the signed, recorded covenant, the final application and covenant are forwarded to the Property Appraiser.



City of Fernandina Beach

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In sum, the §196.1997 exemption will require new procedures and fees within the Community Development Department and the Historic District Council. Based on feedback from a few of the researched communities, the process is complex and time consuming, and in actuality is utilized by only a handful of property owners within a given year with fairly minimal savings. However, the communities spoken to indicated that the advantages of having the tax exemption as an option for property owners outweigh any procedural complexities, as it is a valuable preservation incentive.

Additional Facts about the §196.1997 Exemption

- Applies prospectively only; is not retroactive.
- Exterior and interior improvements are available for the exemption.
- An appeal process for the application decisions are provided for in the ordinances.
- Revocation of the exemption is provided for where the applicant does not conform to the requirements recorded in the Preservation Exemption Covenant.

Attachments

- HDC Minutes from the October 22, 2009 meeting reflecting the Board's recommendation
- Section 74-151 of the City Code regarding the §196.1961 exemption
- §196.1961, Fla. Stat.
- §196.1997, Fla. Stat.
- §196.1998, Fla. Stat.
- Dept. of State Form No. HR3E101292: Tax Exemption Application
- Dept. of State Form No. HR3E111292: Tax Exemption Covenant (from Jacksonville)
- Jacksonville Code of Ordinances, §§ 780.301 – 780.346
- Delray Beach and New Smyrna Beach websites regarding § 196.1997 exemption program