

- At least 75% of the building's internal structural framework must remain in place.

THE 10% OR 20% FEDERAL TAX CREDIT: WHICH ONE APPLIES?

- The 10% rehabilitation tax credit applies only to non-historic buildings built before 1936.
- The 20% rehabilitation tax credit applies only to certified historic structures.
- Only one of these two options may be applied to a given property.

More information is available on the National Park Service website at <http://www2.cr.nps.gov/tps/tax/brochure2.htm> or contact the Office of Historic Preservation.



Visit the
Office of Historic Preservation
at:
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What do I need to do to receive a Tax Exemption or Credit?

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The City of San Antonio's Office of Historic Preservation reviews exterior modifications to properties that are individual historic landmarks or are located within a historic district. The Office serves as advisory staff to the Historic and Design Review Commission (HDRC), which meets on the first and third Wednesdays of each month.

A primary responsibility of the Office is to protect San Antonio's unique historic resources by administering the City's Unified Development Code historic preservation and design provision. The Office also provides incentives to encourage preservation, including City ad valorem (property) tax exemptions for "substantial rehabilitations of historic buildings in need of repair" and for owner-occupied residences within new historic districts:

What is a "substantial rehabilitation" of a historic building in need of repair?

- The property must be a national, state, or locally designated historic landmark or located within a national or local historic district.
- The owner must invest, which can include "sweat equity" for labor provided by the property owner, substantial rehabilitation efforts that prolong the life of the building. Substantial rehabilitation can include exterior and/or interior rehabilitation work.

Substantial Rehabilitation for Residential Properties

After substantial rehabilitation of a historic property, property owners may choose one of two tax incentives:

- 1) City property taxes are frozen at the assessed value prior to the improvements for ten (10) years. The amount of City property taxes owed is determined by the assessed value prior to the improvements and is frozen at that level for ten (10) years.
- 2) No City property taxes are owed for the first five (5) years. For the next five (5) years, City property taxes are assessed at a value that is 50% of the post-rehabilitation assessed value. *The property tax exemption remains with the property regardless of a change in ownership.*



Substantial Rehabilitation for Commercial Properties

After substantial rehabilitation of a commercial property, no City property taxes are owed for the first five (5) years. For the next five (5) years, City property taxes are assessed at a value that is 50% of the post-rehabilitation assessed value. *The property tax exemption remains with the property regardless of a change in ownership.*

20% Exemption for Owner Occupied Residences in New Historic Districts

All residential properties occupied by the property owner at the time of designation receive a 20% tax exemption on City taxes for 10 years provided the owner remains in the property.

TAX EXEMPTIONS FOR HISTORIC PROPERTIES

Long-Time Resident Extension

An additional five (5) year extension is available for those receiving the 20% exemption for new historic districts that have remained in the same house for the entire 10-year period of the exemption, for a maximum of fifteen (15) years. The exemption and extension are only effective for as long as the property owner is living at the address for which the exemption is given.

Substantially Rehabilitated Low-Income Rental Properties

If 40% or more of the units in a substantially rehabilitated historic multi-family residence are offered to low-income tenants (as defined by the U. S. Department of Housing and Urban Development HOME program income limits for the San Antonio Metropolitan Statistical Area [<http://www.huduser.org/datasets/il/fmr00hud00tx.txt>]), then the property owner will owe zero (0) City taxes for ten (10) years following rehabilitation.

SUBSTANTIAL REHABILITATION TAX EXEMPTION PROCESS

- 1) Submittal of Certification application.
- 2) Approval of Certification and project plans by the Historic and Design Review Commission (HDRC).
- 3) Completion of rehabilitation construction according to plans approved by HDRC.
- 4) Submittal of Verification application.
- 5) Site visit by OHP staff member to verify that completed work matches the plans that were approved by HDRC.
- 6) Approval of Verification by HDRC.
- 7) Staff notifies the Bexar County Appraisal District of approved exemption.
- 8) Tax exemptions are effective on January 1st of the year following HDRC verification.

FREQUENTLY ASKED QUESTIONS

WHAT KIND OF IMPROVEMENTS QUALIFY?

Improvements that extend the life of the building, such as roof, foundation, and siding work; electrical, plumbing, and HVAC systems work; and any other improvements related to structural work, etc. Other improvements such as interior work will be considered upon commitment to complete structural work. *The Office of Historic Preservation will be glad to meet with any tax exemption applicant to discuss qualification for the exemptions.*

IF THE PROPERTY IS SOLD, ARE THE TAX EXEMPTIONS TRANSFERRABLE?

Yes. The tax exemptions for substantial rehabilitation remain with the property regardless of ownership or sale of the property during the granted time period. This is often an incentive for purchasing a historic property.

WHY DO ONLY THE NEW HISTORIC DISTRICTS GET THE 20% TAX EXEMPTION?



A primary purpose of the tax exemption program is to reward property owners who actively assist in the formation of historic districts, rather than to reward those who move into a district after formation. Since the tax exemption is only effective as long as a property owner lives in the same home from the first day of district designation until fifteen (15) years later (10 years + 5 year extension), the exemption only applies to those who either promoted or wanted district designation or those who simply lived within the district boundary at the time of designation. The second purpose of the 20% exemption is to discourage gentrification if property values increase after historic designation.

WHAT IS THE DIFFERENCE BETWEEN A TAX CREDIT AND A TAX EXEMPTION?

A tax credit is applied directly to the assessed amount of taxes, while a tax exemption or deduction is applied to the amount of income or property that is eligible for taxing. For example, a 20% property tax credit is a direct 20% discount from the total tax bill, while a 20% property tax exemption means that the tax total is based on an assessed property value that is 20% less than the property's appraised value.

FEDERAL TAX CREDITS FOR HISTORIC PROPERTIES

20% FEDERAL TAX CREDIT

Applies to any project that the Secretary of the Interior designates a *certified rehabilitation* of a *certified historic structure*. A certified historic



structure is a structure that is listed individually in the National Register of Historic Places **OR** that is located in a *registered historic district* and certified by the National Park Service as contributing to the historic significance of that district. A state or local historic district may qualify as a *registered historic district* if the district and the enabling statute are certified by the Secretary of the Interior, which is done through the Texas Historical Commission (THC). Part I of the Historic Preservation Certification Application must be completed and submitted to THC (512-463-6100). The 20% tax credit is equal to 20% of the project costs.

OTHER REQUIREMENTS FOR 20% FEDERAL TAX CREDITS:

- The building must be *depreciable* or used in a trade or business or held for the production

of income. Examples include offices, commercial, industrial or agricultural enterprises, and rental housing.

- The rehabilitation must be considered *substantial*. During a 24-month period selected by the taxpayer, rehabilitation expenditures must exceed the greater of \$5,000 or the adjusted



basis (purchase price, minus the cost of land, plus improvements already made, minus depreciation already taken). Once these requirements have been met, all qualified expenditures, including those outside of the measuring period, qualify for the credit.

- Qualified expenditures include costs associated with work on the historic building, as well as architectural and engineering fees, site survey fees, legal expenses, development fees, and other development-related costs.

10% FEDERAL TAX CREDIT

The 10% tax credit is available for the substantial rehabilitation of depreciable non-historic buildings built before 1936. Unlike the 20% credit, rental housing does not qualify because the credit is available only for non-residential use.

OTHER REQUIREMENTS FOR 10% FEDERAL TAX CREDIT:

- At least 50% of the building's walls existing at the time the rehabilitation is begun must remain in place as external walls upon completion of the work.
- At least 75% of the building's existing external walls must remain in place as either external or internal walls.