



Legal Minute

August 2004

Local Historic Preservation: Advantages and Disadvantages for Nonprofit Developers

Some nonprofit organizations working in distressed communities recognize that historic preservation may be a useful tool for revitalizing their neighborhoods. Preservation incentives may provide housing that is both affordable and respects the characteristics that make a neighborhood unique.

What is historic preservation?

Many cities across the country have adopted historic preservation ordinances to designate local historic districts or historic landmarks in their communities. **Historic districts** are designed to protect and enhance areas that represent important historical, cultural, ethnic, and architectural elements of the history of a community. **Historic landmark designations** protect individual properties with significant historic importance.

What cities in Texas have historic preservation ordinances?

Cities in Texas with historic preservation ordinances include: Abilene, Arlington, Austin, Beaumont, Boerne, Brownsville, Castroville, Cleburne, Corsicana, Dallas, Denton, El Paso, Elgin, Ennis, Floresville, Ft. Worth, Fredericksburg, Galveston, Georgetown, Gonzalez, Granbury, Grapevine, Harlingen, Houston, Jefferson, Kingsville, Laredo, Lubbock, Mansfield, McAllen, Mineola, Mission, Nacogdoches, New Braunfels, Palestine, Paris, Pharr, Plano, Port Arthur, Quanah, Round Rock, San Angelo, San Antonio, San Marcos, Socorro, Sonora, Tyler, Waco, Waxahachie, and Wichita Falls.

What powers do cities acquire under historic preservation ordinances?

Each city has different rules relating to requirements placed on properties within historic districts or those with historic landmark status. These requirements are subject to prior review by city staff. In general, preservation ordinances regulate the maintenance of the original exterior as seen from the street. The regulations may include:

- review of exterior alteration plans including landscaping;
- review of new construction;
- review of demolition or relocation; and
- building and rehabilitation consistent with design standards to preserve the historic integrity of the area or building.

What are the advantages of historic preservation?

Historic preservation provides an economic revitalization tool in older neighborhoods that have deteriorated due to the growth of suburbs, neglect, or alterations to architectural heritage. Historic preservation makes use of existing housing and commercial building stock and helps sustain the identity of the community. Preservation in Texas has also increased property values, encouraged tourism, and created new jobs and new businesses.

What are the disadvantages of historic preservation?

One disadvantage of local historic districts is red tape. City officials decide what property owners can do with property inside the districts. Another major drawback of historic districts in lower income neighborhoods is an increase in property values. Increased property values create a hardship in areas where the number of rentals exceeds owner-occupied properties and where property tax increases impact fixed-income homeowners.

In areas experiencing displacement of long-term residents, historic zoning may speed the process of gentrification. In addition, remodeling standards may impose burdens on low- and fixed-income residents, such as requiring certain types of windows, sidings,

or paint. The bureaucratic process for approval may discourage some residents from utilizing the prior approval system. Many preservation programs impose a duty to repair on the owner of historic properties; violations of these ordinances are subject to civil and even criminal penalties.

What are some incentives provided by historic preservation ordinances?

Some cities around the country offer a package of incentives to encourage historic preservation. Some of the incentives include:

1) Tax abatements:

- freeze increases within the district for a number of years;
- freeze increases resulting from approved renovation to pre-improvement value;
- 100% abatement for owner-occupied landmarks or properties;
- 50% abatement for commercial properties; and
- abatement for residential conversion with ground floor retail.

2) Financial assistance:

- low interest loans for projects that increase job opportunities for low-income residents;
- zero per cent interest loans for renovators of historic properties to be rented or sold to low-income residents;
- revolving loan fund for property acquisition; and
- low-interest loans and grants to improve building facades.

3) Regulatory relief:

- parking space requirements;
- building codes for renovation of historic structures; and
- zoning requirements.

4) Additional incentives:

- technical assistance on design and financing packages;
- facade easements transferred to city to reduce upkeep and property taxes; and
- transfer of development rights.

Cities with packages of incentives include Dallas, Texas; Portland, Maine; Aspen, Colorado; and Seattle, Washington.

What are some options to mitigate gentrification in historic preservation neighborhoods?

Cities with an interest in preserving the cultural heritage of a community have utilized different tools to ensure that historic preservation programs do not result in the displacement of long term residents. The best tool to prevent displacement of low-income residents is for cities and nonprofits to acquire as much land as possible before any development or preservation begins.

Communities that have successfully integrated public/private/nonprofit strategies to encourage equitable development and mixed-income neighborhoods in historic areas are Atlanta, Georgia and Portland, Oregon. Tools to mitigate gentrification include:

- housing trust fund to purchase properties, apply resale restrictions, and transfer to nonprofits for use for affordable housing;
- financial assistance programs for renovations;
- hardship waivers from duty to repair requirements;
- property tax freezes; and
- private/nonprofit programs with participating banks for low-interest loans for community revitalization.

What are some of the funding options for historic preservation?

Several federal programs that can be used provide funding for historic preservation, including:

- **Historic Rehabilitation tax credit** provides economic incentives for the rehabilitation of historic buildings.
- **Community Development Block Grants** have funds that may be used in housing or rehabilitation projects for low- to moderate-income neighborhoods.
- **Main Street programs** provide grants for preservation.
- **National Trust for Historic Preservation** has a historic preservation fund for low-interest loans and matching grants.
- **Department of Interior Grant in Aid Program for Historic Sites** provides funds for qualifying sites.
- **Department of Housing and Urban Development (HUD) grants-in-aid program** provides funds for areas of historic or architectural significance in urban areas.
- **Urban Renewal Program** encompasses new conservation and rehabilitation measures with funds that may be used for historic purposes.
- **Rehabilitation Grants** provide up to \$3,500 for qualifying low-income owner-occupants in urban renewal areas.
- **Model Cities Program** offers funds for preservation, planning, and restoration.
- **Senior Citizen Housing Programs** provides loans, rent supplement payments, and mortgage supplements to nonprofit organizations providing senior housing.