



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Planning Division

m e m o r a n d u m

TO: Laurel Lunt Prussing, Mayor

FROM: Elizabeth H. Tyler, Community Development Director / City Planner

DATE: September 6, 2007

SUBJECT: Historic Preservation Incentives

Introduction and Background

In response to prior direction by the City Council, City staff presented a memorandum about possible incentives for historic landmark designations at the April 23, 2007 Committee of the Whole meeting (copy attached). The memorandum discussed existing financial incentives (i.e., the Illinois State Property Tax Assessment Freeze Program for owner-occupied properties and the Federal Historic Preservation Tax Incentives Program for income-generating properties), local programs that can be used for historic preservation projects (e.g., the TIF Redevelopment Incentive Program), and examples of grant and loan programs in other communities. All of the incentive programs discussed were tied to an investment in an historic property.

Also at the April 23, 2007 meeting, Councilmember Dennis Roberts presented a Historic Preservation Incentive Resolution (see attached). The purpose of this resolution was to encourage the preservation of historic properties within the City. The incentive items in the resolution include a partial property tax rebate, a grant program, and a loan program. The last section in the resolution discusses creating new funding sources for historic preservation.

As a result of discussion by the Committee of the Whole, staff was directed to look at ways of better educating the public about historic preservation and the history of Urbana, to examine the incentive programs discussed at the meeting, and to investigate the revolving loan program used in Eugene, Oregon. This current memorandum discusses historic preservation education and incentives, including a permit fee waiver program, landmark recognition programs, and a revolving loan program, and provides examples of what other communities are doing. Staff has prepared a separate memorandum on the related issue of demolition review, which will also be presented to the Committee on September 10, 2007.

Historic Markers

At the February 7, 2007 joint meeting of the Urbana City Council and the Urbana Historic Preservation Commission, Councilmember Brandon Bowersox suggested creating an historical marker program to educate the public about Urbana's history. Using the Centennial Farms Program for rural areas as a

model for designation was also suggested. The City could follow a similar program in which properties of a certain age are given a certificate or plaque to recognize them as historic homes.

Currently, the City of Urbana has a plaque program whereby the Historic Preservation Commission confers historic plaques for all local landmarks and districts. These plaques are roughly 8 by 10 inches in size and have been designed by the Historic Preservation Commission and funded by Commission's line item provided in the City's budget (set at \$600 for 07-08 for all commission-related hard costs). A historic marker program would have different criteria for eligibility than local historic landmarks and districts, thereby increasing public awareness of and interest in Urbana's historic resources.

Additionally, City staff has recently applied under the Looking for Lincoln Heritage Coalition for a grant. If the application is accepted, the City will receive an attractive wayside exhibit sign and become part of the larger Looking for Lincoln Heritage program. The wayside exhibit will be placed at or near the location in downtown Urbana where Lincoln posed for a photograph in 1858 taken by Samuel Alschuler.

Staff has researched two types of historic marker programs: 1) an historic homes marker program, and 2) an historic marker program.

1. Historic Homes Marker Program

An historic homes marker program would allow residents to learn the significance of the homes in their community. Most historic house markers are similar to the plaques for Urbana local historic landmarks and districts. They are generally made of bronze, have the year the house was built and perhaps the original owners or designer/architect, and are mounted to the side of the house near the front entrance. There are also alternative ways to design the markers as free-standing displays. The program could be organized in one of two different ways: the City could either administer the program, or could encourage the neighborhood associations or other historic preservation groups to administer the program. In either approach, it is recommended that the Historic Preservation Commission be involved in the design, placement, and administration of such signage.

Issues to Consider:

- Marker content—the marker could include both a short historical section and a short architectural section, or the marker could be limited to the year the house was built, the original owners, and the designer/architect. Including historical and architectural sections would be more interesting, but would increase the cost of the program.
- Cost—the City could hold a workshop on researching historic homes and make supporting materials available to the public through the City's website. Residents could then do the research themselves and pay a nominal fee for the marker. It would be important, however, that the quality and content be standardized. Planning staff working in conjunction with the Historic Preservation Commission can help to verify this content. A benefit to having a property owner apply for a historic homes marker is that the research for a local historic landmark application would already be started and going through the marker program would increase interest in the local landmark program.

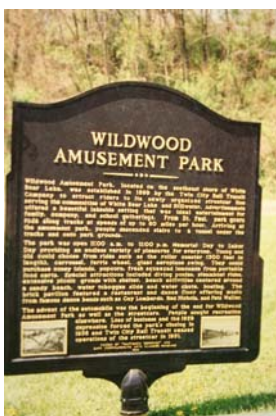
- Eligibility— According to the Urbana Zoning Ordinance, historic properties must be at least 50 years old. According to the 2000 Census, there are 5,298 homes built before 1960 in Urbana. It is desirable that eligibility of house markers be limited to much older homes, such as over 100 years old and/or to those that have important historic information to convey.
- Sign Pollution - The City is sensitive about the amount and placement of signage that is allowed, particularly in residential areas. A recent text amendment to the Urbana Zoning Ordinance involved a significant reduction in the allowable size for multi-family housing signage and other restrictions designed to reduce the impact of signage in residential neighborhoods. Encouragement of additional historic plaques could contribute to sign pollution, particularly if they are free-standing. Unless the signs are sensitively designed, placed and maintained, they can also result in aesthetic impacts, particularly over time. Amendments to the City’s sign ordinance may be necessary to accommodate an historic homes marker program.

City staff is not fully supportive of an historic home marker program due to concerns about consistency of appearance, difficulty of administration, and possible sign pollution. Staff believe that the existing landmark plaque program is sufficient to recognize our local residential landmarks and districts in a manner that is tasteful and does not detract from the property. Additional historic information could be conveyed through the use of non-residential Historic Markers described below.

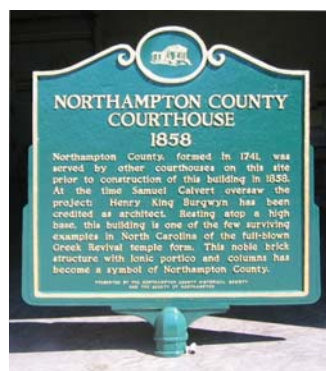
2. Historic Marker Program

At the February 7, 2007 joint meeting of the Urbana City Council and the Urbana Historic Preservation Commission, a historic marker program was discussed. Following the meeting, Councilmember Bowersox prepared an Urbana Historical Marker Program Proposal and submitted it to staff for further research (copy attached).

Prices for historic markers are governed by material, marker size, amount of inscription, special logo or illustration, and whether the marker text is the same copy on both sides or has different text copy on each side. In general, bronze plaques range from \$900 to \$2,500 per marker. See example historic markers with respective costs below. For each marker, the lower price is if the text is the same on both sides of the marker and the higher price is if the text is different on each side of the marker.



Size: 33” X 43”
Cost: \$1,800 - \$2,100



Size: 30” X 42”
Cost: \$1,840 - \$2,110



Size: 24” X 18”
Cost: \$970 - \$1,070

A less expensive alternative to bronze is cast aluminum. One sign company that makes historical markers with both materials quoted cast aluminum at \$1.81 per square inch and cast bronze at \$2.34 per square inch. For a 24" X 18" marker, the cost for aluminum would be \$781.92 and bronze \$1,010.88. These quotes are for standard lettering with a border; adding a logo would be an additional \$65.00.

To create a historical markers program, the City would need an annual budget for the purchase of the signs. City staff could then determine how many historical markers to create per year. Selecting the sites for the historical markers should be done by the Historic Preservation Commission (possibly with input from the Champaign County Historical Archives, the Champaign County Historical Society, and the Illinois Historical Survey). A list of sites could be created through consultations with historic resources in Urbana and/or the City could accept nominations from the public.

Issues to Consider:

- Responsibility for installation and maintenance of the signs.
- Placement on private versus public property. If signs are on private property, a formal agreement may be necessary
- Possible sign pollution
- Consistency with the Urbana Sign Ordinance

Provided that sufficient funds could be identified to support it, City staff would be supportive of a historical marker program, working in conjunction with the Historic Preservation Commission and other groups, as a means of providing additional information about significant historic resources in a tasteful and respectful manner. The Lincoln Wayside application is a first step in this direction.

Landmark Recognition Incentive Programs

Staff has researched four possible programs to financially recognize properties designated as local historic landmarks: a building permit fee waiver, a property tax rebate, a grant, and a revolving loan. These programs are designed to encourage the designation of additional landmarks in the City and to acknowledge those property owners who have their properties designated as local landmarks. The financial gain to the property owner due to any one of these programs alone may not be significant alone, but in conjunction with other existing programs could make a critical difference in the decision whether to landmark a property.

1. Historic Landmark Building Permit Fee Waiver

The City of Urbana could create a program whereby the City would waive all building permit fees for individually listed local landmarks or buildings that are contributing to a local historic district. To receive the waiver, the property owner would need to contact the Community Development Department prior to applying for the building permit. A building permit would still be required, but the fee could be waived. This is the only one of the landmark recognition incentive programs identified by Councilmember Roberts that is specifically tied to an investment in the property.

The City of Chicago offers a Building Permit Fee Waiver program which applies to all designated Chicago landmarks or contributing buildings in a Chicago landmark district. The Village of Glencoe, Illinois also has a permit fee waiver for local landmarks.

To understand the impact of a permit fee waiver program, staff looked at the 15 properties (not including the recently designated properties at 502 and 504 West Elm Street) that are either Urbana Historic Landmarks or are properties within one of the two Urbana Historic Districts during the period 1999 to 2007. During that time, 12 permits were issued for the 15 properties, amounting to \$2,141 in building permit fees (\$268 per year). In recent years, the City has received an average of \$485,000 in permit fees per year for all projects. Permit revenues accruing from historic properties are a very small percentage of this amount and would therefore not constitute a significant negative fiscal impact relative to the size of this revenue pool.

Depending upon the size of the building project, the waiver of building permit fees can be a significant cost savings for the property owner. Such a waiver would also help to encourage restoration efforts on behalf of these properties.

City staff is supportive of a building permit fee waiver for locally recognized historic properties and districts. The fee waiver can be applied administratively during the remainder of 07-08 and then documented in the next published edition of the Fee Schedule.

2. Property Tax Rebate

As suggested by Councilmember Roberts, the City of Urbana could offer a 25% rebate on the City's share of assessed property taxes on any property in Urbana that applies for and receives local landmark designation. The rebate would be based on the first year in which the property is designated a local historic landmark, and would continue for three years. After three years, the rebate would terminate. The City may wish to establish a rebate cap of 15 properties per year, to help meet the City's annual tax rebate obligations. As an example, for a property valued at \$150,000, the rebate for one year would be \$185.74; for the three years it would total \$557.23.

There are many communities, including Chicago, that offer property tax rebates. However, in other communities, the rebate is available only for restoration, rehabilitation, repair, and/or maintenance of a historic property. The City of Chicago, for example, offers a 12-year property tax reduction for the rehabilitation of a landmark building in a commercial or industrial use. Some form of property tax abatement is already available to historic properties in Urbana through the State's property tax freeze program.

With property tax rebates, more expensive properties get a larger benefit, which would be considered to be regressive in terms of income. Lower income residents of Urbana could view this as an inequitable benefit that rewards relatively high-income owners of historically valuable old homes. As proposed, it would also not be tied to an investment in a property. The proposed program could be modified so that it would require a certain investment or improvement to the property, such as done in other communities.

Staff does not support a property tax rebate program for historic properties, unless it can be tied to specific improvements and can be made non-regressive with respect to income.

3. Historic Landmark Recognition Grant

The City can create a program that would provide a small grant to acknowledge property owners who apply for and receive local landmark status. If the City budgeted \$5,000 annually for this program, each grant could be for \$1,000 and awarded to the first five property owners whose property gained landmark status in a given year. Following the first year of the program, City staff could evaluate the grant program and adjust the amount of the grant based on demand. For example, the grant amount could be smaller and then awarded to more property owners. A grant of \$500 could be awarded to 10 property owners.

One potential negative of this program is that like the property tax rebate it would not be tied to specific improvement or investment in the property. Perhaps a grant program tied to an investment in the property would be more effective in encouraging historic preservation. However, this program could inspire five local landmark designations per year at a cost to the City of \$5,000. This would be similar to the cost of hiring an intern for the summer to do the research.

City staff could find no examples of communities that have discussed or adopted a program like this. All historic preservation programs found are available for investment or improvement in historic properties, including restoration, rehabilitation, repair, and/or maintenance.

Assuming that appropriate City funds could be identified, staff would be supportive of establishing such a grant program to encourage additional local landmark designations.

4. Historic Rehabilitation Revolving Loan Program

The City of Urbana 2005 Comprehensive Plan lists the following as an implementation strategy: “Study the feasibility of initiating a low-interest loan or grant/match program for exterior renovation projects on structures that have been designated as “historic” under the Urbana Historic Preservation Ordinance,” (page 92). The goals behind this strategy are to “Preserve and enhance the character of Urbana’s established residential neighborhoods” and to “Preserve the characteristics that make Urbana unique.”

Low-interest revolving loan programs serve to generate private investment in historic buildings and to keep the historic building stock in good repair. It is important to recognize that restoration and rehabilitation work often cost more than general maintenance, especially when building life cycles are reached. When offered, low-interest loans are generally provided on a matching basis—generally one dollar of City money for every dollar of private money. A good example of such a program can be found in Eugene, Oregon, where the City uses Community Development Block Grant money that is earmarked for historic preservation, as well as general funds, to finance its revolving loan fund for historic buildings. Both local landmarks and National Register properties are eligible. The loans range from \$5,000 to \$20,000 and are available on a matching fund basis to property owners for restoration, rehabilitation, repair, and/or maintenance of historic properties. Properties may be private residences or commercial in use. The proceeds from loan repayments and donations replenish the revolving fund pool. Eugene, Oregon’s Historic Preservation Commission reviews all the loan applications to ensure the proposed work meets the Commission’s design guidelines. The ultimate decision on approval or denial of the application is made by the City’s development director, following a review by the City’s Planning Commission. Despite the relatively small loans, the program has been successful in encouraging historic preservation. A guide to the Eugene Historic Rehabilitation Loan Program is attached.

Currently, the City’s Community Development Block Grant money has been fully allocated and must be applied only in our Target Area. According to the City’s Consolidated Plan and Annual Action Plans,

block grant funds are pledged towards provision of affordable housing, provision of social services for low and moderate income households, and blight reduction. Use of HUD funds for historic preservation purposes would be a major policy shift for the City and could lead to more unmet need in abating the effects of poverty in our community.

Another issue to consider with this program is lead paint and/or asbestos removal. Any City loan funding a project which would involve lead paint removal would elevate the City's risk for litigation. An alternative would be to buy down the property owner's interest rate from a private lender, instead of the City actually providing the loan. In this case, the City would not be directly providing money that could be used to improperly remove lead, but would actually result in the property owner receiving the same benefit as under the loan program. Another alternative would be to limit what the loan will cover to ensure it would not involve improper removal of lead, such as limiting the loan program to repairing/replacing roofing or exterior features. This, however, would reduce the usefulness of the program to the community.

There is also the potential with a program like this that it becomes a substitute for a bank loan instead of an incentive for historic preservation. A property owner is planning to rehabilitate his/her property with a bank loan, then hears of this program and takes advantage of the low interest rate from the City. Considering the cost to the City to run a program like this, the City may wish to develop a program that would actually stimulate investment in historic preservation instead of simply facilitating work that would be done without the program. One way around this would be to tie the loan to either an income or a blight requirement. This would ensure the funding goes to property owners who would not otherwise be able to do the rehabilitation work.

This program would require a significant amount of staff time to establish and administer effectively. In addition, a significant amount of seed money along with an annual budget would be necessary. Additional analysis and discussion is recommended to determine if the use of revolving loan program would be practicable and effective for Urbana.

Federal Incentive Programs

Earlier this year, legislation proposing to improve the Federal Rehabilitation Tax Credit (FRTC) was introduced in both the House of Representatives and the Senate. The bills are a set of amendments to the FRTC that will:

- For rehabilitation projects costing \$2 million or less, expand the Federal Historic Rehabilitation Credit from 20% to 40% of rehabilitation costs, which will benefit smaller "Main Street" type commercial rehabilitation developments. The 40% credit applies to the first \$1 million in projects under \$2 million.
- Broaden the tax credit's application to apply to condominium developments and in so doing, provide new support for the revitalization of urban neighborhoods nationwide. The current provision requires the payback of the credit if the property is sold within five years, which eliminates usage of this credit for many developers.
- Improve the coupling of the Low Income Housing Tax Credit and the Historic Tax Credit. Currently using the credits together reduces the benefits of the individual credits.

Landmarks Illinois, the state's leading voice for historic preservation, and Preservation Action, a national grassroots lobby for historic preservation, both support this bill and ask for letters of support from local officials inviting their congressional representative them to co-sponsor this bill.

Recommendations

As discussed above, City staff recommends that the following programs and initiatives be considered further to encourage additional historic resource education and landmark designations:

1. Consider an historic marker program to supplement our current landmark plaqueing program, if sufficient funds can be identified.
2. Establish an historic landmark building permit fee waiver.
3. Assuming sufficient funds can be identified, establish an historic landmark recognition grant program with possibly a \$3,000 to \$5,000 annual budget, and initially \$1,000 grants.
4. As an alternative to Number 3, consider a partial abatement of the City's share of property tax, but only if tied to a specific investment for improvements to the property and if calibrated to minimize income regression.
5. Continue to research the practicability of establishing a revolving loan program for Urbana, such as exists in Eugene, Oregon.
6. Send letters of support to Senator Obama, Senator Durbin, and Representative Johnson for the legislation proposing to improve the Federal Rehabilitation Tax Credit asking them to co-sponsor this bill.
7. Consider adding staff to provide additional support for historic preservation activities. Our research shows that communities with a high number of local landmarks and strong public support for historic preservation have a full-time Historic Preservation Planner. In several communities, the Historic Preservation Commission creates a list of properties and then staff prepares the applications for landmark designation. In recent years, Community Development has dedicated one half-time intern to historic preservation activities. The administration of additional programs and preparation of additional landmark nominations would add to this staff time demand.

Prepared by:

Rebecca Bird, Planning Intern

Attachments:

Prior Memorandum

City of Urbana Historic Preservation Incentives, Dennis Roberts

Urbana Historical Marker Program Proposal, Brandon Bowersox

Commercial Rehabilitation Tax Credit Bills Introduced in House and Senate, Landmarks Illinois

Guide to the Eugene Historic Rehabilitation Loan Program, City of Eugene, Oregon

Cc: Historic Preservation Commission

DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES



Planning Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Officer

FROM: Elizabeth H. Tyler, Community Development Director / City Planner

DATE: April 19, 2007

SUBJECT: Incentives for Historic Landmark Designations

Introduction

The City of Urbana 2005 Comprehensive Plan, adopted by the Urbana City Council on April 11, 2005, lists as its first goal, "Preserve and enhance the character of Urbana's established residential neighborhoods," (page 33) and as its twelfth goal, "Preserve the characteristics that make Urbana unique," (page 37). Additionally, the Joint Meeting of the Historic Preservation Commission and the Urbana City Council on February 7, 2007 focused on how the City can encourage awareness of Historic Preservation, including how to encourage more nominations for local landmarks and historic districts. One of the steps City staff recommended is to better distribute information on incentives. This memorandum will outline Historic Preservation in Urbana, discuss incentives currently available, and give examples of what other communities are doing.

Historic Preservation in Urbana

Background on Urbana's Historic Preservation Program is contained in the January 31, 2007 memorandum prepared for the February 7, 2007 joint meeting. In summary, the City of Urbana has five local listed landmarks, two local listed historic districts, 27 properties that are listed in the National Register of Historic Places, and two properties designated as National Historic Landmarks. All of Urbana's local landmarks are designated on our zoning map and profiled on our website. The landmarks and districts are recognized with historic plaques that have been designed and conferred by the City's Historic Preservation Commission.

The City's program has attained Certified Local Government (CLG) status from the Illinois Historic Preservation Agency. Among the requirements to attain CLG status include the presence of specific expertise on the City's Historic Preservation Commission, an obligation to prepare certain annual reports, and a requirement to conduct periodic outreach and training programs. The City has held at least one major outreach event each year since the Commission was established in 1999.

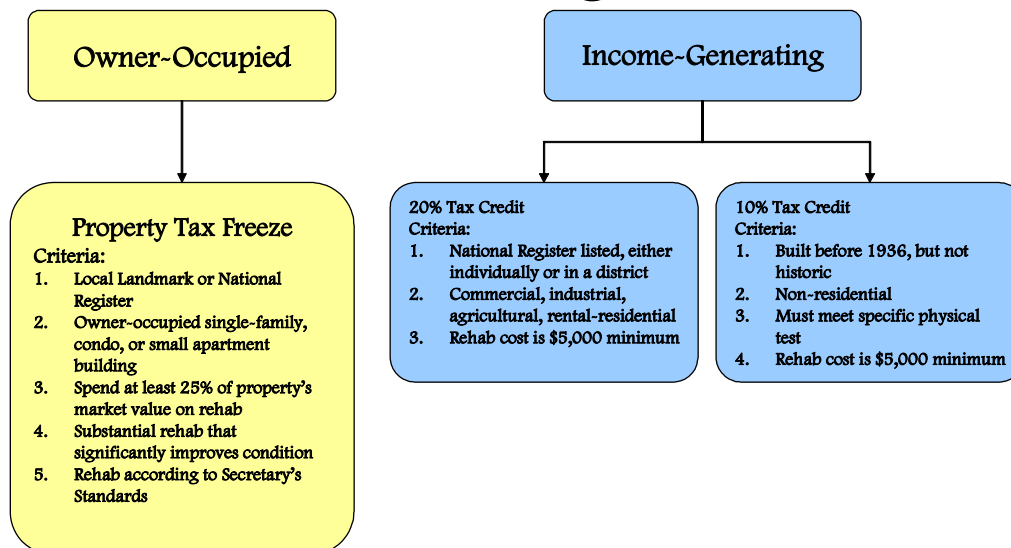
The City of Urbana’s Historic Preservation pages on the City’s website have information on the following:

- The Historic Preservation Commission (HPC) – role, relationship to staff, and duties, and information about current members
- 2001 HPC Walking Tours – map, photos and a description of each property
- Local Landmarks and Local Historic Districts – photos and a description
- Financial Incentives – both federal and state with downloadable brochures for both
- PACA – history and purpose
- Certificate of Appropriateness – guidelines and forms
- Nominating a Property – current listings and application forms
- Resources – historic preservation links
- A downloadable brochure for a walking tour, ‘Historic Urbana’
- A downloadable Q&A brochure, ‘Understanding Local Historic District & Designations’

Existing Incentives

There are currently both federal and state incentives available for historic properties in Urbana. Both types of incentives are for the costs involved in the rehabilitation of an historic property. The state incentives are for owner-occupied properties; the federal incentives are for income-generating properties. The state incentives apply to either properties with local landmark designation or to properties listed on the National Register of Historic Places. There are two federal incentives, one for National Register listed properties and one for properties that are not historic and are therefore not on the National Register but are built before 1936. The available incentives are described below.

Financial Incentives for Historic Landmark Designations



For Owner-Occupied Properties

Property Tax Assessment Freeze Program¹

This program is operated by the State and provides local tax incentives to owner-occupants of certified historic residences who rehabilitate their homes. The assessed valuation of the historic property is frozen for eight years at its level the year rehabilitation began. The valuation is then brought back to market level over four years. To qualify for the Property Tax Assessment Freeze, a property must:

- 1) Be a registered historic structure, either by listing on the National Register of Historic Places, or designated by an approved local historic preservation ordinance;
- 2) Be used as a single-family, owner-occupied residence or condominium, or as a cooperative, or as an owner-occupied residential building with up to six units;
- 3) Have at least 25 percent of the property's market value spent on an approved rehabilitation project;
- 4) Be a substantial rehabilitation that significantly improves the condition of the historic building; and
- 5) Be rehabilitated in accordance with the Secretary of the Interior's "Standards for Rehabilitation."

The first step in applying for this program is to contact the Illinois Historic Preservation Agency (IHPA). Further steps are listed on the City's website and the IHPA website. While this program is offered by the State, it should be noted that local property taxes are abated. This means that the City and other local taxing districts contribute by foregoing property tax increases during the term on the program.

For Income-Generating Properties

Federal Historic Preservation Tax Incentives Program²

This program provides tax credits for rehabilitations to income-generating properties. It has been used to create moderate and low-income housing in historic buildings and to restore to life abandoned or underused schools, warehouses, factories, churches, retail stores, apartments, hotels, houses, and offices in a manner that maintains their historic character. A tax credit differs from an income tax deduction. An income tax deduction lowers the amount of income subject to taxation, whereas a tax credit lowers the amount of tax owed. In general, a dollar of tax credit reduces the amount of income tax owed by one dollar.

The program offers two tax incentives:

- A 20% tax credit for the *certified rehabilitation* of *certified historic structures*. The 20% rehabilitation tax credit equals 20% of the amount spent in a *certified rehabilitation* of a *certified historic structure*. This tax credit is available for properties rehabilitated for commercial, industrial, agricultural, or rental residential purposes, but is not available for properties used exclusively as the owner's private residence and the rehabilitation expenditures must exceed the greater of \$5,000 or the adjusted basis of the building and its structural components. (The adjusted basis is generally the purchase price, minus the cost of land, plus improvements already made, minus depreciation already taken.) A "certified historic structure" is a building that is listed individually in the National Register of Historic Places or a building that is located in a registered

¹ Information about the state property tax assessment freeze program from the Illinois Historic Preservation Agency.

² Information about the federal tax credits from *Preservation Tax Incentives for Historic Buildings*, U.S. Department of the Interior, National Park Service, Cultural Resources, Heritage Preservation Services.

historic district and certified by the National Park Service (NPS) as contributing to the historic significance of that district. A “certified rehabilitation” is a rehabilitation that is approved by the NPS as being consistent with the historic character of the property and, where applicable, the district in which it is located. The NPS assumes that some alteration of the historic building will occur to provide for an efficient use. However, the project must not damage, destroy, or cover materials or features, whether interior or exterior, that help define the building’s historic character. The property owner must not sell the property for at least five years.

- A 10% tax credit for the rehabilitation of *non-historic, non-residential* buildings built before 1936. The 10% rehabilitation tax credit equals 10% of the amount spent to rehabilitate a *non-historic building* built before 1936. This tax credit is available for buildings rehabilitated for non-residential uses. Rental housing would thus not qualify; however, hotels would qualify as they are considered to be commercial. Additionally, projects for the 10% tax credit must meet a specific physical test for retention of external walls and internal structural framework: 1) at least 50% of the building’s walls existing at the time the rehabilitation began must remain in place as external walls at the work’s conclusion; 2) at least 75% of the building’s existing external walls must remain in place as either external or internal walls; 3) at least 75% of the building’s internal structural framework must remain in place. The rehabilitation expenditures must exceed the greater of \$5,000 or the adjusted basis of the building and its structural components. (The adjusted basis is generally the purchase price, minus the cost of land, plus improvements already made, minus depreciation already taken.)

Local Incentives

Other than the local contribution to the property tax assessment freeze program, Urbana does not currently offer any financial incentives specific to historic preservation. However, the City does have programs that can be (and have been) used to help preserve historic resources. The Downtown Tax Increment Financing (TIF) District has helped fund capital improvements to the downtown area, where many of the city’s historic commercial buildings are located. Some of the most visible improvements paid for with TIF funds have included sidewalk, historic street lighting, alley, and landscaping treatments in the downtown. The City’s Redevelopment Incentive Loan/Grant Program is another incentive that can be applied to historic properties. This program has provided interest subsidy on commercial loans of up to \$60,000 for downtown buildings at a below-market rate in partnership with local banks. Points for a 10% grant component (up to \$6,000) are awarded for historic restoration and compliance with the Downtown Strategic Plan. Several downtown buildings have used the loans to restore façades that had been neglected or had undergone inappropriate treatment. Rehabilitation and adaptive use projects which have benefited from this program include the Novak, Weaver, Solberg Law Offices at 130 W Main and the Cinema Gallery at 120 W Main.

Apart from financial incentives, local zoning changes have made the Urbana Zoning Ordinance more flexible in terms of use of older buildings in designated areas. The Mixed Office-Residential (MOR) district was created to provide more flexibility for the adaptive re-use of historic properties on West Green and West Elm streets. Additionally, the City’s Historic Preservation Commission has a program to affix historical building plaques on local landmarks. It was suggested at the joint City Council-Historic Preservation meeting that small wooden markers be used in the front yards of historic homes, so that passersby could read some of the history of the property and make residents aware of this history of their neighborhood.

Examples from Other Communities

Few communities offer local incentives for historic preservation. Landmarks Illinois and the Illinois State Preservation Agency were consulted and below is a complete list of incentives staff could find. Those that do offer a local incentive have either a grant or loan program, or a property tax incentive. Staff has been unable to locate any communities that offer a financial incentive solely for having a

property listed as a local landmark. All of the financial incentives staff could locate are for an investment in a historic property and not just for having a property listed. The following are incentives offered in other communities.

Bloomington, IL – Eugene D. Funk, Jr. Historic Preservation Grant Program

The Eugene D. Funk, Jr. Historic Preservation Grant Program provides financial assistance for the restoration or rehabilitation of exterior architectural features of historic buildings and structures. The program is funded through the City's General Fund and administered by the Bloomington Historic Preservation Commission.

The program provides funding for up to half the total cost of exterior restoration/preservation projects, with a maximum grant amount of \$2,500 per project. Any one applicant may receive no more than two grants per fiscal year. Properties must be a locally designated landmark or part of a locally designated historic district. For further information about this program, please see Appendix A.

Plainfield, IL – Rehabilitation Grant Program

The Rehabilitation Grant Program provides financial assistance and incentives for the exterior rehabilitation and restoration of historically designated residential and non-residential structures in the Village of Plainfield. Applications go first to the Village's Planning Division, then to the Historic Preservation Commission, and then to the Village Board.

To be eligible for this program, a property must be a designated local landmark or located within a designated historic district. The project must preserve, restore, or rehabilitate the historic character of the structure's exterior. Rehabilitation for the purpose of this grant means that an effort is being made not only to maintain a historic property in reasonable repair, but to improve, reclaim, and restore historic architectural characteristics that are threatened or have been lost. Property owners or tenants who will spend at least \$1,000 on qualifying improvements are eligible to receive a matching grant. The grant reimburses up to half of the total project cost, not to exceed \$10,000 per project. Grants may be awarded to applicants for residential properties up to two times in a calendar year. Eligible improvements include reconstruction of missing features, removal of non-original features/restoring original details, repair/stabilizing deteriorated existing elements, continuing maintenance, and replacing deteriorated materials.

Eugene, OR – Historic Rehabilitation Loan Program

The Historic Rehabilitation Loan Program is available to City of Eugene property owners for restoration, rehabilitation, repair, and/or maintenance of historic properties. Properties may be private residences or commercial in use. Loans are awarded on a matching fund basis. Funding of a loan request at any time is determined in part by the availability of funds. The program operates a revolving fund, which receives a block of City funds each year, plus payments on loans made in past years. All historic landmarks are eligible. The minimum City loan is \$5,000 and the maximum is \$20,000. The interest rate is 6%, although this may change from year to year. The loan will amortize on a 10-year term requiring monthly payments. The owner must provide proof of available matching funds.

Chicago, IL – Economic Incentives for the Repair and Rehabilitation of Historic Buildings

The City of Chicago offers a Class-L Property Tax Incentive, which reduces the property tax rate for 12 years for rehabilitating a landmark building in a commercial or industrial use. Chicago also offers a Permit Fee Waiver, which waives all building permit fees for both commercial and residential landmarks.

Carbondale, IL – Downtown Façade Improvement Loan Program

The City of Carbondale encourages façade improvements that are in keeping with the historical continuity of the downtown area through this program. Improvements, including structural, non-structural, and maintenance work, are to be sympathetic to the style of the original building. The program covers canopies, awnings, windows and doors, and the reconstruction and/or refinishing of surfaces and other related architectural appurtenances of a façade. Loan funds can be used for up to 100% of façade improvements in a designated downtown area up to a maximum of \$20,000.

Conclusion

It is hoped that the above information is useful to the City Council as it explores ways to further enhance and encourage the designation of locally designated historic landmarks and districts in Urbana.

Prepared by:

Rebecca Bird, Planning Intern

Attachments

Cc: Historic Preservation Commission

Appendix A.

EUGENE D. FUNK, JR. HISTORIC PRESERVATION GRANT PROGRAM **Eligibility Criteria , Conditions and Limitations**

Description of the Grant Program:

This program is designed to provide the owners of the historic properties with financial assistance in the restoration or rehabilitation of the exterior architectural features of buildings and structures on such properties. This grant program is named after Mr. Eugene D. Funk, Jr., former president of the Funk Seeds Company and a prominent community leader, in recognition of his many contributions to the community. Each year funds may be budgeted from the City's General Fund to finance the grant program.

The grant program is administered by the Bloomington Historic Preservation Commission. The program provides funding for up to 50% of the total cost of qualified exterior restoration / preservation projects, with a maximum grant amount of \$2,500 per project, as defined in Paragraphs 1 (d) and 2 (f) herein below. Any one applicant may receive no more than two (2) grants per fiscal year. Properties must be a locally designated landmark or part of a locally designated historic district to be eligible for funding under this program. All other eligibility criteria and the funding priorities are established by the Commission.

1. Criteria for Consideration:

In order for a restoration or a historic rehabilitation project to be considered as a potential grant recipient, it must first meet the following criteria:

- (a) The property must be a locally designated landmark or part of a locally designated historic district (zoned S-4 Historic and Cultural District).
- (b) The project for which the funding assistance is being requested must be an exterior restoration or rehabilitation project. No interior work is eligible for the grant.

2. Other Requirements, Terms and Conditions:

- (a) The grant application must be filed c/o Ken Emmons City Planner, Planning and Code Enforcement Department, Government Center, 115 East Washington Street, 2nd Floor, P.O. Box 3157, Bloomington, Illinois 61702-3157 on the form provided by the Bloomington Historic Preservation Commission. The Commission will attempt to act upon a grant request within thirty (30) days from the date that it is received. However, the Commission may request additional information from the applicant or delay final action on the grant request for other reasons.

- (b) The grant application form includes an application for a Certificate of Appropriateness that must be properly completed in order to be considered for a grant. As with any application a preliminary consultation with the City Planner and / or the Bloomington Historic Preservation Commission is recommended. If a Certificate of Appropriateness has already been approved by the Preservation Commission for the project that is the subject of the grant request, please attach a copy of such Certificate to the application.
- (c) Grant program funds may be used toward covering the cost of professional architectural services, materials and skilled labor. "Sweat equity" labor provided by the applicant, the owner, or any other non-skilled laborer cannot be charged against the grant.
- (d) A project completion report, including copies of all bills, receipts, and canceled checks associated with the restoration or historic rehabilitation project shall be submitted by the applicant to the Bloomington City Planner for approval prior to the release of any funds. In addition, such report shall include evidence that such project has received a Final Inspection Certificate from the City's Planning and Code Inspection Department to demonstrate that such project for which the grant was awarded is 100% complete.
- (e) The Bloomington Historic Preservation will give priority to projects that:
 1. involve the employment of a professional architect;
 2. involve the restoration or historic rehabilitation of vacant and / or neglected properties of historic and / or architectural significance in an S-4 Historic and Cultural District;
 3. involved sites that have a high degree of visibility from the public right-of-way;

and

 4. demonstrate a large financial commitment on the part of the applicant.
- (f) The Bloomington Historic Preservation Commission may consider multiple grant request pertaining to one site provided that the specific projects are sufficiently distinct and separate. For example, on one house the restoration or rehabilitation of its front porch, tile roof, and gutters and soffits could each be considered as separate projects and could be eligible for individual grants.
- (g) The Bloomington Historic Preservation Commission reserves that right to deny any grant application or to provide only partial funding of a grant application.
- (h) Grant requests for projects completed prior to the submission of a grant application ordinarily will not be considered by the Bloomington Historic Preservation Commission for funding. However, the Commission reserves the right to waive this restriction in special circumstances deemed valid and appropriate by the Preservation Commission.
- (i) Recipients of any historic preservation program funds must agree to observe all applicable federal, state, and local laws pertaining to the use of grant funds.

- (j) The restoration or historic rehabilitation project must be completed in accordance with Paragraph 2(d) within one year from the date of the Bloomington Historic Preservation Commission meeting that the grant is awarded or the grant will automatically be revoked. The Preservation Commission reserves the right to allow a reasonable extension of this time limit upon receiving a written request from the applicant to do so.

Neighborhood Preservation

Creating Incentives for Historic Landmark Nominations

Dear Council Members and Mayor,

I wish to propose two new incentives that may encourage property owners to protect unique buildings which meet the established requirements for Historic Landmark preservation status in the City of Urbana.

The Challenge in Achieving Historic Landmark Designations

In the five years since the establishment of the Historic Preservation Ordinance, only a slight handful of property owners have chosen to place their homes onto Historic Landmark status. The general concern is a fear of restrictions imposed on individual properties by such designations.

What Are the Restrictions Imposed by Historic landmark Status?

Historic Landmark status is the lightest level of preservation possible on an historic structure. Details on achieving Local Landmark Designation may be found on the City web page (<http://www.city.urbana.il.us/Urbana/>) by searching "Local Landmark Designation" (See Addendum "A"). The designation of a Historic landmark status establishes restraints only on the outer shell and appearance of an historic building. **NO RESTRICTIONS ARE ESTABLISHED FOR THE INTERIOR OF THE BUILDING OR ITS REPAIR.**

However, we find that even the very lightest "restrictions" act as an impediment to protecting homes by this designation. Many individuals see these restrictions as a taking of personal autonomy over their property. Changes requiring a "Certificate of Appropriateness" are seen as just enough red tape which affectively put off property owners from participating in the Historic Preservation process. Many historic or architecturally significant structures are in danger of future demolition for redevelopment. Several such properties are located on land zoned R-4, medium high density, and upon resale may be demolished by right. To construct multi-family rental units

I believe the City must try to do more to preserve our at-risk historic residential structures. We need incentives to encourage property owners to accept Historic Landmark status for residential homes and rental properties in the community. Barriers currently exist in successfully increasing the number of Landmark designations or Historic Preservation Districts. These need to be mitigated through creative financial incentives.

There yet remains the question of addressing any action needed to preserve historic properties which come under threat due to the filing of a Permit to Demolish, after such properties are successfully accepted for Historic Landmark designation

Historic Preservation Incentive Resolution

Recognizing the vital importance of preserving buildings, structures, sites, objects or historic districts within the City of Urbana that are historically significant in that they exemplify and/or reflect the cultural, social, economic, political or architectural history of the nation, state or City for the benefit, use, and enjoyment of future generations, as outlined in the Historic Preservation Ordinance, (Resolution No. 2001-02-007R) as adopted by the city of Urbana on March 5, 2001 ; and

Recognizing the importance to the City of Urbana property owners being willing to designate such buildings, structures, sites or objects as properties appropriate for Historic Landmark status or as apart of historic districts, as defined therein;

The City Council of Urbana hereby initiates the following incentives for the designation of such buildings, structures, sites or objects which may be judged to exemplify and/or reflect the cultural, social, economic, political or architectural history of the City for Historic Landmark or Historic District designation, including properties currently achieving such status:

BE IT RESOLVED THAT:

1. PROPERTY TAX DIFFERENCE REBATE (*mirrors the Build Urbana program. . . but involves coordination with other taxing bodies*)

The City of Urbana will rebate to the owner of a property successfully designated as a historic landmark that portion of tax equal to the difference between the property tax paid to the City of Urbana, as assessed by the County Tax Assessor's Office, and that amount of tax which would be paid in the City of Champaign for the identical tax assessment value, for a period of 5 consecutive years, and thereafter the property tax rebate incentive shall terminate, and the assessment to the property shall resume at the level indicated at the time of initial entry into the Historic Landmark Designation Tax Incentive Program. The property owner will pay the complete county tax assessment before receiving the appropriate tax rebate from the City, which shall be reimbursed via public mail by the City Finance Department.

(OR — and this may be more manageable. . .)

2. TAX REDUCTION (*straight 50% reduction on city's share of property tax*)

The City of Urbana will rebate to the owner of a property successfully designated as a historic landmark that amount of tax equal to 50% percent of that portion of property tax paid annually to the City of Urbana as the city's share of the annual property tax levy due to the City of Urbana (16%), as assessed by the County Assessor Office, for a period of 5 consecutive years, and thereafter the property tax incentive discount shall terminate, and the assessment to the property shall resume at the level indicated at the time of the initial entry into the Historic Landmark Designation Tax Incentive Program.

3. ADDITIONAL FUNDING

The City of Urbana shall secure and set aside in a separate fund a total of 40% of all monies received from the payment of all demolition permits issued by the City, for the expressed purpose of supporting and funding historic landmark designation incentives, the appropriate marking of such buildings, structures, sites or objects which may be judged appropriate and successfully designated for Historic Landmark or Historic District status, and creating further preservation incentives and educational programs pertinent to such programs.

Historic Preservation Incentive Worksheet

Here are two possible scenarios of property tax incentives for the Urbana Historic Landmark designation program.

Scenario #1:

1. PROPERTY TAX DIFFERENCE REBATE (*mirrors the Build Urbana program*)

Using the example found in the Build Urbana Tax Rebate brochure:

Assume a property approved for Historic Landmark status has a sale value of \$150,000. The property tax rebate program will rebate the difference in the tax bill for the home in Urbana with that of a home of the same tax valuation in Champaign. In our assumed example, we would divide the home's value of \$150,000 by 3 to determine the assessed value (= \$50,000), then divide by 100 (= \$500), and multiply by 8.2553 (Urbana's tax rate), which equals a tax of \$4,127.65. By doing the same with a factor of 7.5478, Champaign's tax rate (500 x 7.5478), we have a tax of \$3,773.90. The difference of \$354 will be the approximate rebate. Over 5 consecutive years the total tax savings could amount to \$1,769.

Scenario #2:

2. TAX REDUCTION (*straight 50% reduction on city's share of property tax*)

Assume a property approved for Historic Landmark status has a sale value of \$150,000. The property tax reduction program will reduce the City's portion of the property tax bill for the home in Urbana by a flat rate of 50%. In our assumed example, we would divide the home's value of \$150,000 by 3 to determine the assessed value (= \$50,000), then divide by 100 (= \$500), and multiply by 8.2553 (Urbana's tax rate), which equals a tax of \$4,127.65. The city's part of this taxable amount is 16%, or \$660.42. One half this amount is \$ 330.21. By offering the same flat rate of discount over 5 consecutive years the total tax savings could amount to at least \$1,651.06. Actually the property tax discount would likely increase slightly each year with the normal progression of assessment values.

Suggestion by Alderman Bowersox: Cap the number of applicants accepted per year for city-sponsored incentive participation to a reasonable number (15).

3. ADDITIONAL FUNDING

Demolition permit fees for business and residential structures collected by the City of Urbana over the last 4 years are shown below. If 40% of the collected fees were diverted into a Historic Preservation Fund, the funding for incentives to initiate building landmark status and other preservation would be as follows:

2003	\$2,262.00 x 40%	=	\$ 904.80
2004	\$4,638.00 x 40%	=	\$ 1,855.20
2005	\$4,714.00 x 40%	=	\$ 1,885.60
2006	\$3,277.00 x 40%	=	<u>\$ 1,310.80</u>
Total over 4 years:	\$ 5,986.40		earmarked for Historic Preservation incentive programs

This fund might also be used to assist with specific approved repairs in low-income areas of the city, such as Census tracts #53, 54, and 55, or other programs necessary in preserving housing stock at risk in such older historic districts.

(Demolition fee data provided by Ron Eldridge)

The City of Urbana's Historic Neighborhood Preservation Goals

Preserving the unique quality and history of Urbana is mentioned in the Comprehensive Plan adopted by Urbana in 2005:

Page 30: Neighborhoods:

Trend #1: Desire to Preserve Neighborhoods

Urbana residents are showing an increased pride in their neighborhoods and recognize the need to preserve them in order to make them an attractive place to live for years to come. . . . including preserving single-family homes, encouraging property maintenance, . . . and preserving the unique characteristics of each neighborhood

Page 33: Goals:

Goal 1.0: Preserve and enhance the character of Urbana's established residential neighborhoods.

Objectives:

1.2 Encourage investment in older properties to help maintain their appearance and long-term potential.

Page 37: Urbana's Unique Character

Goal 12.0: Preserve the characteristics that make Urbana unique.

Objectives:

12.1 Identify and protect neighborhoods and areas that contain significant historical and cultural resources.

12.2 Pursue the establishment of historic landmark and/or historic district status for sites that have contributed to the history of Urbana.

12.3 Encourage public/private partnerships to preserve and restore historic structures/sites.

12.4 Promote and educate the public about the benefits of historic preservation.

Page 91-2: Implementation Program

- Update historic surveys of older neighborhoods in order to develop an inventory of historic resources.
- Study the feasibility of initiating a low-interest loan or grant/match program for exterior renovation projects on structures that have been designated as "historic" under the Urbana Historic Preservation Ordinance.
- Coordinate with local non-profit agencies (such as PACA) focused on preserving historic structures within the community through membership and educational coordination.
- Designate civic buildings that contribute to Urbana's history for landmark status.

"Neighborhood Preservation" is Goal #4 listed in the City Council Goals adopted May, 2005:

Page 8: Goal 4. Preserve Neighborhoods and Promote Rental Safety

A) Develop conservation districts for historic and sensitive areas of the city. . . .

C) "Rebuild Urbana"—encourage home maintenance including painting in targeted areas, examine incentives

Review of Urbana's Historic Preservation Ordinance

As a review, the Urbana Historic Preservation Ordinance establishes these directions concerning repairs or alterations to properties of Historic Landmark designation:

A) A Certificate of Appropriateness is required for any alteration, relocation, construction, removal or demolition that affects the exterior architectural appearance of any landmark. . . regardless of whether a building permit is required for such action.

1.) A Certificate of Appropriateness is required for any demolition, construction or material change of any brick sidewalk, fence, wall, permanent sign or ornamentation. . .

if visible from a public street or sidewalk.

2.) A Certificate of Appropriateness is required for any relocation, removal or repair of colored leading, etched or beveled glass from landmarks or buildings. . . .

(Thus, remodeling limitations are restricted specifically to visible changes to the outside appearance of buildings only, when viewed from a street or sidewalk.)

3.) No Certificate of Appropriateness is required for the following activity:

a.) Change in exterior paint schemes or colors

b.) Ordinary repair and maintenance of existing exterior architectural features.

c.) Replacement of existing outside storage that cannot be seen from a public street or sidewalk.

d.) Installation, removal, or change of landscaping.

e.) Repairs to private concrete or asphalt sidewalks, and all sidewalks, curbs, street lights, fire hydrants and street signs within the public right-of-way.

f.) Replacement of existing mechanical and electrical equipment.

(Concerning Minor Repair Work or Changes:)

B) The Zoning Administrator and the Commission Chair are authorized to issue a Certificate of Appropriateness for the following *minor works*:

1.) Outside storage, mechanical and electrical service equipment not visible from a public street or sidewalk either because of location or landscaping.

2.) Application or use of exterior roofing materials of the same kind . . . as that already in use.

3.) Improvements, alterations and renovations that can be accomplished without obtaining a building permit. . . including screening and siding [when using materials matching the existing building].

4.) Erection or removal of features associated with a physical or medical condition of an occupant, which do not permanently alter the exterior, including access ramps or lifts.

5.) Replacement of fences of the same type, in the same location.

6.) Installation of storm doors, windows and screens, window air conditioners, or television antennas

City of Urbana – Historic Preservation Incentives

Incentive Proposals

Based on comments gathered during Council's discussion of the Historic Landmark initiatives during the April 23, 2007 Council meeting, I have revised aspects of the incentive program as follows:

Stimulating Local Landmark Designations

1. 3-YEAR HISTORIC LANDMARK DESIGNATION PROPERTY TAX REBATE

Goal: to initiate local Historic Landmarkings

The City of Urbana shall offer a 25% rebate on the city's share of assessed Property Taxes that are levied on any property within the city limits, as assessed by the County Assessor Office, based on the first year in which the property is successfully designated as a Local Historic Landmark, for a period of three consecutive years.

(Note: scaling down the amount of rebate offered from my original suggestion still offers an incentive to Landmark, while responding to preservationists' arguments against rewarding Landmarking with no clear commitment to initiate actual repair work.)

After three years the Property Tax Rebate incentive shall terminate, and the assessment to the property shall resume at the level assessed at the commencement of the Rebate incentive program.

Establishing a rebate application cap of 15 properties per year could help keep in balance the City's annual tax rebate obligations.

(This good suggestion was made by Councilman Brandon Bowersox)

EXAMPLE—

Assume a property approved for Historic Landmark status has a value of \$150,000. Following property assessment estimations, in our example, we would divide the home's value of \$150,000 by 1/3 to determine the assessed levy value (= \$50,000), then divide by 100 (= \$500), and multiply by 8.2553 (Urbana's tax rate), which equals a property tax of \$4,127.65. The municipality of Urbana receives 18% of this amount as its tax share (= \$742.97). The City would reimburse 25% of this amount, or \$185.74, annually to a property owner for successfully obtaining Local Historic Landmark designation on his home. Over 3 consecutive years the total tax savings for the owner could amount to \$557.23.

2. ELIGIBILITY FOR INTEREST FREE LOANS

Successfully Landmarked properties become automatically eligible for City sponsored no-interest loans to initiate repair and restoration. The City may partner with local banks to offer loan resources.

Goal: To encourage and support repair and maintenance of Historic Landmark Properties

- a.) The City of Urbana shall offer interest free loans to property owners whose property is successfully designated as a Local Historic Landmark, for the express purpose of initiating appropriate renovations to those properties.
A loan of up to \$2,500 shall be granted per year, up to a cap of \$7,500 during any 5 year period, for renovation or repairs which contribute significantly to the preservation of the property's structure, appearance, or safety.
Preference shall be given for application for preservation work which meets the "Certificate of Appropriateness" criteria.

"Certificate of Appropriateness" criteria (see city H.P. ordinance for complete details):

- a) Any alteration, relocation, construction, removal or demolition that affects the exterior appearance of any landmark. . . regardless of whether a building permit is required for such action.
 - b) Any demolition, construction or material change of any brick sidewalk, fence, wall, permanent sign or ornamentation . . . visible from a public street or sidewalk.
 - c) Any relocation, removal or repair of colored leading, etched or beveled glass from landmarks or buildings. .
- b.) The loan may also be granted for general renovations or repairs which may contribute to the preservation of the property's exterior structure, appearance, or safety, but which do not require a "Certificate of Appropriateness". Such repairs may include:
- a) Exterior maintenance: painting, priming, scraping, caulking or other surface preparation which stabilizes and protects the outer shell of the property—regardless of change in the exterior paint schemes or colors. Includes stripping, varnishing, and staining of exterior wood surfaces.
 - b) Ordinary repair and maintenance of existing exterior architectural features.
 - c) Repair, replacement or removal of outside storage buildings or sheds.

3. CITY HISTORIC PRESERVATION GRANT PROGRAM

Goal: To assist the repair and maintenance of Historic Landmark Properties in economically disadvantaged neighborhoods or in cases of demonstrated financial need.

The City of Urbana shall make available a small number of Historic Preservation Grants to property owners whose property is successfully designated as a Local Historic Landmark, for the express purpose of initiating appropriate renovations to those properties.

Grants from \$500 up to \$2,500 shall be awarded for projects of merit, based on the economic need of the property owner and/or the state of the property in question.

Preference shall be given for application for preservation work which meets the "Certificate of Appropriateness" criteria, and in which financial hardship is demonstrated.

These grants shall be made after review by the Community Development Director or designated staff and with the concurrent approval of the Historical Preservation Commission.

pg.2. Dennis Roberts / Alderman, Ward 5

Creating New Funding Sources for Historic Preservation

Funding sources must be identified to support the City Council's goals of creating these Historic Landmark initiatives. I have identified several possible funding sources, as follows:

1. LINE ITEM IN ANNUAL CITY BUDGET

Goal: The City shall directly support Historic Preservation in Urbana

The City of Urbana shall adopt a goal of designating \$15,000 – \$20,000 a year in the annual budget, to be used specifically for the City's Historic Preservation programs.

2. DEMOLITION PERMIT FEES

Goal: To make the demolition of buildings directly support the City's Historic Preservation programs.

The City of Urbana shall set aside 80% of all income gathered from demolition permit application fees in every year (commercial and residential) for the City's various Historic Preservation programs.

While the wear-down /tear-down of older homes is one of the greatest threats to Urbana's older, historic neighborhoods, often threatening the basic historic fabric of the community, we recognize that the demolition of unsafe, heavily deteriorated, fire damaged structures is necessary.

Permitted demolition can become a specific funding stream to support Urbana's preservation efforts. For every home demolished in Urbana it is possible to fund historic home preservation.

Large commercial properties being demolished for modern redevelopment will also contribute directly towards conserving Urbana's historic housing stock, its older commercial buildings, structures, and objects.

EXAMPLE—

Demolition permit fees collected in Urbana over the last 4 years are shown below:

2003	\$2,262.00	(x 80% = \$1,809.60)
2004	\$4,638.00	(x 80% = \$3,710.40)
2005	\$4,714.00	(x 80% = \$3,771.20)
2006	<u>\$3,277.00</u>	(x 80% = \$2,621.80)
total:	\$ 14,891.00	x 80% = <u>\$11,912.80</u>

If 80% of all demolition permit fees had been set aside for Historic Preservation projects over the last 4 years (allowing 20% to cover administrative needs), the City would have built up a funding source of almost \$12,000 for its Preservation initiatives.

This averages to almost \$3,000 a year (\$2,978.20). This amount could be earmarked and redirected

annually fund Preservation grants, assisting property owners who wish to initiate restoration projects, especially where property owners demonstrate financial hardship, or as determined by the City.

Identifying New Federal Funding Sources

Federal fnding sources should be identified to support the City Council's goals for Historic Preservation initiatives.

(With the help of Ilona Matkovszki, I have identified one such federal funding source):

1. FEDERAL TRANSPORTATION ENHANCEMENT PROVISION

Main Street Communities: Transportation and Herritage Corridors

Goal: To identify Federal funding sources that may benefit Historic Preservation in Urbana.

In June 1998, Congress reaffirmed funding of Transportation Enhancement activities as part of the Transportation Equity Act for the 21st Century (TEA-21). This act continues the purpose of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), by approving "activities that contribute to historic preservation relating to transportation modes which helped to conserve and enliven America's communities." It affirmed funding eligibility of historic preservation projects "with links to transportation systems, and the communities and landscapes through which roads pass." Particular attention was given to projects that contribute to revitalizing

historic downtown/ Main Street commercial districts, and projects that promote heritage, travel and tourism.

The National Trust for Historic Preservation called the TEA-21 "an important stepping stone" to preserve the Main Street Communities and Heritage Corridors.

Urbana has an historic corridor which meets this qualification.

"The Fort Clark Road, and its successor, the Bloomington Road, represent the most important early roads traversing [Champaign] County." (*Champaign County History Quarterly*, Vol. 2 no. 1, Summer, 2002). As surveyed between 1827 and 1833, the Fort Clark Road passes the southern edge of the Big Grove on what is now Main Street, Urbana.

With supporting research and the selection of an appropriate historic preservation project, TEA-21 could become an important Federal funding source for Downtown preservation and enhancement projects.

Previous approved TEA-21 projects include: brick street restoration, Ionia Avenue, Grand Rapids, Michigan; Main Street revitalization, Paducah, Kentucky; Rose Hotel restoration as a bed and breakfast, State Route 146, a National Scenic Byway, Elizabethtown, Illinois.

OTHER FEDERAL AND STATE RESOURCES FOR LOCAL PRESERVATION

1. REHABILITATION INVESTMENT TAX CREDIT

A 20% federal tax credit incentive for work done on certified historic commercial or rental structures is available for property owners who invest in appropriate restoration on their property. Information on this tax credit is available from the Urbana Community Development Department.

2. STATE PROPERTY TAX ASSESSMENT FREEZE PROGRAM

The state of Illinois sponsors a property tax assessment freeze for residential property owners who invest in appropriate restoration on their historic property. Information on this tax freeze program is detailed in brochures available from the Urbana Community Development Department.

-END-

Urbana Historical Marker Program Proposal

draft proposal 2/6/2007 by Brandon Bowersox, bcbowersox@city.urbana.il.us

Proposal

Urbana has had a rich history since its settling and founding in 1833. Many buildings and places in Urbana have amazing stories – but they remain to be told effectively. Urbana’s history can only be learned by reading a book on local history or visiting the Urbana Free Library Archives. We can re-tell our history to future generations by placing historic markers with text and imagery.



Background

Urbana is currently experiencing a drought of new historic landmarks. It will take multiple actions to correct this situation. One such action can be a program to mark the historic locations in Urbana and begin to tell Urbana’s rich history with markers and plaques located in prominent public places. By re-learning and appreciating our history, we will encourage preservation of historic structures.

Possible Historic Markers

- Champaign County Courthouse, on the site of the prior courthouse building that was on Abe Lincoln’s circuit
- Tree planted by Abe Lincoln
- A Woman’s Place, the first women’s domestic violence shelter in the U.S.
- Courier Newspaper, building circa 1916 published newspaper 1934-1979
- Busey’s Hall/The Princess Theatre, built in 1870 as one of the first brick buildings and most popular opera houses in Urbana
- Chief Shemauger’s Birth Place along the Boneyard in the 1700s
- Station Theatre/Big Four Railroad Depot, built in 1889
- Flat Iron Building, 1904-1948

Next Steps

- Identify cost for high-quality durable markers and installation
- Determine which city departments would operate the program
- Create a process for Historic Preservation Commission to select sites and finalize wording and imagery for each marker



COMMERCIAL REHABILITATION TAX CREDIT BILLS INTRODUCED

IN HOUSE AND SENATE

On February 14, 2007 legislation proposing to improve the Federal Rehabilitation Tax Credit (FRTC) was introduced in both the House of Representatives and the Senate.

Representative Stephanie Tubbs Jones (D-OH) introduced the House bill **(H.R. 1043)** with **Representative Phil English (R-PA)** as the minority party lead. **Senator Blanche Lincoln (D-AR)** introduced the Senate bill **(S584)** with **Senator Gordon Smith (R-OR)** as the minority party lead. (The House bill was formally known as H.R. 3159 – The Community Restoration and Revitalization Act).

House cosponsors from Illinois as of April 30, 2007 include: Rep. Rahm Emanuel (D-5, Chicago), Rep. Jan Schakowsky (D-9, Evanston), Rep. Mark Kirk (R-10, Highland Park), Rep. Danny Davis (D-7, Chicago/Oak Park), Rep. Ray LaHood (R-18, Peoria), Rep. Donald Manzullo (R-16, Galena/Oregon/Egan).

The bills are a set of amendments to the FRTC based on insights from those who have used the credit. Provisions within the bills will:

1. Improve the coupling of the Low Income Housing Tax Credit (LIHTC) and the Federal Rehabilitation Tax Credit (FRTC).

2. Reduce the basis reduction required for a property using the FRTC.

3. Increase the FRTC for smaller projects. The tax credit would be increased from 20% to 40% on the first \$1,000,000 of qualified expenditures for projects under \$2,000,000. This would be a huge gain for Main Street-type projects.

4. Allow rental housing in "qualified rehabilitated buildings." Currently, the 10% credit for "non-historic" buildings cannot be used for dwellings -- the law would be amended to allow the credit's use for residential rental property.

5. Change the qualifying date for non-historic rehabilitation projects (10% credit projects) from "placed in service before 1936" to placed in service "no less than 50 years prior to the year in which qualified rehabilitation expenditures are taken into account."

6. Fine tune the leasing rules laid out in the current FRTC to reduce the number of community-oriented projects currently adversely impacted without weakening the anti-abuse function designed into the current law. The types of leasing arrangements allowed in the current tax credit program limit community revitalization-oriented projects.

7. Increase the FRTC in "high cost areas" to 130% of qualified rehabilitation expenditures. High cost areas are difficult to develop and officially recognized by the Department of Housing and Urban Development (HUD). A difficult to develop area (DDA) has high construction and land costs relative to the average local income (Area Median Gross Income or AMGI). Incomes and housing costs are compared in HUD's formula. The 130% increase would also apply to Qualified Census Tracts (QCTs), that is, any census tract in which at least 50% of households have an income less than 60% of the area median or where the poverty rate is at least 25%.

8. Removes a provision within the current law that prevents condominium developments in FRTC projects. The current law requires a developer pay back their credit if the property is sold within five years of a given project's completion.

TAKE ACTION

Please contact your Congressional Representative and Senator to support these important changes to the FRTC.

Special note - Co-sponsors of the former bill known as H.R. 3159 included:

Rep. Jerry Costello (D-12, Belleville)

Rep. Luis Gutierrez (D-4, Chicago)

If one of these congressmen is your representative, please urge them to again sign on to this important legislation under the new bill number H.R. 1043.

Please have copies of support letters sent to Landmarks Illinois, so we can track support to all legislators. Thank you for your help. If you have any questions, contact Lisa DiChiera, Director of Advocacy at dichieral@lpci.org or 312-922-1742. For more information on H.R. 1043, go to www.preservationaction.org

A Guide to the Eugene Historic Rehabilitation Loan Program

1. General Provisions

The City of Eugene Historic Loan Program is available to City of Eugene property owners for restoration, rehabilitation, repair, and/or maintenance of historic properties. Properties may be private residences or commercial in use. Loans are awarded on a matching fund basis.

An applicant may submit an application for the historic loan at any time during the year. The City reviews proposals on a continuous basis. Funding of a loan request at any time is determined in part by the availability of funds. The program operates a revolving fund, which receives a block of City funds each year, plus payments on loans made in past years.

2. Eligibility Requirements

All historic landmarks within the city of Eugene are eligible for the loan fund. Other properties may be eligible under special circumstances upon approval by the Loan Committee or the Historic Review Board. The applicant for a historic loan may be either an individual or a business entity.

Funds may be used for restoration, rehabilitation, repair, and/or maintenance of City Landmark or National Register properties. Work must be completed in entirety, but can sometimes be part of an ongoing project. Proposed work may be required to go through the City's alteration review process for Historic Landmarks and meet the Secretary of Interior's Standards for Rehabilitation.

3. Loan Conditions & Limits

3.1 Loan Amount and Interest

1. Must have a minimum 1:1 leverage ratio of private to public funds for commercial loans and a 1:1 leverage ratio for non-commercial loans.
2. Minimum City loan is \$5,000; maximum City loan is \$20,000.
3. Interest rate is 6%. This may change from year to year as determined by the department director.
4. Loan will amortize on a 10-year term requiring monthly payments. Loans may be amortized over a longer period. Longer amortizations are a program exception.

3.2 Borrower Contribution

The owner must provide proof of available matching funds. Depending on the scope of the project, the borrower may be required to help fund the project beyond the basic 1:1 match requirement.

3.3 Credit Evaluation

The City approves loans only after complete, independent evaluations of the applicant's credit worthiness and project feasibility. All loans are secured to collateral appropriate to the loan request.

3.4 Inspection and Work Write-Up

Your loan is based on an inspection of your property and a write-up of the necessary work. A City historic rehabilitation specialist will inspect your property to understand proposed work

3.5 Bidding

Before a loan is approved, the applicant must obtain bids for the rehabilitation work from at least two contractors. If these bids

vary greatly, then another bid is recommended. Any contractor(s) performing work on the project must be licensed and bonded for the type of work planned. The City reserves the right to deny the use of a contractor. You must have a written contract with the contractor prior to starting work; the City will provide the necessary construction documents.

Borrowers are not allowed to perform their own work on projects unless they hold current registration with the state of Oregon as a General Contractor. If you are serving as your own general contractor you must also submit a complete list of materials needed and their cost, and the amount and cost of any labor you intend to hire. You must have a written contract with all subcontractors.

You, or any household member, cannot be paid for labor or reimbursed for the purchase of tools. Reasonable overhead and profit costs may be deemed as eligible program costs if the owner is a professional contractor. We recommend that you do not use sale prices or quotes from cut-rate dealers, even though you may later buy from these sources. We recommend liberal cost estimates because prices may go up while you are doing your work.

We also require having your building permit and plans approved before your loan application is presented for final approval. The City's Building Division could require additional items which would increase the cost of the work. Your historic rehabilitation advisor will help you with the entire process, but it is ultimately your responsibility to seek bids and/or materials and their costs.

3.6 Conflict of Interest

If you are a City employee, you may have a conflict of interest which would make you ineligible to receive a historic rehabilitation loan. Consult with the loan officer for more information.

4. Application Review Criteria

The Secretary of the Interior's Standards for Rehabilitation will be used to review proposed restoration, rehabilitation, repair, and maintenance work proposed for historic loan funding. A copy of the Standards and assistance in meeting the Standards can be obtained from the Eugene Planning Division and the State Historic Preservation Office.

Projects will be evaluated based on the following criteria:

4.1 Level of Need to Accomplish Proposed Work (40% weight factor)

HIGH PRIORITY--URGENT NEED, IMMINENT THREAT OR RAPID DETERIORATION.

These are situations where the building or site will be demolished or the significant historic features severely damaged if the work is not accomplished, such as a roof replacement..

SECOND PRIORITY--BASIC NEEDS AND RESTORATION OF MISSING HISTORIC FEATURES. Repair and maintenance items which would prevent further damage to the property, such as roof and gutter repair, painting, foundation work, and repair of deteriorated architectural features. Restoration of missing historic features requires accurate replication of composition, design, texture, and other visual qualities substantiated by original historic plans, photographs, or other physical evidence.

THIRD PRIORITY--REMOVAL OF INCOMPATIBLE ADDITIONS AND FEATURES.

The Standards recognize that changes that have taken place over time, and are evidence of the history and development of the building/site and its environment, may have acquired significance in their own right and therefore will not be removed. However, in cases where the addition or alteration clearly detracts from the building/site's historic integrity, removal will meet the Standards.

4.2 Visibility (25% weight factor)

Priority will be given to those properties that are highly visible due to their location, accessibility, or notoriety.

4.3 Community Interest (10% weight factor)

Priority will be given where a high degree of community interest exists or may be generated.

4.4 Impact on the Retention and Maintenance of Other Historic Property (25% weight factor)

Priority will be given where it is determined that the proposed project will have a particularly positive influence on the potential retention of other threatened or poorly maintained historic property in the neighborhood area.

5. Project Process & Feasibility

The following is a summary of the steps in processing a historic loan:

1. Pre-development conference with Staff to determine eligibility
2. An applicant must present a completed Historic Loan application to the Eugene Planning Division. If required, a Historic Alteration Application is submitted as well.
3. The Planning Division and Development Division Staff review the application to determine conformance and eligibility.
4. The applicant submits a credit application to the City of Eugene Development Division.
5. Development Division staff reviews the loan request and recommends approval or denial to the division director or his or her designee.
6. Final decisions on loan approval are made by the City Manager or his/her designee.
7. If approved, the Development Division prepares loan documentation and, as work progresses, disburses funds.
8. Staff visit project site to ensure conformance

The time for processing a loan depends on the project. Generally, the processing time is 6-8 weeks.

6. Project Implementation

6.1 Public Record Statute

Records maintained by the City concerning loan applications including information submitted by or on behalf of the applicant are subject to Oregon's Public Records Statute (ORS 192.410 et seq). This law provides for disclosure of public records unless specifically exempted by statute or, in some cases, by the City's determination. The City will maintain confidentiality of the loan application materials unless disclosure is necessary for a bona fide public purpose.

6.2 Environmental & Historic Reviews

Loan requests may be subject to environmental and historic reviews. These reviews are completed by the City and vary in scope depending on the use of loan proceeds. Funds are not dispersed until these reviews are complete. All loan recipients located in the flood plain require adequate insurance coverage from a company authorized to write such insurance in Oregon.

6.3 Progress Inspections

Work done with a historic rehabilitation loan often requires a building permit. All of the work done must be inspected by the rehabilitation advisor and some of the work may be inspected by a City building inspector. Obtaining the necessary building permits and inspections is the responsibility of the project owner and the general contractor. When an owner or contractor

requests payments, the advisor must certify that the requested amount is reasonable for the work properly completed. The advisor must also certify that the remaining funds will be sufficient to complete the work yet to be done. If they are not, optional work may have to be deleted.

6.4 Payment for Work

Funds will be disbursed only for completed work. As portions of work are completed, progress payments may be requested. Contractors may use their own billing forms. The City holds 10% of the contract amount until the final inspection. Matching funds contributed by the owner must be spent prior to the City disbursing its loan funds.

The City Historic Rehabilitation Advisor will furnish forms to request payment of work completed. Payment requests for all materials must be supported by receipts or invoices. Payment requests for hired labor must show the number of taxed hours worked, the rate of pay, and deductions for taxes. An owner cannot be reimbursed for purchase of tools. All payment requests must specify what work has been completed and what amount is being requested. The City cannot pay for stored materials: they must be installed. Payment to the contractor may be requested as often as every two weeks, and is subject to satisfactory inspection by the historic rehabilitation advisor.

The owner must authorize each payment of loan proceeds to a contractor or supplier. This is usually done by making the owner co-payee on the check. The check is given to the owner. By endorsing the check and giving it to the contractor the owner is certifying that the work is completed to his/her satisfaction. Only after the advisor has prepared a final inspection certificate and the contractor has signed a one-year warranty and a release of liens will final payment on the construction be made.

7. Servicing

7.1 Non-Transferability of Loans

The City's loan may not be assumed in any property or business transaction. If the property is sold or transferred in any manner, the City's loan is immediately due and payable.

7.2 Failure to Comply

Failure to comply with any applicable program guidelines or Federal requirements will constitute a breach of the Historic Loan Agreement. Such a breach will result in City action to recover moneys determined to have been spent on ineligible projects or activities.

7.3 Unused Funds

Any loan funds which are not used for historic rehabilitation purposes will be used to decrease the loan principal amount owed after the work is finished. Funds may not be used to pay interest.

8. Exceptions Policy

Exceptions to these guidelines are reviewed on a case-by-case basis.

Materials Needed to Complete the Loan Application

The following materials are to be included in the application packet, available at the Eugene Planning Division Office at 99 West 10th Avenue:

- Feasibility Worksheet
- Personal Financial Statement
- Verification of Mortgage
- Notice to Applicants
- Receipt & Acknowledgment
- Tenant Verification & Lead Paint Notification

All forms must be completed and returned to the Eugene Planning Division office in order for your loan application to be processed, along with the following documents:

- Most recent tax return
- Any appraisal completed within the last two years
- Copies of any land sales contracts on the property

Contact

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