



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, AICP, Community Development Director / City Planner

DATE: December 6, 2007

SUBJECT: Update on Historic Preservation Incentives

Introduction & Background

Background information on this agenda item is provided in Memoranda dated April 19, 2007 and July 19, 2007. At their September 24, 2007 meeting, the Committee of the Whole directed City staff to continue working on the following incentives for promoting historic preservation:

1. *Historic markers.* Consider a historic marker program to supplement the current landmark plaque program, with the caveat that local artists and/or foundries should play a role in the program;
2. *Permit fee waiver.* Establish a historic landmark building permit fee waiver;
3. *Recognition grants.* Establish a historic landmark recognition grant program which is a) tied to improvements; b) easy to administer and does not require large amounts of staffing time; and c) takes into consideration a small grant component with larger matching grants (similar to TIF);
4. *Property tax abatement.* Continue reviewing other funding such as property tax abatements which would be tied to specific investments for improvements to the property and calibrated to minimize income regression;
5. *Revolving loan program.* Continue to explore a revolving loan program for historic preservation;
6. *Rehabilitation Tax Credits.* Send letters of support to Senator Obama, Senator Durbin, and Representative Johnson if needed for legislation proposing to improve the Federal Rehabilitation Tax Credit asking them to co-sponsor this bill; and
7. *City staffing.* Review the staffing needs for support of historic preservation activities as it impacts the Community Development Department.

This memorandum is intended to update the Mayor and City Council on the City's progress on these initiatives.

Update

Following is a summary of actions taken to date on the above listed items. A number of the suggested initiatives are still in process and/or will require further action at the time of budget adoption.

Historic Landmark Building Permit Fee Waiver

In conformance with the City Council's direction, the Community Development Services Director has administratively issued a policy waiving all building permit fees for locally designated historic landmarks and properties in districts. The waiver will apply to all building, electrical, plumbing, and mechanical permit fees for both contributing and noncontributing properties. Property owners must still apply for and obtain permits, and the work must still be inspected, but fees will now be waived. An internal memorandum establishing this waiver as an administrative policy is attached. This change is effective immediately and will be reflected as a notation in the next adopted Schedule of Fees.

Letters of Support

Earlier this year, legislation proposing to improve the Federal Rehabilitation Tax Credit (FRTC) was introduced in both the U.S. House of Representatives and the Senate. The FRTC can assist rehabilitation of income-generating properties in Urbana and elsewhere which are listed in the National Register of Historic Places. Lincoln Square Village and the Historic Lincoln Hotel are examples of Urbana properties listed in the National Register which could take advantage of this tax credit. Currently 20% of the cost of rehabilitation can be claimed as a Federal income tax credit. The bills to amend this tax credits would:

- Expand the tax credit from 20% to 40% of rehabilitation costs for projects costing \$2 million or less. This would benefit smaller "Main Street" type commercial development. The 40% credit would apply to the first \$1 million in projects under \$2 million;
- Broaden the tax credit to apply to condominiums. Currently IRS rules require that developers repay the credit if the property is sold within five years. This means that the tax credit can't currently be used for condominiums. Allowing it for condominium development would make it an even more important financial incentive for the revitalization of urban neighborhoods nationwide; and
- 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 not-for-profit historic preservation organization, and Preservation Action, a national lobby for historic preservation, both support this bill and have asked local officials to send letters of support to their congressional representatives. Mayor Prussing recently sent letters to U.S. Senator Richard Durbin, U.S. Senator Barack Obama, and U.S. Representative Timothy Johnson urging their support for these bills. Copies of these letters are attached.

Review of Staffing Needs

Currently, the City has one staff person scheduled two days a week who devotes her time exclusively to historic preservation activities. This is an intern position within the Planning Division. In addition, the Planning Manager (who has specific expertise in this area) devotes significant time to historic preservation projects. It is a goal for the planning division to cross train other planning personnel to assist in areas such as design review for historic properties. This process has already begun with the Planner I conducting Certificate of Appropriateness reviews. Within the next month, it is anticipated that the planning intern will be able to increase her time from two to four days per week. This should provide for at least a temporary increase in staff time spent on historic preservation issues.

The Community Development Services Director will advise the Mayor and City Council through the 2008-2009 budget process whether or not there should be a permanent, dedicated position for historic preservation in 2008-2009. It has been noted that most cities with a successful historic preservation program have at least one full-time staff position devoted to preservation.

Next Steps

Staff intends to next pursue the following preservation incentives:

- Establishing a historic landmark recognition grant program. The City will provide a small grant to acknowledge property owners who apply for and receive local landmark status. The grant will be tied to improvements and be simple to administer. Staff will consider a program that links the small recognition grant to a larger matching grant. Because this would have a budget impact, it will need to be prepared and budgeted to correspond with the 2008-2009 fiscal year;
- Pursue a historic marker program. It is anticipated this would also have a budget impact and would need to be part of the 2008-2009 budget process;
- Continue exploring a historic preservation revolving loan program and provide the Mayor and Council with updated information on such programs; and
- Advise the Mayor and Council on a property tax abatement program for rehabilitation of local landmarks and historic district properties.

Recommendations

City Council may review progress on these initiatives and offer any further suggestions for providing incentives to promote historic preservation in Urbana.

Prepared by:

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Attachments:

Building permit fee waiver for local historic landmarks and districts
Letters of Support

cc: Ron Eldridge, Director of Finance
Gordon Skinner, Building Safety Manager