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The Economic Benefits of Historic Preservation Designation

This summary reviews the most effective economic incentives for historic preservation designation at the federal, county, and municipal levels. Historic resources are viewed as “public benefits” to our neighborhoods and are therefore eligible for fiscal benefits to counterbalance their assumed burden to property owners. Historic preservation is an essential component for future development strategies as they provide a sense of place, property value protection and enhancement, and contribute positively to wider sustainability and resiliency goals.

HISTORIC DESIGNATION

Who can initiate the designation process?

Historic designation can be initiated by the property owner, city officials and historic preservation-based advocacy groups. To be eligible for federal incentives and benefits, a property must be listed on the *National Register of Historic Places*, a database which is maintained by the National Park Service.

If a property is not listed on the *National Register*, the historic resource can be designated locally through a municipal process administered by the City in which the resource is located. Upon local designation, the property is eligible for Miami-Dade County and various City incentives.

Historic Preservation processes are labor-intensive and require professional assistance. Dade Heritage Trust offers *National Register* and local historic designation research and writing to property owners and organizations. In addition, Dade Heritage Trust offers assistance for properties which already qualify for national, county, and local incentives.

To begin the designation process, contact the local Historic Preservation Office where the subject property is located. In Miami-Dade County, there are several municipalities that maintain their own Historic Preservation Office. For those that do not, by default, the municipality comes under the Miami-Dade County Preservation Office.

For more information, please contact Dade Heritage Trust, 305-358-9572.

FEDERAL

20% Historic Tax Credit

For more than three decades, the federal Historic Tax Credit (HTC) has successfully implemented a national policy of preserving our historic resources. It is the most significant investment the federal government makes toward the preservation of our historic buildings. Since the program's inception in 1976, the National Park Service has certified the rehabilitation of more than 42,000 historic properties throughout the United States.

- WHO** The building must be certified as a historic structure by the National Park Service. The tax credit is only available to properties that will be used for a business or other income-producing purpose, and a "substantial" amount must be spent rehabilitating the historic building. The tax incentives program is administered by the National Park Service (NPS) and the Internal Revenue Service (IRS) in partnership with the State Historic Preservation Offices (SHPOs).
- WHAT** Rehabilitation work has to meet the Secretary of the Interior's Standards for Rehabilitation, as determined by the National Park Service. The amount of credit available under this program equals 20% of the qualifying expenses of your rehabilitation.
- WHEN** The recent tax bill (115th Congress) retains and modifies the 20% credit for rehabilitation expenditures for certified historic structures. For the five-year period beginning in the year in which a qualified rehabilitated building is placed in service, the credit is equal to the ratable share for each year, which is 20% of the qualified rehabilitation expenditures with respect to the building, as allocated ratably to each year during the period.
- WHERE** United States of America
- WHY** In addition to revitalizing communities and spurring economic growth, the HTC returns more to the Treasury than it costs—\$1.20-1.25 in tax revenue for every dollar invested.

How to apply:

A three-part application is required to qualify for the 20% tax credit. All parts of the application are submitted to the SHPO where staff members review the application for completeness and accuracy. They may request additional information necessary for their review. They may visit the property. When they have finished their review, they send the application to the NPS with a recommendation as to whether the project meets the Standards for Rehabilitation.

Further links:

<https://www.congress.gov/bill/115th-congress/house-bill/1>

<https://www.nps.gov/tps/tax-incentives/before-you-apply.htm>

<https://www.nps.gov/tps/tax-incentives/application-process.htm>

MIAMI-DADE COUNTY

Ad Valorem Tax Exemption

The Ad-Valorem Tax Exemption is an incentive that is provided by state and County law that is intended to encourage the rehabilitation and maintenance of historic structures. It is an exemption only on the amount that the taxes would have increased, due to the improvements made to a historic property.

- WHO** In order to be eligible for the tax exemption, properties must be listed in the National Register of Historic Places, or a locally designated historic structure (designated by the County's historic preservation board or by a local municipality's preservation board) and must be about to undergo restoration and/or rehabilitation.
- WHAT** The Ad-Valorem Tax Exemption is a financial incentive that is intended to encourage the rehabilitation and maintenance of historic properties and provides a 10-year abatement of property taxes on the improvements. The Ad-Valorem Tax Exemption does not give the property owner a total exemption from all of their taxes. It is an exemption only on the amount that the taxes would have increased, due to the improvements made to a historic property.
- WHEN** Miami-Dade County offers the ad valorem property tax exemption, which exempts 100% of the assessed value of all qualified improvements to historic properties for a period of 10 years.
- WHERE** If you are filing for a municipal tax exemption as well, a separate application must be filed with that municipality. Currently Miami, Miami Beach, Coral Gables and South Miami offer tax exemptions on the municipal portion of the taxes.
- WHY** The rehabilitation of Miami-Dade County's historic resources require considerable time, effort and expenses to maintain and enhance their historic character. Through tax exemptions, the financial burden is lessened for property owners, incentivizing investment in historic rehabilitations and restorations.

How to apply:

Property owners need to complete and submit Part I applications to the Miami-Dade County Historic Preservation office for approval previous to any construction. After approval of Part I, and construction is completed, Part II may be submitted for final approval by the Board of County Commission.

Links:

<http://www.miamidade.gov/planning/tax-exemption-ad-valorem.asp>

<https://www.miamidade.gov/planning/library/forms/ad-valorem-tax-exemption-historic-preservation.pdf>

“Actual Use” Tax Assessments

Owners of historic buildings may also be eligible for an alternative method of assessment by the Miami-Dade County Property Appraiser. This alternative method allows the property to be assessed based on the actual use rather than highest and best use, which may have an effect in lowering property taxes.

- WHO To be eligible the property must be officially designated as historic either by local ordinance or listing on the National Register of Historic Places. It also must be commercial in nature (apartment buildings are not included) and be open to the public at least 40 hours per week for 45 weeks per year or the equivalent of 1,800 hours per year.
- WHAT This alternative method allows the property to be assessed based on the actual use rather than highest and best use, which may have an effect in lowering property taxes.
- WHEN To claim this benefit, property owners of qualifying properties must file an application with the Miami-Dade County Department of Property Appraisal by March 1 of each year.
- WHERE The benefit applies only to the Miami-Dade County portion of the tax bill.
- WHY Many historic resources cannot utilize their “highest and best use” due to regulatory restrictions. This alternative allows those historic resources within compliance to remit a fairer tax payment based on actual use.

How to apply:

To find out if your property qualifies, contact the Property Appraisers Office.

Links:

www.miami-dade.gov/pa/

CITY OF MIAMI

Ad Valorem Tax Exemption

The Ad-Valorem Tax Exemption is an incentive that is provided by state law (Section 196.1997 and 196.1998 Florida Statutes) and county ordinance (Section 16A-18, Miami Dade County Code) that is intended to encourage the rehabilitation and maintenance of historic properties.

- WHO** This tax exemption is for both residential and commercial historic properties. A historic property must be: individually listed in the National Register of Historic Places, pursuant to the National Historic Preservation Act (1966), identified as a “Contributing Resource” within a Historic District listed in the National Register of Historic Places, individually listed in the Miami Register of Historic Places, or identified as a “Contributing Resource” within a Historic District listed in the Miami Register of Historic Places.
- WHAT** This ordinance gives the City of Miami the authority to exempt up to 100% of the City’s ad valorem portion of a property tax bill, strictly for the value of the improvements applied for, to eligible historic properties.
- WHEN** In the year the exemption is desired to take effect, property owners must file a completed application on the appropriate forms obtained from the city historic preservation officer. The Part I application must be approved preconstruction, and Part II is submitted upon construction completion. The City Commission provides final approval of the tax exemption, which goes into effect over a 10-year period.
- WHERE** In addition to completing the Miami-Dade County Ad Valorem Tax Exemption, property owners may apply for the City of Miami program.
- WHY** The rehabilitation of the City of Miami’s historic resources require considerable time, effort and expenses to maintain and enhance their historic character. Through tax exemptions, the financial burden is lessened for property owners, incentivizing investment in historic rehabilitations and restorations.

How to apply:

The City of Miami provides assistance to owners of historically designated properties through an Ad Valorem Tax Exemption program. For more information please contact the City of Miami Preservation Office. In order to obtain a tax exemption for ad valorem taxes for Miami-Dade, a separate application must be completed and filed with the Miami-Dade Office of Historic Preservation.

Links:

<http://www.historicpreservationmiami.com/pdfs/2012%20updates/TaxExemptionFAQS.pdf>

Transfer of Development Rights (TDR)

TDRs allow Eligible Historic Resources located in transects zoned T4O and higher to preserve their historic properties while still obtaining a fair market value for their unused base development rights (usually in the form of additional stories or square footage) by selling these rights to another property in a T6 zone.

- WHO The program allows the owner of a locally or nationally designated historic property located in the general urban zoning districts to sell unused development potential that can be assigned to properties located within the urban core.
- WHAT The TDR program involve yielding some or all of the right to develop or use a parcel of land that contains an historic resource (“Sending Area”) in exchange for a right to develop or use another parcel of land more intensively (“Receiving Area”).
- WHEN Owners of eligible properties shall be issued a “certificate of eligibility” following confirmation that the property meets the criteria established. For those properties deemed eligible to participate in the TDR program under the terms of section 23-6, the zoning administrator or their designee shall calculate the unused development potential (base development rights) that may be transferred to a receiving property at 100 percent of the available square feet permitted by the underlying transect, thereby recognizing the additional requirements associated with the rehabilitation of a historic property.
- WHERE The transfer of unusable development rights for historic resources may be converted into an asset that may be sold to a receiving site located within a T-6 transect, where a public benefits bonus may be used.
- WHY Since proceeds derived from the TDR sale must be used for future improvements and maintenance of the historic property, it incentivizes property owners to undertake rehabilitation and restoration of their historic resource.

How to apply:

The City of Miami provides assistance to owners of historically designated properties through a Transfer of Development Rights program. For more information please contact the City of Miami Preservation Office. Following the qualification of any eligible historic resource, the applicant requesting the certificate of transfer shall provide the City of Miami planning department with an existing conditions report and a maintenance plan in order to receive the release of the certificate of transfer.

Links:

https://library.municode.com/fl/miami/codes/code_of_ordinances?nodeId=PTIITHCO_CH23HIPR#TOPTITLE (Section 23-6 of the City of Miami code)