





MEMORANDUM

TO: Mayor and City Council Members

THROUGH: Veronica Briseño, Assistant City Manager 

FROM: Lauren Middleton-Pratt, Planning Department Director 

DATE: November 19, 2024

SUBJECT: **Equity Analysis of Historic Tax Incentives**

We are pleased to provide an equity analysis of local tax incentives for both historic landmarks and historic districts in response to [Resolution 20230323-059](#). This memo provides a summary of the equity assessment of existing historic tax incentives with a full report attached.

Austin has 676 local historic landmarks and eight locally designated historic districts, which are geographically definable areas that possess particular architectural, cultural, or historic importance or significance (Land Development Code § 25-11-211). As a Certified Local Government certified by the State of Texas, the City of Austin is required to enforce State and local legislation to designate and protect historic properties.

Economic Benefits of Historic Preservation

Historic preservation has substantial economic benefits. In Texas, every \$1 million spent on a historic rehabilitation project generates 20 jobs on average, \$1.1 million in income, and \$79,000 in state and local taxes. Meanwhile, heritage tourists in Texas spend an estimated \$2.3 billion annually, directly supporting nearly 20,000 jobs and generating approximately \$216 million in state and local taxes.

Older and historic commercial properties foster small local businesses and support cultural vitality. In Austin, these properties hold a higher density of small business jobs, twice the density of women- and minority-owned businesses and denser cultural assets. Older and historic homes, duplexes, and apartment buildings house people affordably while stabilizing property values.

Reinvesting in older buildings, instead of demolition and new construction, conserves natural resources and reduces landfill waste—all while creating local jobs and spurring the local economy. Historic rehabilitation projects create more jobs than similarly priced new construction, which spends more on materials and less on labor. Preservation dollars stay in the community: first as wages, then for housing, goods, and services.

Existing Historic Tax Incentives

Historic Landmarks

As noted, Austin has 676 local historic landmarks designated for their individual significance. Historic landmark property owners receive an annual partial tax exemption if they file an application with Travis County and their buildings meet maintenance standards. The City of Austin, Travis County, Austin Independent School District (AISD), and Central Health participate in this program, which granted a total of \$8.01 million in partial tax exemptions to 458 landmarked parcels in 2023.¹ The median tax exemption for an individual property was \$8,860.

- For homesteads:
 - The City of Austin exempts 100% of the value of the structure and 50% of the value of the land, with a maximum exemption of \$2,500.
 - Travis County and Central Health exempt 100% of the value of the structure and 100% of the value of the land. The County sets a maximum exemption of \$2,500.
 - AISD exempts 50% of the value of the structure and 25% of the value of the land, with a maximum exemption of \$3,500.
- For income-producing properties (commercial and residential rental):
 - The City of Austin, Travis County, and Central Health exempt 50% of the value of the structure and 25% of the value of the land, with no maximum exemption.
 - AISD exempts 25% of the value of the structure and 12.5% of the value of the land, with no maximum exemption.

PROPERTY TYPE AND NUMBER Taxes exempted (2023)	CITY OF AUSTIN	TRAVIS COUNTY	AISD	CENTRAL HEALTH	ALL JURISDICTIONS
Homesteads (single-family houses, 302 parcels)	\$946,352	\$737,448	\$1,208,569	\$345,196	\$3,237,564
Other (156 parcels)	\$1,647,353	\$1,128,216	\$1,622,042	\$374,350	\$4,771,961
Total taxes exempted (458 parcels)	\$2,593,705	\$1,865,664	\$2,830,611	\$719,546	\$8,009,526

There is no overall budget impact for the City, County, and Central Health, as tax rates for property owners not receiving the exemption are adjusted very slightly to reach the tax revenue cap. The City of Austin’s Budget Office has advised that the financial impact to these taxpayers is extremely low due to the large tax base. AISD does see a revenue loss, but its budget is not impacted by the full value of the exempted taxes. This is because the exempted taxes would have been subject to the recapture system (“Robin Hood”), which requires AISD to send a portion of property taxes collected to the State.

¹ Not all historic landmarks receive the partial tax exemption. Some property owners do not file the exemption application with the County and some properties do not meet the maintenance standards. Government-owned properties cannot use the tax exemption.

City staff met with staff representatives from all participating jurisdictions to brief them on this effort and invited them to provide feedback on the tax incentives. No feedback has been provided to date.

Historic Districts

As noted, Austin has eight locally designated historic districts, collectively significant groups of properties. Together, the districts include 1,149 properties. Historic district property owners receive a tax abatement if they complete an eligible rehabilitation project.² The City of Austin is the only jurisdiction that participates in this program.

- For homesteads:
 - Qualifying projects must be valued at 25% of the pre-rehabilitation value of the structure. The abatement lasts for 7 years.
 - In Central East Austin (designated by the City as a Revitalization Area to spur reinvestment), qualifying projects must be valued at 10% of the pre-rehabilitation value of the structure. The abatement lasts for 10 years.
- For income-producing properties:
 - Qualifying projects must be valued at 40% of the pre-rehabilitation value of the structure. The abatement lasts for 10 years.
 - In East Austin (the Revitalization Area), qualifying projects must be valued at 30% of the pre-rehabilitation value of the structure. The abatement lasts for 10 years.

In 2023, five properties applied for a total of \$23,843 in tax abatements across the eight districts. All abatements were granted. The tax abatements ranged from a total of \$300 to \$10,100, with a median of \$4,000. Taken over ten years, the median abatement value per year is roughly \$400. As with the historic landmark tax exemption, there is no overall budget impact to the City. Qualifying rehabilitation project values—the money spent on the rehabilitation projects—totaled \$53,500 and ranged from \$700 to \$22,700.

Equity Assessment of Existing Incentives

An equity assessment of the historic tax incentive programs is attached. Key takeaways include the following:

- Historic tax exemptions primarily benefit historic property owners in the older areas of Austin west of I-35, who received more than 90% of all tax exemptions in 2023. Just under half of those exemptions went to property owners in the primarily commercial downtown area west of I-35 (42% of all exemptions).
- Owner-occupied residential property owners (of all property types) received 37% of all tax exemptions, while residential income-producing (investment) property owners received 10%.
- Multi-family apartment property owners received 2% of all tax exemptions, compared to 40% for single-family property owners.
- Non-residential commercial properties comprise 26% of properties by count and owners received 52% of all tax exemptions.

² Though different terms, tax exemptions and tax abatements are not functionally different. Austin's historic incentive programs simply are structured differently.

Proposed Historic Tax Incentives in the Equity-Based Preservation Plan

Council will consider the Equity-Based Preservation Plan for potential adoption on November 21, 2024. The Plan includes numerous strategies to expand the diversity of local communities represented by historic landmarks and increase interpretation of historic properties for broader community benefit. The Plan also introduces potential changes to the historic tax incentive programs, standardizing incentives for all historic properties and shifting to a project-based approach for demonstrable economic impact.

- **Proposed tax incentives recommended in the Plan:**
 - **Improved project-based tax abatement:** Make the existing rehabilitation tax abatement more effective and expand it to historic landmarks. Freeze the pre-rehabilitation property value for the duration of the abatement and lower the cost threshold to allow smaller projects to receive the incentive. This is proposed for expansion to other taxing jurisdictions.
 - **New designation and displacement prevention tax abatement:** Create a new 10-year tax abatement tied to designation of historic districts and historic landmarks to “freeze” City taxes at the pre-designation level. Extend the abatement for 5 years if the property remains in the same ownership, with additional 5-year extensions if the owner or tenants meet income qualifications. This is proposed for City of Austin taxes only.

These incentives and a proposed Transfer of Development Rights (TDR) program are anticipated to effectively support stewardship of historic resources while increasing equity. The Plan recommends retaining the historic tax exemption for existing historic landmarks until the property is sold or transferred, or the owner opts into the new incentives. This approach is consistent with previous changes to the exemption.

Next steps to implement these recommended changes include a TDR market analysis and refinement of the proposed tax incentives with robust stakeholder engagement. Following a detailed quantitative evaluation of the proposed incentive package, the new incentive programs will be presented to Council for review and potential adoption. Pending resource allocation, staff anticipate presenting the programs in FY26.

If you have any questions, please contact Lauren Middleton-Pratt, Planning Department Director, at 512-974-3125 or Lauren.Middleton-Pratt@austintexas.gov or Cara Bertron, Program Manager, at 512-974-1446 or Cara.Bertron@austintexas.gov.

CC: T.C. Broadnax, City Manager
CMO Executive Team
Department Directors

Attachment: Historic Tax Exemption and Abatement Analysis




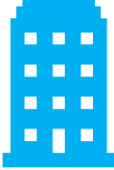


Historic Tax Exemption and Abatement Analysis

September 2024

This study was prepared for the City of Austin Planning Department by ClioGIS in response to City Council Resolution No. 20230323-059, directing the City Manager to provide recommendations for aligning the City's preservation incentive programs for historic properties with the Equity Based Preservation Plan.

This study analyzes the City's two preservation incentive programs, a partial exemption from ad valorem taxes for historic landmark property owners, and a tax abatement for qualifying rehabilitation projects in locally designated historic districts. Using 2023 tax exemption and abatement data from the Travis Central Appraisal District (TCAD), the analysis studies the distribution of historic tax exemptions and abatements geographically as well as across various property and ownership types (figure 1). It includes data from the four taxing entities that grant exemptions for City of Austin historic landmarks: the City, Austin Independent School District (AISD), Travis County, and Travis Central Healthcare District.

Figure 1. Four historic property types receiving exemptions, with amount of exemption received and property count in 2023

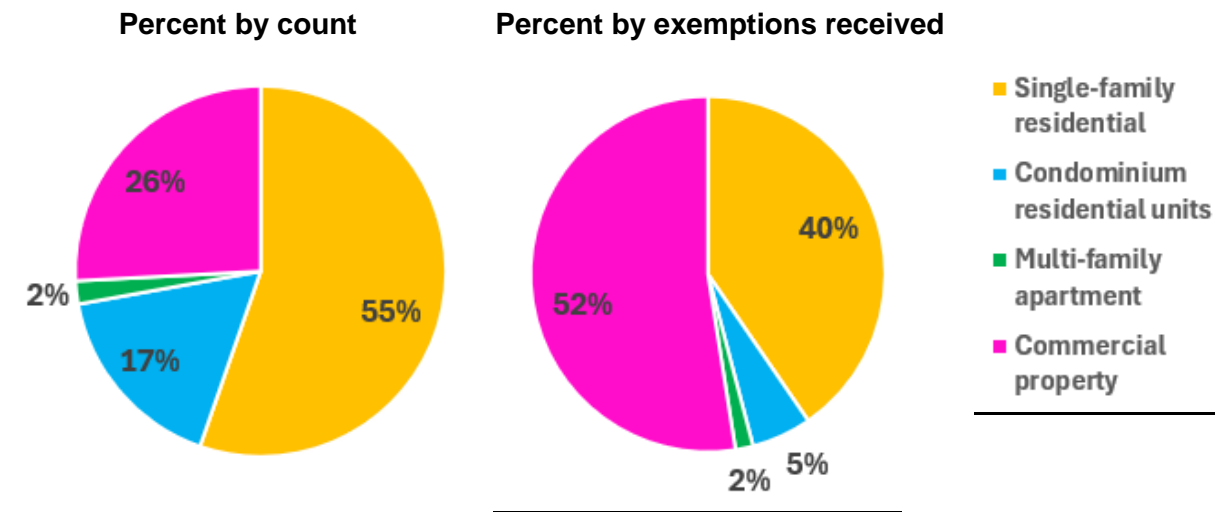
			
Single-family residential (owner-occupied and rented)	Condominium residential units (owner-occupied and rented)	Multi-family apartment (owner-occupied and rented)	Commercial (owner-occupied and rented)
40% of exemptions (\$3.2 million)	5% of exemptions (\$440,000)	2% of exemptions (\$130,000)	52% of exemptions (\$4.2 million)
302 properties	92 properties (6 parcels)	11 properties	141 properties (139 parcels)

Takeaways

- Historic tax exemptions primarily benefit historic property owners in the older areas of Austin west of I-35, who received more than 90% of all tax exemptions in 2023. In the primarily commercial downtown area west of I-35, owners received 42% of exemptions.
- Owner-occupied residential property owners (of all property types) received 37% of all tax exemptions, while residential income-producing (investment) property owners received 10%.
- Multi-family apartment property owners received 2% of all tax exemptions, compared to 40% for single-family property owners.
- Non-residential commercial properties comprise 26% of properties by count and owners received 52% of all tax exemptions.



Figure 2. Four historic property types receiving exemptions, with percent by count and percent by exemptions received in 2023



Results: Historic Landmark Tax Exemption

In 2023, 546 properties on 455 land parcels received a total of \$8.01 million in historic landmark tax exemptions.¹ The median individual tax exemption for an individual property was \$8,860. Commercial properties comprised 26% of properties by count while residential properties comprised the other 74% of properties.

Figure 3. Four historic property types receiving exemptions, with median value and area in 2023, and city-wide median values and areas for each property type

<u>Landmarks</u>	Single-family residential	Condominium residential units	Multi-family apartment	Commercial property
Median appraised value	\$1.85 million	\$507,000	\$2.65 million	\$2.75 million
Median area	3,060 sq.ft.	850 sq.ft.	7,900 sq.ft. (10 units avg.)	5,090 sq.ft.
<u>All properties (city-wide)</u>				
Median appraised value	\$590,000	\$476,000	\$6.71 million	\$1.75 million
Median area	1,790 sq.ft.	1,160 sq.ft.	32,900 sq.ft. (35-40 units avg.)	4,450 sq.ft.

¹ Historic landmark tax exemptions were given to a total of 546 property owners in 2023, including owners of residential and commercial condominiums units on shared parcels. In TCAD appraised value data, residential and commercial condominiums are documented as multiple properties and owners on a single parcel, whereas rental apartment buildings and commercial buildings are documented as single properties and owners on single parcels. Notably, one historic condo building (710 Colorado) contains 89 condominium unit properties on a single parcel.



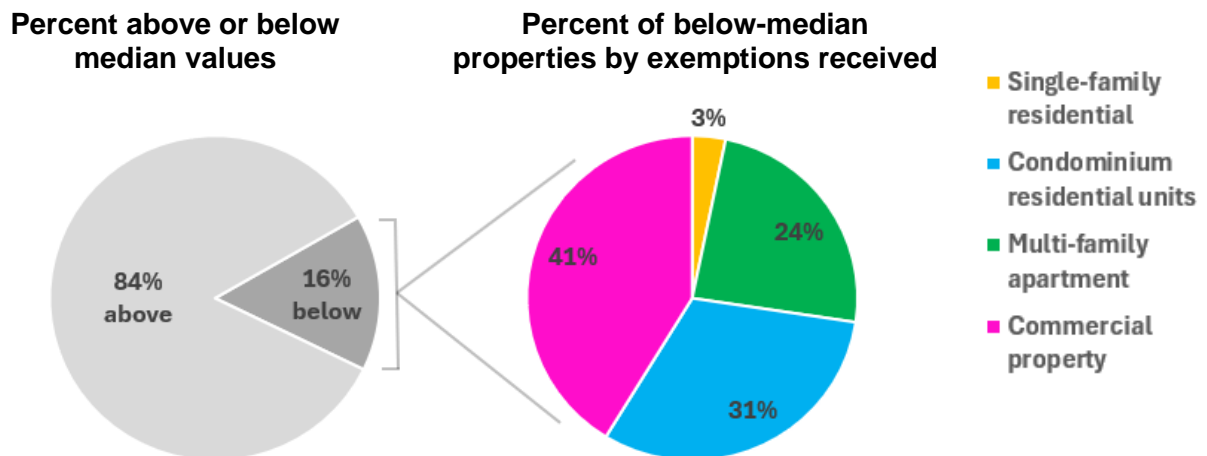
Historic tax exemptions for commercial property owners comprise approximately half (52%) of all exemptions granted by the four taxing entities. Single-family residential property owners receive 40% of all exemptions, and many of these single-family properties (41%) include secondary dwelling units. More than 80% of historic single-family residential properties are owner-occupied; others are rental properties or used for other purposes (figure 7). Five percent of tax exemptions are granted to owners of residential condominium unit properties, and two percent are granted to multi-family apartment owners (figure 2).

Every Council district includes historic landmarks that receive tax exemptions, with the exception of district 6. However, benefits from the historic landmark tax exemption are distributed unevenly across the city. More than 90% of all tax exemptions are granted to property owners in Council districts 9 and 10 which encompass the older areas of Austin west of I-35 (figures 8 to 11). In the primarily commercial downtown area west of I-35, owners received 42% of exemptions, while the primarily residential areas outside of downtown received 53% of exemptions. Single-family residential landmarks west of I-35 have a median appraised value of \$2.1 million and the majority (83%) are owner-occupied. In contrast, owners of single-family residential landmarks east of I-35 in Council districts 1 and 3 receive 6% of all tax exemptions. Single-family residential landmarks east of I-35 have a median appraised value of \$1.6 million and a greater majority (89%) are owner-occupied.

This study also examined the appraised values of historic landmarks compared to median values. Overall, 16% of landmarks have appraised values that are below the median value of comparable type properties. Of the exempted taxes granted to owners of these below-median properties, 41% are granted to commercial owners, 31% are granted to residential condo unit owners, 24% are granted to owners of multi-family apartments, and 3% are given to single-family residences (figure 4). Notably, 43% of all landmark residential condominium units have below median values, compared to 2% of all landmark single-family homes.

Of the four historic property types, single-family landmarks and commercial landmarks are valued over \$1 million more than the median, due to the size of single-family landmarks, and due to the downtown location of commercial landmarks. Condominium residential unit landmarks, largely located downtown, are generally slightly more in value and slightly smaller in size compared to the median. Multi-family apartment landmarks are generally much lower valued and much smaller than the median (figure 3).

Figure 4. Four historic property types receiving exemptions, with percent by count and percent by exemptions received in 2023





Results: Historic District Tax Abatement

In 2023, a total of \$23,843 in tax abatements were granted for five properties located in locally designated historic districts. The tax abatements ranged from \$300 to \$10,100, with a median of \$4,000. Qualifying rehabilitation project values totaled \$53,500 and ranged from \$700 to \$22,700. Three of these properties are single-family residential properties (two are owner-occupied), one is a triplex residential property, and one is a commercial property. The appraised values of the three single-family properties ranged from \$1.0 million to \$4.6 million, the triplex property was valued at \$1.7 million, and the commercial property was valued at 1.8 million.

All properties that received the historic tax abatement are located in Council district 9. One single-family property is located in the Hyde Park Historic District, and the other four properties are located in the Castle Hill Historic District (figure 12). No properties in the other six locally designated historic districts received tax abatements in 2023.



Figure 5. Properties receiving historic landmark tax exemptions from City of Austin, Austin ISD, Travis County and Travis Central Healthcare District in 2023

Property Type	# Properties	City taxes exempted	AISD taxes exempted	Travis County taxes exempted	Travis County Healthcare District taxes exempted	Total taxes exempted
Single-family residential	302	\$946,352	\$1,208,569	\$737,448	\$345,196	\$3,237,564 (40%)
Condominium residential units	92	\$141,177	\$165,655	\$98,628	\$33,358	\$438,817 (6%)
Multi-family apartment	11	\$44,688	\$43,344	\$30,824	\$10,225	\$129,081 (2%)
Total residential	405	\$1,132,218	\$1,417,568	\$866,899	\$388,799	\$3,805,463 (48%)
Commercial properties	141	\$1,461,487	\$1,413,043	\$998,765	\$330,767	\$4,204,062 (52%)
Total	546	\$2,593,705	\$2,830,611	\$1,865,664	\$719,546	\$8,009,525

Figure 6. Properties receiving historic landmark tax exemptions in 2023, by Council District

Property Type	District 1	2	3	4	5	6	7	8	9	10
Single-family residential	\$241,977	-	\$48,166	\$1,561	\$45,747	-	\$8,052	-	\$1,735,743	\$1,156,319
Condominium residential units	-	-	-	-	-	-	-	-	\$438,818	-
Multi-family apartment	-	-	-	-	-	-	-	-	\$113,688	\$15,393
Commercial properties	\$60,695	\$47,468	\$98,507	-	-	-	-	\$8,583	\$3,986,626	\$2,183
Total residential	\$241,977	-	\$48,166	\$1,561	\$45,747	-	\$8,052	-	\$2,288,249	\$1,171,712
Total	\$302,672	\$47,468	\$146,673	\$1,561	\$45,747	\$0	\$8,052	\$8,583	\$6,274,876	\$1,173,894
% of all exemptions	4%	<1%	2%	<1%	<1%	0%	<1%	<1%	78%	15%
Number of properties	42	1	16	1	4	0	1	1	390	90



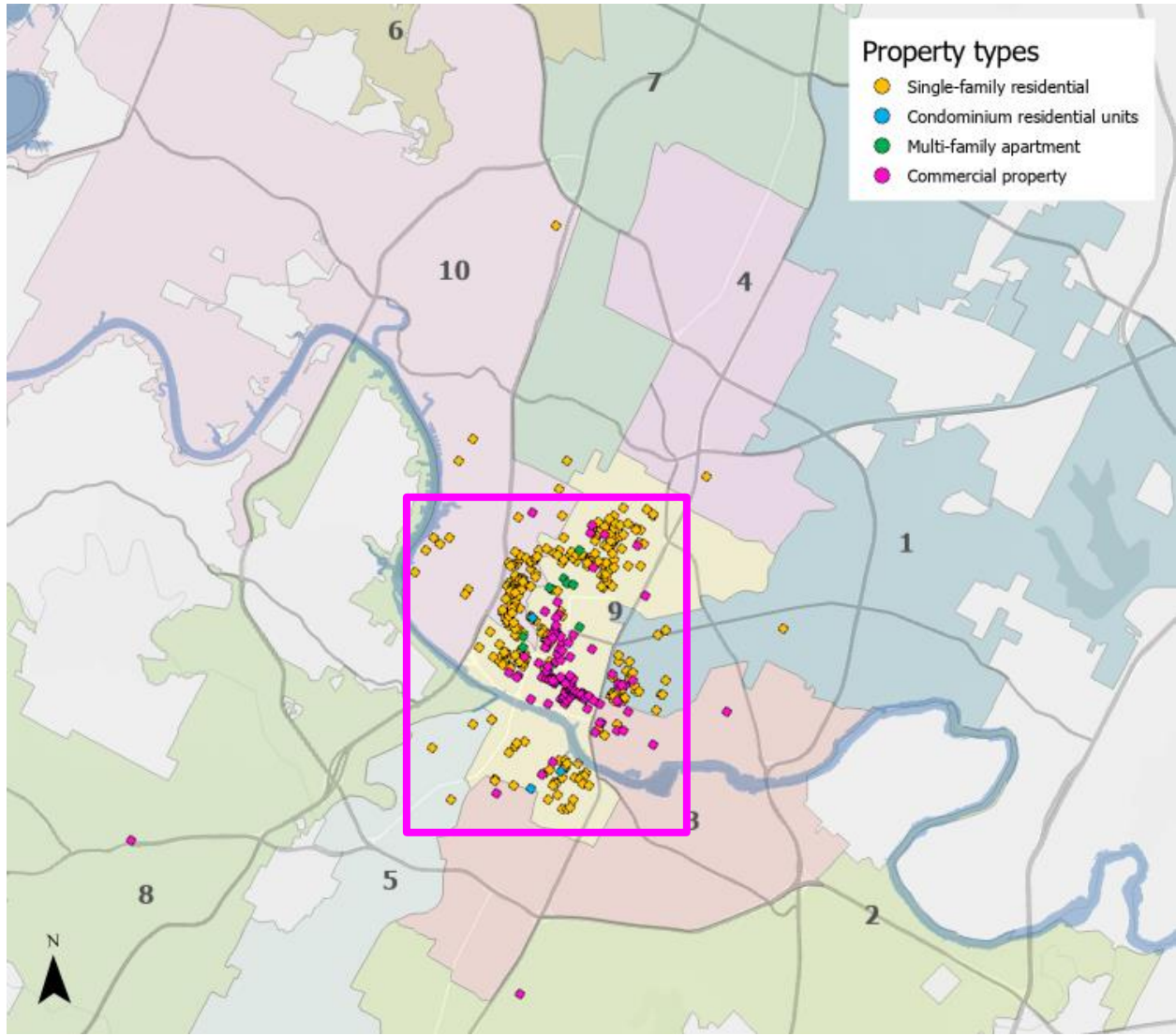
Figure 7. Properties receiving historic landmark tax exemptions in 2023, by ownership status

Property Type	# Properties	City taxes exempted	AISD taxes exempted	Travis County taxes exempted	Travis County Healthcare District taxes exempted	Total taxes exempted
Single-family residential						
Owner-occupied	250	\$766,208	\$1,034,910	\$614,339	\$304,507	\$2,719,965 (34%)
Residential investment	52	\$180,144	\$173,658	\$123,108	\$40,689	\$517,599 (6%)
Condominium residential units						
Owner-occupied	43	\$83,069	\$109,639	\$58,918	\$20,233	\$271,859 (3%)
Residential investment	49	\$58,108	\$56,016	\$39,710	\$13,124	\$166,958 (2%)
Multi-family apartment						
Owner-occupied	1	\$915	\$1,147	\$909	\$338	\$3,310 (>1%)
Residential investment	10	\$43,773	\$42,197	\$29,914	\$9,887	\$125,771 (2%)
Commercial properties						
Owner-occupied	4	\$15,098	\$18,703	\$10,318	\$4,074	\$48,193 (1%)
Commercial investment	137	\$1,446,389	\$1,394,341	\$988,447	\$326,693	\$4,155,869 (52%)
Total	546	\$2,593,705	\$2,830,611	\$1,865,664	\$719,546	\$8,009,525

Note: "owner-occupied" commercial properties include mixed-use properties that are primarily commercial and have a secondary residential unit



Figure 8. Properties receiving historic landmark tax exemptions in 2023 overlaid with Council districts



Pink outline indicates extent of detail map in figure 8



Figure 9. Properties receiving historic landmark tax exemptions in 2023, overlaid with Council Districts (Central Austin)

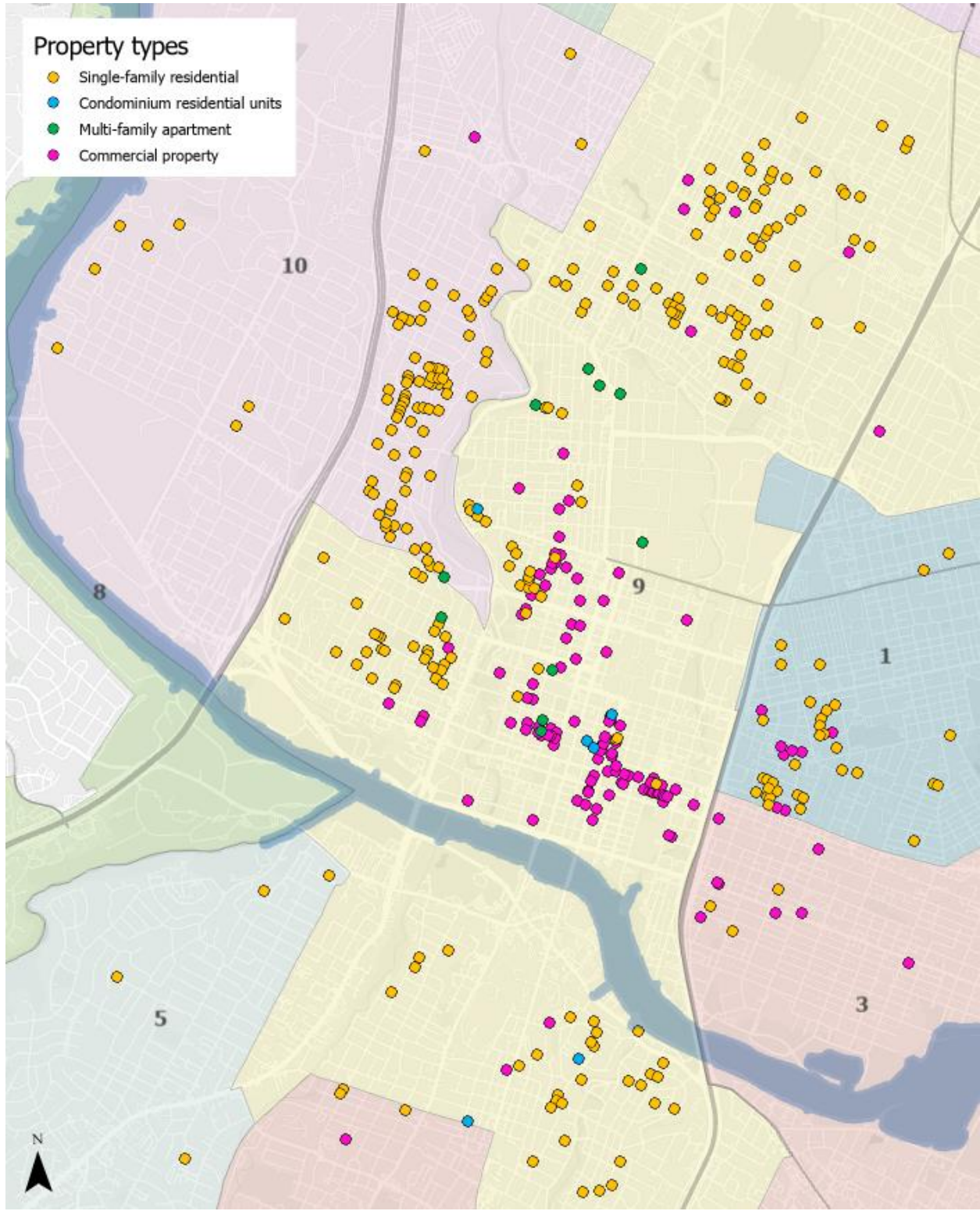




Figure 10. Commercial properties receiving historic landmark tax exemptions in 2023, by Census tract, overlaid with Council districts





Figure 11. Residential properties receiving historic landmark tax exemptions in 2023, by Census tract, overlaid with Council districts





Figure 12. Properties receiving historic district tax abatements in 2023 overlaid with Council districts



Methodology

This study summarizes and maps publicly available data from TCAD data (2023 Appraisal Roll Export). Historic tax exemption and abatement totals were calculated by multiplying the Historical Exemption Amount Granted by Entity (coded as ht_amt) or the Historical Abatement Amount Granted by Entity (coded as ab_amt) for each taxing entity by each taxing entity's respective decimal tax rate (tax rate percentage multiplied by 100). The historical exemption/abatement amount in the TCAD data is the amount that is subtracted from the appraised value before the property tax amount is calculated.