

HISTORIC HOMES

Preserving Old Galveston - how to restore what we have instead of building over it.

Two small changes to a City tax break for fixing up old homes and buildings. The City keeps every tax dollar it gets today.

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Substantial Rehabilitation for Historic Properties

- 1** Fix up a historic building and spend at least half of what the building is worth.
- 2** The City then freezes your City tax at the old amount for 10 years.
- 3** The County, the schools and the college tax the new value right away.

50%

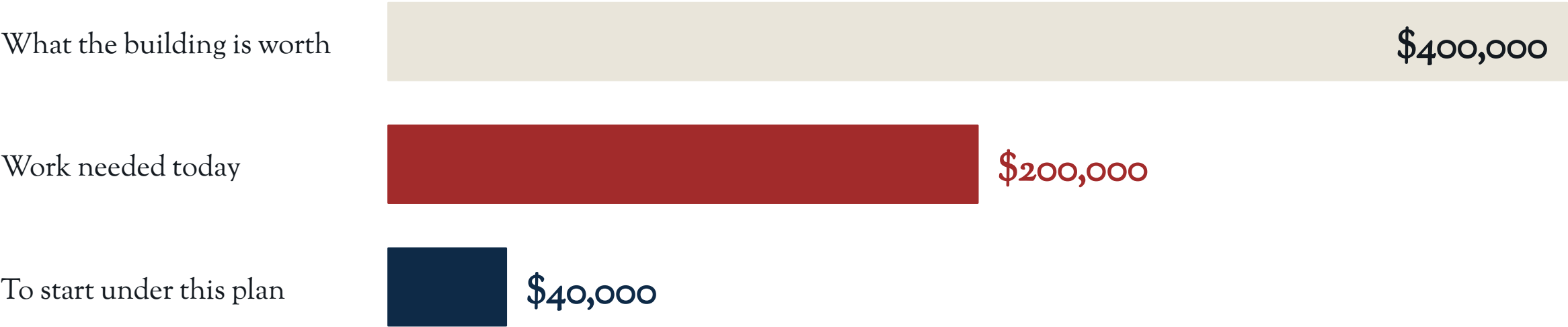
of what the building is worth before work starts. The land does not count.

Source: City of Galveston. City Council adopted this program on July 23, 2015.

THE PROBLEM

Half is a lot for a family

A house where the building is worth \$400,000



Many families fix up their home one job at a time. Under this plan, one big job, like a new roof, can start a freeze.

Two changes. Nothing else

1. Every 10% buys a freeze

4 years for each 10% up to 50%. Then 2 more years for each 10%. The same rule for homes, rentals and businesses.

10%	4 years	60%	22 years
20%	8 years	70%	24 years
30%	12 years	80%	26 years
40%	16 years	90%	28 years
50%	20 years	100%	30 years

2. The freeze ends when the property sells

It does not go to the buyer. The owner who did the work gets the break.

The same review, the same receipts and the same Council vote as today.

THE COST TO THE CITY

The City keeps what it collects today

While the freeze is on, the City gets the same tax it gets now.

It only waits on tax from the new value. The owner created that value.

When the freeze ends, the City taxes the fixed-up building.

Without the incentive

Old buildings get left for someday.

With a program like this

Owners fix them up now, and our historic homes get back their original beauty.

THE SAVINGS

Every step, from 10% to 100%

You spend	Work on a \$400,000 building	Freeze	Saved if values stay the same	Saved if values keep rising
10%	\$40,000	4 years	\$700	\$1,500
20%	\$80,000	8 years	\$2,700	\$6,200
30%	\$120,000	12 years	\$6,000	\$13,500
40%	\$160,000	16 years	\$10,700	\$23,000
50%	\$200,000	20 years	\$16,700	\$34,400
60%	\$240,000	22 years	\$22,000	\$42,500
70%	\$280,000	24 years	\$28,000	\$51,500
80%	\$320,000	26 years	\$34,600	\$61,100
90%	\$360,000	28 years	\$42,000	\$71,500
100%	\$400,000	30 years	\$50,000	\$82,600

City tax only. These are estimates for one example building. Rising values: about 10% a year, with the City lowering its rate to match. Sources are in the speaker notes.

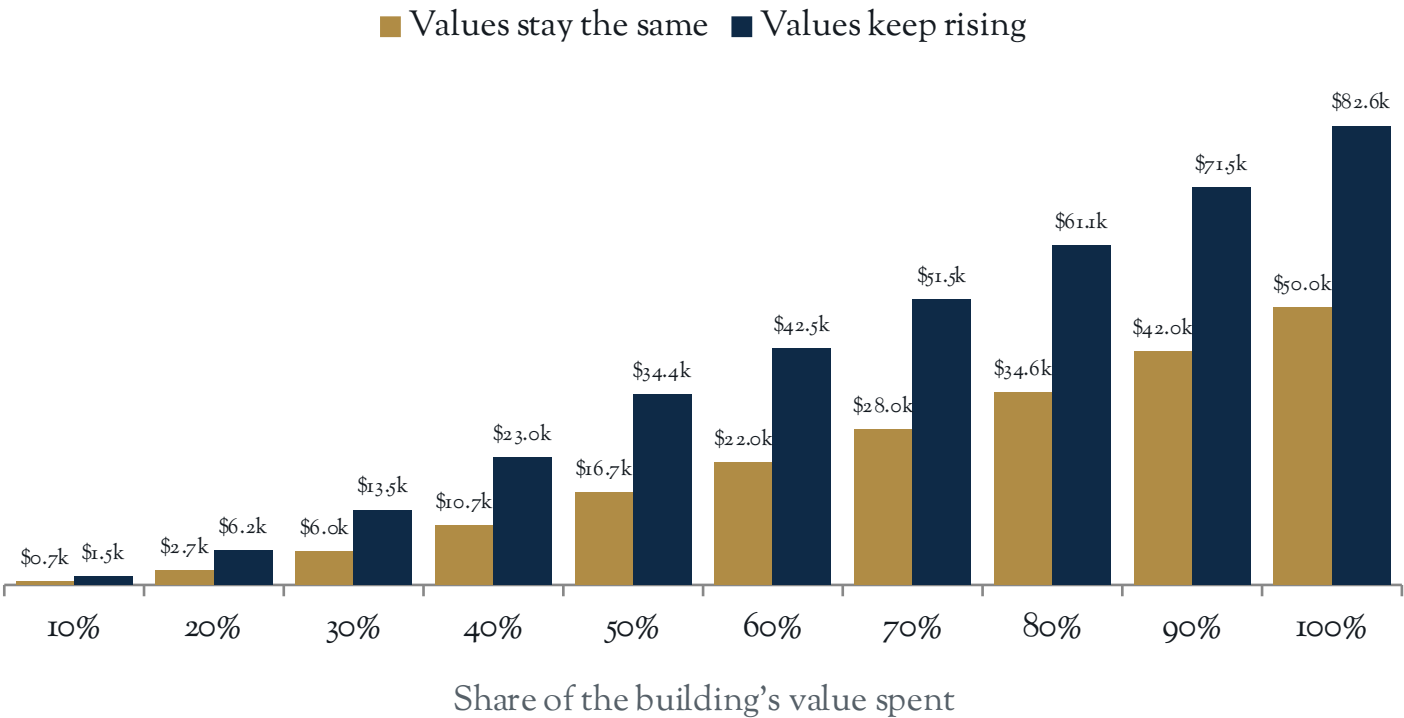
THE SAVINGS

The more you restore, the more you save

\$50,000 - \$82,600

City tax saved over 30 years, with \$400,000 of work.

The low end is if values stay the same. The high end is if they keep rising like they have since 2018, and the City lowers its tax rate to match.



City tax saved over the whole freeze, in thousands of dollars. Example: a building worth \$400,000. Estimates; see the speaker notes.

THE BIGGER RETURN

The work pays the island right away

\$120,000

of work on one \$400,000 home goes to local contractors, workers and suppliers.
Materials bought here also pay sales tax.

Day one

The schools, the County and the college tax the new value starting the first year.
Only the City waits.

ALREADY DONE IN TEXAS

Our neighbors to the northwest have a similar plan

Austin already lowered its bar.

Homes spend 25% of what the building is worth. Rentals and businesses spend 40%.

Their break lasts 7 years for homes and 10 years for rentals and businesses.

	Austin	Our plan
Homes spend	25%	10%
Others spend	40%	10%
How long	7 or 10 years	4 to 30 years

Source: City of Austin.

The laws that allow it

Texas Constitution, art. VIII, §1-f	Lets cities give tax breaks to save historic buildings.
Tax Code ch. 11, §11.24(a)	Lets a city cut taxes on a historic building. It sets no minimum amount of work.
Tax Code §11.24(b)	Once you have the tax break, the City can't take it away without your OK or 5 years' notice.
City of Galveston	The 2015 City program. This is the only rule that changes.

WHAT COUNCIL WOULD DO

Two changes, one vote

1

Every 10% of the building's value buys 4 years, up to 50%.
After that, each 10% buys 2 more, up to 30 years.

2

Every freeze ends when the property sells.

Cost to the City: nothing it collects today.

Before the vote: the Landmark Commission, the City Attorney and City staff review it.

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QUESTIONS AND ANSWERS

Your questions, answered

Does the City lose money?

No. While the freeze is on, the City gets the same tax it gets today. It waits on tax from the new value. When the freeze ends, it taxes the fixed-up building.

Will my taxes go up to cover it?

No. The fixed-up building keeps paying what it pays now. Nothing is shifted to anyone else.

Does this lower my school or County taxes?

No. The freeze covers City tax only. The schools, the County and the college tax the new value right away.

Which buildings can use it?

Buildings in a local historic district, and Galveston Landmarks. In a district, the building must be listed as Contributing or Compatible.

What work counts?

Work that helps the building last: roof, foundation, siding, wiring, plumbing, heating and air, and the structure. Inside work can count when it comes with structural work.

Does my own labor count?

Yes. Work you do yourself can count toward the total.

QUESTIONS AND ANSWERS

Your questions, answered

How do I apply?

Call the City's Historic Preservation Office at (409) 797-3660. The Landmark Commission approves your plan. When you finish, you show your receipts. Then City Council gives the final OK.

Can I start work before I apply?

No. Get your plan approved first. The program checks the plan before any work begins.

My project is already approved. Can I switch?

No. The new rules apply to projects approved after Council adopts them. Projects already approved finish under today's rules.

What if I sell?

The freeze ends when the property sells. It does not go to the buyer.

Why does the freeze end when I sell?

When you sell, you get the chance to earn back the cost of the work. So the City's tax break ends there.

What is the longest freeze?

30 years, if you spend as much as the building is worth. It still ends if you sell.

QUESTIONS AND ANSWERS

Your questions, answered

What if the building is torn down or gutted?

The freeze ends. The owner does not pay back the tax that was frozen.

Is this legal?

Yes. The Texas Constitution and the Tax Code let cities do this. The City Attorney would check the final wording.

Have a question we missed?

Ask me. I will answer it and add it here.

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