

April 10, 2018 - presented for 2nd reading

1 **2018-25 (2ND READING): AN ORDINANCE TO ESTABLISH SPECIAL PROPERTY TAX**
 2 **ASSESSMENTS FOR REHABILITATED HISTORIC PROPERTIES IN THE MANNER PROVIDED FOR IN SC**
 3 **CODE SEC. 4-9-195 AND EXTENDED TO MUNICIPALITIES BY SEC. 5-21-140; TO FIX THE TERM OF**
 4 **SUCH SPECIAL ASSESSMENTS; TO ESTABLISH REQUIREMENTS FOR ELIGIBILITY; AND TO**
 5 **DETERMINE THE PROCESS FOR APPLYING.**

6 **Applicant/Purpose:** Staff /To allow a special assessment to encourage rehabilitation of historic
 7 properties.
 8

9 **Brief:**

- 10 • State law (“Bailey Bill”) provides that a city or county may grant a special property tax
 11 assessment to qualifying “rehabilitated historic properties” or “low to moderate in-come
 12 rental property.”
- 13 • The program relieves a property owner from paying taxes on the rehabilitation work.
- 14 • In order to qualify, the property must meet 1 of the following criteria:
 15 ○ Listed on the National Register of Historic Places;
 16 ○ At least 50 years old & designated a historic property by the governing body;
 17 ○ At least 50 years old & located in a City-designated historic district.
- 18 • Qualifying rehabilitation work must be evaluated by a “Reviewing Authority,” which, in this
 19 ordinance, consists of the following (or their designees): the Planning Director, the CAB
 20 Chair, the Planning Commission Chair, the Director of Construction Services, the CFO, & the
 21 DRC Director (if the property is located in the District).
- 22 • The Reviewing Authority must judge the work to be appropriate for the historic building (&
 23 the historic district, if located in such a district).
- 24 • Rehabilitation expenditures must equal 20% or more of the building’s fair market value.
 25

26 **Issues:**

- 27 • A 5-year term is consistent w/ the term of existing City incentive programs & expands the
 28 City’s incentive programs to include a property tax break for historic properties.
- 29 • In some cases, this incentive may be paired w/ the 10% federal tax credit or a credit of 25%
 30 of the rehab expenses against state income taxes (taken over 3 years at 33%/year).
- 31 • The City may not allow the term of the special assessment to exceed 20 years.
- 32 • The special assessment may not be applied retroactively.
 33

34 **Public Notification:** Normal notification for 2nd reading.
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36 **Alternatives:** Extend the period of the special assessment up to 20 years.
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38 **Financial Impact:** Where the incentive is used, the financial impact amounts to the foregone tax
 39 revenue on the value of the improvements. Upon expiration of the special assessment, the project
 40 increases the property’s taxable value.
 41

42 **Manager’s Recommendation:** I recommend 1st reading. We have discretion to extend the special
 43 assessment up to 20 years, but I think 5 years should provide a sufficient incentive. Rather than
 44 tying up our tax base for such an extended period, I would prefer that we deepen the initial credit
 45 by asking the County to pass a companion ordinance that has the effect of also extending the
 46 incentive to include the County and school district taxes. I’d anticipate a much greater willingness
 47 to cooperate in this way if the period remains relatively short. I have already sent this ordinance
 48 to the County Administrator & asked him to consider a similar action.
 49

50 **Attachment(s):** Proposed ordinance.

CITY OF MYRTLE BEACH
COUNTY OF HORRY
STATE OF SOUTH CAROLINA

AN ORDINANCE TO ESTABLISH SPECIAL
PROPERTY TAX ASSESSMENTS FOR
REHABILITATED HISTORIC PROPERTIES IN
THE MANNER PROVIDED FOR IN SC CODE
SEC. 4-9-195 AND EXTENDED TO
MUNICIPALITIES BY SEC. 5-21-140; TO FIX
THE TERM OF SUCH SPECIAL ASSESSMENTS;
TO ESTABLISH REQUIREMENTS FOR
ELIGIBILITY; AND TO DETERMINE THE
PROCESS FOR APPLYING.

WHEREAS, South Carolina Code Sec. 4-9-195 provides for Counties to establish certain special assessments on historic real properties in order to encourage their owners to rehabilitate them and, upon termination of the special assessment, return them to the tax rolls at increased assessed values; and

WHEREAS, South Carolina Code Sec. 5-21-140 extends the same powers to municipalities, *mutatis mutandi*; and

WHEREAS, the special assessment can be a valuable tool for encouraging the redevelopment of designated historic properties located in strategic areas of the City;

NOW THEREFORE, the City Council of the City of Myrtle Beach, in meeting duly assembled, hereby establishes such special assessment for eligible properties located inside the City of Myrtle Beach.

Sec. 1. Special tax assessment created.

A special tax assessment is hereby created for eligible rehabilitated historic properties, equal to the appraised value of the property at the time of preliminary certification. The special tax assessment may remain in effect for a period not to exceed five years.

Sec. 2. Purpose.

It is the purpose of this section to:

- (1) Encourage the restoration of historic properties;
- (2) Promote community development and redevelopment;
- (3) Encourage sound community planning; and
- (4) Promote the general health, safety, and welfare of the community.

Sec. 3. Designation of subject properties.

(a) *Certification.* In order to be eligible for the special tax assessment, historic properties must receive preliminary and final certification.

(1) To receive preliminary certification a property must meet the following conditions:

- a. The property has received historic designation.
- b. The proposed rehabilitation work receives approval from a designated "Reviewing Authority," which Authority shall comprise the Planning Director, the chairman of the Community Appearance Board, the chairman of the Planning Commission, the Director of Construction Services, and the Chief Financial Officer, or their designees;

1 provided, however, that the Executive Director of the Downtown
2 Redevelopment Authority shall serve as a member of the reviewing
3 authority for any properties located inside the Downtown
4 Redevelopment District.

5 c. The project commences on or after the date of the adoption of this
6 ordinance. Preliminary certification must be received prior to issuance
7 of a City building permit.

8 (2) To receive final certification, a property must have met the following
9 conditions:

10 a. The property has received preliminary certification.

11 b. The minimum expenditures for rehabilitation were incurred and paid.

12 c. The completed rehabilitation receives approval from the secretary to
13 the Reviewing Authority as being consistent with the plans approved
14 by Reviewing Authority as part of preliminary certification.

15
16 (b) *Historic designation.* As used in this section, "Historic Designation" means the
17 property maintains one or more of the following:

18 (1) The property is listed on the National Register of Historic Places either
19 individually or as a contributing property in a district.

20 (2) The property is at least 50 years old and is an individual landmark or a
21 contributing property in a local district as designated by city council.

22
23 **Sec. 4. Eligible rehabilitation projects.**

24 (a) *Standards for rehabilitation work.* To be eligible for the special tax
25 assessment, historic rehabilitations must be appropriate for the historic
26 building and the historic district in which it is located. This is achieved through
27 adherence to the following standards:

28 (1) The historic character of a property shall be retained and preserved; the
29 removal of historic materials or alterations of features and spaces that
30 characterize each property shall be avoided.

31 (2) Each property shall be recognized as a physical record of its time, place
32 and use; changes that create a false sense of historical development shall
33 not be undertaken.

34 (3) Most properties change over time; those changes that have acquired
35 historic significance in their own right shall be retained and
36 preserved.

37 (4) Distinctive features, finishes, and construction techniques or examples of
38 craftsmanship that characterize a property should be preserved.

39 (5) Deteriorated historic features shall be repaired rather than replaced;
40 where the severity of deterioration requires replacement of a distinctive
41 feature, the new should match the old in design, color, texture, and
42 other visual qualities and, where possible, materials; replacement of
43 missing features shall be substantiated by documentary, physical, or
44 pictorial evidence.

45 (6) Chemical or physical treatments, such as sandblasting, that cause damage to
46 historic materials shall not be used; the surface cleaning of structures, if
47 appropriate, shall be undertaken using the gentlest means possible.

48 (7) New additions, exterior alterations, or related new construction shall not
49 destroy historic materials that characterize the property; the new work
50 shall be differentiated from the old and shall be compatible with the

1 massing, size, scale, and architectural features to protect the historic
2 integrity of the historic property and its environment.

- 3 (8) New additions and adjacent or related new construction shall be
4 undertaken in such a manner that if removed in the future, the essential
5 form and integrity of the historic property and its environment would be
6 unimpaired.

7
8 (b) *Work to be reviewed.* The following work will be reviewed according to the
9 standards set forth above:

- 10 (1) Repairs to the exterior of the designated building.
11 (2) Alterations to the exterior of the designated building.
12 (3) New construction on the property on which the building is located.
13 (4) Alterations to interior primary public spaces.
14 (5) Any remaining work where the expenditures for such work are being used
15 to satisfy the minimum expenditures for rehabilitation.

16
17 (c) *Minimum expenditures for rehabilitation* means the owner or the owner's estate
18 rehabilitates the building, with expenditures for rehabilitation exceeding 20 percent
19 of the fair market value of the building. Fair market value means the appraised value
20 as certified to the Reviewing Authority by a real estate appraiser licensed by the
21 State of South Carolina, the sales price as delineated in a bona fide contract of sale
22 within 12 months of the time it is submitted, or the most recent appraised value
23 published by the Horry County Tax Assessor.

24
25 (d) *Expenditures for rehabilitation* means the actual cost of rehabilitation
26 relating to one or more of the following:

- 27 (1) Improvements located on or within the historic building as designated.
28 (2) Improvements outside of but directly attached to the historic building
29 which are necessary to make the building fully useable (such as vertical
30 circulation) but shall not include rentable/habitable floor space
31 attributable to new construction.
32 (3) Architectural and engineering services attributable to the design of the
33 improvements.
34 (4) Costs necessary to maintain the historic character or integrity of the building.

35
36 (e) *Scope.* The special tax assessment may apply to the following:

- 37 (1) Structure(s) rehabilitated.
38 (2) Real property on which the building is located.

39
40 (f) *Time limits.* To be eligible for the special tax assessment, rehabilitation must be
41 completed within two years of the preliminary certification date. If the project is
42 not complete after two years, but the minimum expenditures for rehabilitation have
43 been incurred, the property continues to receive the special assessment until the
44 project is completed or until the end of the special assessment period, whichever
45 shall first occur.

46
47 **Sec. 5. Process.**

48 (a) *Fee required.* There is a fee of \$150.00 required for final certification for each
49 application for review of rehabilitation work of single-family and/or duplex
50 structures and \$300.00 for all other structures. Fees are payable to the City of Myrtle
51 Beach, and final certification will not be given without payment of this fee.

- 1
2 (b) *Plan required.* Owners of property seeking approval of rehabilitation work must
3 submit a rehabilitation historic property application with supporting documentation
4 and application fee prior to beginning work, subject to the reasonable discretion of
5 the reviewing authority.
6
- 7 (c) *Preliminary certification.* Upon receipt of the completed application, the
8 proposal shall be placed on the next available agenda of the Reviewing Authority
9 to determine if the project is consistent with the standards for rehabilitation in
10 subsection 17-698(a) above. After the Reviewing Authority makes its
11 determination, the owner shall be notified in writing. Upon receipt of this
12 determination the owner may:
13 (1) If the application is approved, begin rehabilitation;
14 (2) If the application is not approved, he may revise such application in
15 accordance with comments provided by the Reviewing Authority;
16
- 17 (d) *Substantive changes.* Once preliminary certification is granted to an application,
18 substantive changes must be approved by the Reviewing Authority. Unapproved
19 substantive changes are conducted at the risk of the property owner and may
20 disqualify the project from eligibility. Additional expenditures will not qualify the
21 project for an extension on the special assessment.
22
- 23 (e) *Final certification.* Upon completion of the project, the project must receive final
24 certification in order to be eligible for the special assessment. The secretary to the
25 Reviewing Authority will inspect completed projects to determine if the work is
26 consistent with the approval granted by the Reviewing Authority pursuant to section
27 17-698. Final certification will be granted when the completed work meets the
28 Standards and verification is made that expenditures have been made in accordance
29 with subsection 17-698(c) and (d) above. Upon receiving final certification, the
30 property will be assessed for the remainder of the special assessment period on the
31 fair market value of the property at the time the preliminary certification was made
32 or the final certification was made, whichever occurred earlier.
33
- 34 (f) *Additional work.* For the remainder of the special assessment period after final
35 certification, the property owner shall notify the Reviewing Authority of any
36 additional work, other than ordinary maintenance. The Reviewing Authority will
37 review the work at a regularly scheduled hearing and determine whether the overall
38 project is consistent with the standards for rehabilitation. If the additional work is
39 found to be inconsistent the property owner may withdraw his request and cancel
40 or revise the proposed additional work.
41
- 42 (g) *Decertification.* When the property has received final certification and has been
43 assessed as rehabilitated historic property, it remains so certified and must be
44 granted the special assessment until the property becomes disqualified by any
45 one of the following:
46 (1) Written notice from the owner to the Reviewing Authority and the auditor
47 requesting removal of the preferential assessment;
48 (2) Removal of the historic designation by the Myrtle Beach City Council; or
49 (3) Rescission of the approval of rehabilitation by the Reviewing Authority
50 because of alterations or renovation by the owner or the owner's estate

1 which causes the property to no longer possess the qualities and features
2 which made it eligible for final certification.
3 Notification of any change affecting eligibility must be given immediately to the Horry
4 County Assessor, Auditor, and Treasurer.

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6 (h) *Notification.* The city shall, upon final certification of a property, notify the Horry
7 County Assessor, Auditor and Treasurer that such property has been duly certified
8 and is eligible for the special tax assessment.

9
10 (i) *Date assessment becomes effective.* If an application for preliminary or final
11 certification is filed by May first or the preliminary or final certification is approved
12 by August first, the special assessment authorized by this section is effective for that
13 year. Otherwise it is effective beginning with the following year.

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15 (j) *Application.* Once the Reviewing Authority has granted the special property tax
16 assessments authorized herein, the owner of the property shall make
17 application to the Horry County Auditor for the special assessment provided
18 for herein.

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20 This ordinance shall become effective upon its adoption.

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BRENDA BETHUNE, MAYOR

ATTEST:

JOAN GROVE, CITY CLERK

1st Reading: _____

2nd Reading: _____