



City of Austin, Texas

Historic Properties Façade Improvement Feasibility Study

- FINAL REPORT •



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BACKGROUND

The city of Austin has two commercial districts — Congress Avenue and Sixth Street — that have been listed on the National Register of Historic Places. Both districts contain significant historic buildings from the late 18th and early 19th century, including some designated historic landmarks. Like many historic commercial districts, they also contain buildings with storefronts (façades) that would benefit from restoration, rehabilitation, or reconstruction.

Facades are typically defined as *the front or side of a commercial building that faces a public street and is visible from a public right-of-way (excluding alleys)*. Facades may be storefronts, as well as upper stories above storefronts.

The City of Austin previously offered a heritage grant program to support façade improvements for buildings owned by nonprofit or otherwise tax-exempt property owners. The City now seeks to identify feasible alternative funding mechanisms that could benefit building owners who do not qualify for a non-profit-only grant program, and that would include some level of input or oversight by the Historic Landmark Commission.

This project began by examining façade improvement programs used by other cities to support the revitalization of historic downtown areas, and interviewing building owners and their representatives to learn what kind of program might be of interest to them. After learning that building owners were discouraged from making improvements due to social issues in the downtown areas (specifically, the presence of homeless people and the street-party environment along Sixth Street), we convened peer advisor cities to discuss their experiences managing those issues. Property owners also reported that dramatic increases in property taxes hindered their ability to invest in their buildings, so we investigated the appraisal values for properties in the Sixth Street and Congress Avenue Historic Districts in comparison to similar historic districts in Houston, Dallas, and San Antonio.

This final report summarizes our findings from throughout the project and provides recommendations for next steps.

Special thanks to the following colleagues who provided assistance during this project:

- Eleanor Burke, deputy director, New Orleans and Central Business District Historic District Landmarks Commission, New Orleans (for executive director Elliott Perkins)
- Sarah Babcock, director of Healthy Environments, City of New Orleans Health Department, New Orleans
- Mark Doty, chief planner/historic preservation officer, Historic Preservation Section, Dallas
- Shanon Shea Miller, director, Office of Historic Preservation, San Antonio
- Alyssa Barrera, executive director, Downtown Management District, Corpus Christi
- Josie Falletta, Main Street Program coordinator, San Marcos (for historic preservation officer Alison Brake)
- Roman McAllen, historic preservation officer, Denton (previously with Brownsville, Texas)

- Katie Totman, historic preservation specialist, Office of Historic Preservation, San Antonio
- Liz Casso, senior planner, Historic Preservation Section, Dallas
- Marie Oehlerking, Texas Main Street Program, Texas Historical Commission

PROCESS AND FINDINGS

This project proceeded in phases, as we worked through data collection and analysis to understand existing models, stakeholder preferences, and peer experiences.

Façade Improvement Programs in Other Cities

We examined façade improvement programs that are available to for-profit private businesses in historic downtown areas, in 70 cities, including major cities across the United States, as well as many cities of all sizes in Texas. Façade improvement grants are, by far, the most common tool being used for this purpose.

Façade improvement grant programs typically address:

- The types of property that are eligible (residential, commercial, income-producing, owner-occupied, non-profit, vacant structure, etc.)
- Eligibility requirements for both applicants and buildings
- Financial considerations, such as minimum investment requirements and maximum award values
- Who receives, reviews, and approves the application
- Eligible improvements/qualifying expenses
- Recapture periods and mechanisms

Tax exemption/abatement programs (as an alternative or supplement to grants) typically stipulate:

- If the tax exemption is transferable with the property in the event of sale
- Whether tax is exempted, abated, or refunded
- The type of tax affected, the percentage of tax exempted, and how tax exemption is calculated
- The number of years the tax exemption may be taken
- Whether participation also freezes the taxable value of the improvement/property, and if so, for how long
- If an annual review/inspection is required, and if so, who conducts it
- Any other action/activity required by applicant in order to maintain exemption
- Potential reasons for losing exemption

Program guidelines/policies for façade improvement programs often include language allowing the administrator to decline to fund, or otherwise exclude certain business

activities if the use and/or project is not consistent with the City's development or redevelopment plans.

Other typical requirements included:

- All rehabilitation work and design features must comply with all applicable city codes and ordinances, as well as state and federal law.
- All applicable permits and licenses must be obtained, including permits and Certificates of Occupancy required by the City and all other state and local permits.
- Work must follow plans and specifications approved by the administrator. After approval, any changes to the project (no matter how minimal) must be approved by the administrator.
- Land use must conform with applicable zoning regulations. If current land uses, sites, or structures are nonconforming at the time of application, they must be brought into compliance through the grant-assisted project.
- Buildings with existing code violations or deficiencies must include their remedy as part of the proposed investments.
- The program recipient must communicate with the administrator about project progress when requested to do so, and must resolve any issues or questions.
- The program administrator must have the right to make site visits and, should anything be discovered that is not consistent with the approved application, withhold or recapture grant funds or take any other available remedy to maintain compliance with program guidelines.

Building Owner Responses to Program Alternatives

Using the information collected from other cities' existing programs, we developed a questionnaire to guide telephone interviews with building owners. The Austin Historic Preservation Office provided a list of property owners who we attempted to contact, ultimately speaking with 10 individuals who collectively own dozens of properties, mostly in the Sixth Street Historic District.

Interviews conducted with those individuals in Fall 2018 revealed that property owners are hesitant to invest in these buildings for two main reasons: the **deteriorating social environment** in the historic districts, due to a concentration of homeless people near the downtown locations of social services agencies and programs, and a street-party atmosphere that some property owners felt was encouraged by the City Police Department's barricading of Sixth Street; and **the sharp increase in property tax appraisal values**, potentially due to the Travis County Appraisal District valuing property in the historic district as if it has unlimited development potential.

Following these interviews, we discussed options for moving forward with Mr. Sadowsky and agreed that we would convene peer advisors around the social issues question, and investigate property appraisal values in other cities' historic districts.

Social Issues in Historic Districts

To learn more about how other similar cities have handled similar social issues, we convened a remote meeting, in the form of a conference call, with representatives from the cities of San Antonio, San Marcos, Denton, and Corpus Christi, Texas; and New Orleans, Louisiana, as well as (of course) Austin.

These cities are managing complex issues in their downtown historic districts and neighborhoods, including:

- Large homeless populations
- Vacant buildings
- Proximity to a university and associated alcohol-focused nightlife

Generally, we wanted to know:

- How have social issues affected your downtown historic districts?
- What has been your city's response, and was it successful?
- What lessons have you learned that could help the City of Austin?

Property Taxes

The final question to be investigated during this project was whether historic buildings in the Sixth Street and Congress Avenue Historic Districts are being valued at rates that are out of line with typical appraisal values for commercial historic districts in other major Texas cities, and specifically, whether it seems that the Travis County Appraisal District might be valuing property in the historic district as if that property has unlimited development potential — instead of recognizing that development of property in a historic district is inherently limited by the historic preservation ordinance.

With help from our colleagues in Houston, San Antonio, and Dallas, we gathered data for commercial properties in the following historic districts:

- **Austin's Sixth Street Historic District** is a nine-block area of East Sixth Street just west of [Interstate 35](#) developed as one of Austin's trade and commercial districts in the late 1800s. It consists of mostly two- or three-story masonry buildings; most of which had been built by the 1880s, with limited construction continuing in the early 20th century.
- **Austin's Congress Avenue Historic District** contains one of the most important and recognizable streets in Texas, but changes have eroded the character, sense of scale and design of Congress Avenue. The historic district was added to Preservation Texas' Most Endangered Properties list in 2005.
- **Houston's Main Street Market Square** is the only commercial historic district in that city. The district contains 52 buildings, the Main Street Viaduct, Allen's Landing Park, and Market Square Park. About half of the buildings within the district were constructed between 1858 and 1900; the rest were built between 1901 and 1935.

- **San Antonio's Alamo Plaza Historic District** is located in the commercial center that developed around Texas' most famous shrine, the Alamo. The historic district contains the Alamo chapel, the public plaza, and the surrounding commercial structures built mainly in the late 19th and early 20th centuries.
- **Dallas' West End Historic District** is a turn-of-the-century red brick warehouse district of one- to six-story structures representing the low-scale, urban, mercantile history of late 19th century Dallas.

We then analyzed the five districts to ensure that they were similar to one another in terms of general building age, size, and use; listing on the National Register of Historic Places; current nexus of entertainment activities and nightlife; etc. Having been satisfied that the five historic districts were enough alike to be compared, we then calculated the appraised value per square foot for both buildings and land. (A more complete description of the data and analysis is presented in the report for that phase of the project.) We found that, while lot values per square foot vary from city to city, the lot values *within* each district are consistent, regardless of the presence of a historic building on the site or not.

	Property Value/SF			
	<u>Average</u>	<u>Avg pre-1970</u>	<u>Avg post-1970</u>	
Sixth St HD	\$ 212	\$ 208	\$ 224	
Congress Ave HD	\$ 264	\$ 253	\$ 308	
MSMS HD	\$ 123	\$ 125	\$ 134	
West End HD	\$ 81	\$ 85	\$ 85	
Alamo Plaza HD	\$ 178	\$ 192	\$ 138	

This was not the case for building values; in the other three cities, historic buildings were valued much lower than newer buildings, reflecting the restrictions and constraints imposed by the historic preservation ordinances to which those properties are subject. In Austin, however, we found that:

- The average pre-1970 (historic-age) building values were three or four times higher than in other cities.
- The average values for pre-1970 and post-1970 buildings in the Sixth Street Historic District was negligible; in other words, the values appear to be consistent regardless of building age.
- The average values for pre-1970 and post-1970 buildings in Austin were very similar, whereas in other cities, the newer building values were 2–4 times higher than the historic building values.

	Building Value/SF		
	<u>Average</u>	<u>Avg pre-1970</u>	<u>Avg post-1970</u>
Sixth St HD	\$ 180	\$ 178	\$ 196
Congress Ave HD	\$ 201	\$ 169	\$ 392

MSMS HD	\$	49	\$ 44	\$	104
West End HD	\$	39	\$ 37	\$	80
Alamo Plaza HD	\$	66	\$ 53	\$	206

In addition, during the assembly of this data, it was clear that the property values for Austin’s commercial historic districts – particularly Sixth Street – had increased dramatically over the past five years, in some cases by 200–400%. While a detailed property-by-property investigation is outside the scope of this project, we believe that this needs to be further examined so that the City understands the extent of this issue.

Additionally, we believe that TCAD’s own property tax protest materials indicate that they are supposed to be using sales comparison/market data as the basis for the appraisal, rather than the income potential of the property, which we believe is the approach being employed.

RECOMMENDATIONS

Based on the experiences and advice shared by our peers, we concluded that Austin’s Sixth Street and/or Congress Avenue Historic Districts may benefit from some of the programs that are currently in use in those cities.

For example, Austin might consider:

- Creating a coalition of business owners, property owners, city services (including police), and homeless services providers to identify challenges and find solutions.
- Either providing lights and security cameras for installation on historic buildings to illuminate both streets and alleys, or funding façade restoration/rehabilitation for property owners who install lights and cameras and agree to provide the police department with access to security footage.
- Investigating opportunities to limit the number of alcohol-serving establishments (beyond relying on TABC’s revocation of liquor licenses at the building level).
- Working with City Council and homeless service providers to add a sobering center downtown, so that intoxicated people can be moved from sleeping in the street to a safe location overnight.

Mr. Sadowsky was also advised to contact Brian Block at Vieux Carre Commission in New Orleans and Frank Alexander at the Center for Community Progress in Washington, DC, to investigate potential model programs and resources, an additional step which is outside the scope of this project.

We would recommend assembling more information about the change in property values for individual properties in the Sixth Street Historic District, and then meeting with TCAD to learn how they are appraising those properties and whether that is consistent with appraisal

approaches in other commercial areas of the city, as well as residential areas. We believe that a case might be made to support a collective property-owner protest of building appraisal values, should the City be willing to take that on as a service to its constituents.

Overall, we recommend that the City engage property owners in an ongoing dialogue to vet potential program concepts, identify additional property-owner needs, engage tenants to better understand their perspective on these issues, etc. The Historic Preservation Office should begin or continue to closely interact with other City departments to address public safety, sanitation, and social services issues.