

MINUTES

Illinois Historic Preservation Agency – Tax Freeze Presentation Minutes

Presented by: Anthony Rubano, Illinois Historic Preservation Agency

Date: November 9, 2011

Location: Glen Ellyn Civic Center, 535 Duane Street, Glen Ellyn, IL.

Anthony Rubano stated that the Illinois Historic Preservation Agency (IHPA) administers the Property Tax Assessment Freeze Program, maintains 56 historic sites throughout the state, administers the Abraham Lincoln Presidential Library and Museum, and leads the Preservation Services Division which administers the federal and state preservation programs and tax programs for owner-occupied and residential properties.

Mr. Rubano showed a Powerpoint presentation that included four main sections regarding the tax assessment freeze program for owner-occupied buildings: Benefits, Examples, Requirements and Website/Application Form. He stated that the program's main benefit is that a property's assessed value is frozen at the rate that it was when the property owner began rehabilitation or restoration work, and that it will stay frozen for eight years, but can be frozen up to 12 years depending on when a property owner applies for the program. He stated that the assessed value is what the estimated priced an assessor thinks the house is worth, which is also called "the fair market value." Commissioner Loftus asked if an assessment decrease would reduce the freeze point to which Mr. Rubano replied yes. Mr. Rubano also stated that there is no cost to apply for this program and that it is a no-obligation process.

Mr. Rubano stated that other benefits include it removes the perceived disincentive to substantially rehabilitating a historic house, rewards owner/occupants for sensitively reinvesting in their houses as a way to encourage reinvestment into existing neighborhoods, strengthens neighborhoods and housing stocks, provides reuse of the already-built environment which is sustainable, encourages longer tenure for residents, encourages protection of historic structures through promotion, recognition and designation, and encourages substantial rehabilitation which increases property values and encourages district-wide reinvestment.

Mr. Rubano stated that the requirements are based around use, significance, budget and the work. He stated that the use has to be for owner-occupied housing which can be a single-family home, a 6-flat building if one of the units is lived in by the owner, a duplex or a condo.

Mr. Rubano stated that the property needs to be recognized as historic, either through being listed on the National Register, as individually listed or as a contribution to a historical district, or be listed in a local landmark district, either individually or as a contribution to a historic district. An audience member asked if the Glen Ellyn plaqued homes qualify to which Mr. Rubano replied that the plaqued homes would qualify if they are also local landmarks. Commissioner Manak asked if the home would qualify if the plaque is from the Glen Ellyn Historical Society to which Mr. Rubano stated that the home would need to be a Village of Glen

Ellyn local landmark. Mr. Rubano stated that there is an “Opt Out” clause where a community can decide to not participate in the program and would need to notify the IHPA at the beginning of each calendar year of this non-participation. Mr. Rubano stated that when you create a local landmark district, there will be an ordinance for a Certified Local Government (CLG), which Glen Ellyn is, as are dozens of other communities in the State of Illinois.

Mr. Rubano stated that the eligibility starts with an owner-occupied house that is a “landmarkable” owner-occupied home. He stated that this home needs to have already been “landmarked” and have enough work on the home to trigger the freeze and meet the standards of rehabilitation approved by the National Park Service.

Mr. Rubano stated that the requirement for the budget portion is that the property owner must spend more than one-quarter of the assessor’s “fair market value” of the house for the year the work starts. He stated that this fair market value of the property or fair cash value can be found on the first Tax Bill and is determined by the assessor. He stated that you need to divide the fair market value number by 4, and that will be the minimum expenditure for triggering the freeze. He stated that for a multi-unit building, you will need to aggregate the fair market value of the units and then divide that number by 4. He stated that construction costs for anything done to or in the building or even with a later addition counts, as well as depreciable soft costs (architect’s fees, survey fees, etc.). He stated that acquisition, furnishings, new additions, landscaping and site improvements do not count toward this budget piece. An audience member asked if you can include those costs if you are keeping the same foundation walls to which Mr. Rubano stated that if you are taking anything down to the ground, it does not count as it is considered new construction. An audience member asked if you can count it when 70% is a remodel of the existing kitchen and the other 30% is pushing the footprint out to which Mr. Rubano stated that this work would be prorated. Commissioner Loftus asked if demolition costs would count if it were done to restore a building to its original state to which Mr. Rubano replied that demolition tends not to count, but true restoration may count. Commissioner Manak asked if the replacement of a roof would trigger the freeze to which Mr. Rubano stated yes, it would.

Mr. Rubano stated that the budget timeline gives the property owner 24-36 months in which to spend money. He stated that the sliding bar can start today and go for the next 24 months, or the sliding bar can be pushed up to 48 months into the past as long as expenditures ended 24 months ago. He stated that the property owner can decide when to start and when to finish. He stated that if you do the work yourself, you can fill out an additional form found on-line to track hours of labor which can be multiplied by the federal minimum wage of \$7.25 an hour. Additionally, if you complete any work on your property that you do as a professional (i.e. plumber, etc.), you can charge yourself the professional rate for work.

Mr. Rubano stated that the scope of work must meet the Secretary of Interior’s Standards for Rehabilitation which has been promulgated by the National Park Service and include standards for work on the facades, the primary interior spaces and any prominent features. He stated that you should retain and repair what is significant, and that you can alter or retain the rest so that the result retains the authenticity and significance of the building. He stated that there can be differences in the criteria between the IHPA and a CLG’s standards. He stated that the idea of rehabilitation standards is not restoration, but the compatibility and the retention of the

significant features of a property. He stated that there is more flexibility in less significant areas such as kitchens and rears of houses. An audience member asked if the 25% expenditure threshold needs to be spent in the significant areas to which Mr. Rubano replied that you do not have to spend it in these areas, but you do need to preserve them. He stated that additions should not be visible from the public right-of-way, and that you need to retain and repair historic windows on primary facades (usually the front and sides) as the retention of these historic features is very critical. He stated that you can do re-replacement of windows of non-historic windows or add storms if you wish.

Mr. Rubano stated that the Assessment Freeze Website is www.illinoishistory.gov/PS/financial.htm, and it contains the benefits and the four requirements/provisions as well as other information that may be helpful for property owners. He stated that the IHPA's goal is to consistently apply these standards to every building and to be objective in its application. He stated that the procedure is to read the on-line information, submit parts 1 and 2 before you start the work and then submit part 3. An audience member asked if you needed to have the before photos to which Mr. Rubano stated that the before photos are on the burden of the applicant and the photos need to be submitted beforehand. Commissioner Manak asked if old blueprints were OK instead of before photos to which Mr. Rubano stated that you need to have before photos as blueprints may not have been executed fully.

Mr. Rubano stated that the Application is in three parts that comes with an instructional guide, or property owners can contact the IHPA with questions. He stated that Part 1 is the Certification of Contributing Status which certifies that the home contributes to a historic district. He stated that if your property is on the National Register or individually landmark, you do not need to complete this step. He stated that you will need to submit the signed form with a few exterior labeled photos and a short statement of significance (two sentences). He stated that the IHPA then has 45 days to review the application after receipt, and that the IHPA can certify it is contributing, certify it is contributing if certain work is done or determine it is not contributing. He stated that Part 2 is the Description of Rehabilitation which describes the prominent features and proposed work. He stated that you should submit photos of the current property prior to construction and include pictures of all areas or facades that will be worked on, even in non-historical areas of the property. He stated that the IHPA has another 45 days to call, ask for more information or do a site visit, then they would approve, approve with conditions or deny the project. He stated that the owner can appeal if the project is denied. He stated that it is best to submit Parts 1 and 2 before the work starts, but that the IHPA will not deny a project if you do these parts after the work has started.

Mr. Rubano stated that Part 3 is the Approval of the Completed Work which proves the work was done as described in Part 2. He stated that the home owner should send after photos which are in color and labeled as well as proof of expenditures or the do-it-yourself form. He stated that you will enter your PIN number from your tax bill and your home's assessed value for the year in which the work began. He stated that you will also need to enter your eligible and ineligible expenses and the housing number on this information form. He stated that the IHPA then can approve, ask for more information, or deny the project. He stated that if you are approved, you and the assessor will be sent a Certificate of Rehabilitation which will freeze your property tax rate. He stated that if a developer buys a house, submits Parts 1 and 2, completes the

rehabilitation per the Standards, and then sell the house, the new owner-occupant will be required to submit Part 3 to activate the tax freeze.

Mr. Rubano stated that if there is an issue or doubt with the tax bill, he recommends contesting the rates prior to the freeze. An audience member asked about the sliding time window and prior documentation to which Mr. Rubano stated that any photos or information would be helpful with the application. An audience member asked if you could apply for the freeze after the work is completed to which Mr. Rubano stated yes, up to four years ago to the beginning of the project, and that it would need to have been completed two years ago. Commissioner Loftus asked if the freeze only applies to one structure on the property to which Mr. Rubano stated that there should be an assessed fair market value for the property, and the property gets the freeze, not the building.

Commissioner Loftus asked about the commercial building incentive to which Mr. Rubano stated that this incentive is a federal tax credit which is a 20% income tax credit available to the owners of these buildings. Mr. Rubano stated that if the owner(s) want to rehabilitate the building to the standards, the building will have an adjusted basis known by the accountant, and the trigger for the 20% credit is to exceed the adjusted basis in a rehabilitation. He stated that the building must be historic either through National Register Listing or locally landmarked. He stated that as long as the owner spends more than the adjusted basis for depreciable property, the owner can spend as much as he wants, and 20% of that comes back as a dollar-for-dollar credit against the federal income taxes of whoever owns the building.

An audience member asked how long it takes for a home owner to apply for individual landmark status if the home is not in a local district to which Mr. Rubano stated that the review process for the tax freeze usually takes about six months to a year, but you can do it concurrently as you are applying for local landmark status. Commissioner Loftus stated that since Glen Ellyn is a CLG, your home could be landmarked by the Village of Glen Ellyn within about four to five months. Commissioner Loftus stated that a landmarking application first goes to the HPC to have the application's criteria reviewed and approved and then it would get on the Village Board's agenda to review and vote on it. Mr. Rubano stated that you can be doing the rehab work concurrently while applying for the tax freeze because the freeze will not happen until the work is finished and Part 3 is submitted. Mr. Rubano stated that you can write on the application Part 1 that you are pending local landmark and then submit a copy of the ordinance when you submit Part 3. Mr. Rubano stated that it does take less time to get local landmark status than National Register status and is more achievable.

Chairman Marks stated that there is a National Register District on Main Street between Hawthorne and Cottage which most people are not aware of. He stated that in 2012, the HPC will be looking at some local-designated Glen Ellyn landmark districts as the HPC has some neighborhoods in mind, and that the HPC will keep the Village updated on this. He stated that they are encouraging more homeowners to apply for local landmark status.

An audience member asked if a local landmark or National Register home can be torn down to which Chairman Marks stated that it can be reversed to allow this. Mr. Rubano stated that there is no protection for national register properties unless there is a state or federal undertaking.

Commissioner Loftus stated that if you want to de-landmark, you go through the same process by coming before the HPC and then going to the Village Board.

Chairman Marks thanked Mr. Rubano for coming and stated that it was very informative. Chairman Marks also thanked the homeowners for coming. Mr. Rubano stated that the audience members are welcome to call him with questions. An audience member asked if there is any tax body in DuPage County that has opted out of the tax freeze program to which Mr. Rubano stated that he was not aware of one that has opted out.

Submitted by: Debbie Soloman, Recording Secretary

Reviewed by: Michael Strong, Staff Liaison