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SURVEY RESULT - Special Tax Valuation (STV) continues to be an important benefit to property owners.

Special Tax Valuation

\$ REHAB = AT LEAST 25% OF BUILDING VALUE
MINUS LAND



Building Value = \$50,000
25% = \$12,500 (minimum)
Actual amount spent on
rehab = \$50,000
Building reassessed on
normal schedule = \$60,000
Subtract "special valuation"
of \$50,000
Taxed on = \$10,000

SURVEY # 5

Do you plan to take advantage of Local
Register Historic District Special Tax
Valuation tax incentives (STV) in the future?

YES - 7

Unsure - 12

No - 20

Note - One survey not counted, marked
both no and not sure.

Past & Current

Participation - 8

*Only properties on the Dayton Register of Historic Places
(district and individual) can qualify for the STV program*

Scenarios	Benefit	Disadvantage
Retain District(s)		
STV Program eligibility is retained.	X	
Encourages property maintenance.	X	
Reinforces values inside district.	X	
Elimination of District(s)		
Added Cost – Preparation of individual nomination to register and recording.		X
Added Time - Individuals must be register as an individually registered historic property before STV improvements.		X
Less incentive to pursue STV.		X
Elimination of STV Program <small>(not a preferred option of Survey Respondents)</small>		
Increase cost to owner for major projects: foundations, roofs, siding, & interior.		X
Less incentive to rehabilitate.		X

Are there other advantages or disadvantages to the scenarios cited?

Special Valuation: A Local Tax Incentive Program

BACKGROUND

During its 1985 session, the Washington State Legislature determined that as the state approached its centennial year, the preservation of a lasting legacy of historic resources was an important goal. In order to reach this goal, the legislature passed a law which allows a "special tax valuation" (STV) for certain historic properties within the state.

The primary benefit of the law is that during the ten year special valuation period, property taxes will not reflect substantial improvements made to the property.

Prior to the passage of this law, owners restoring historic buildings were subject to increased property taxes once the improvements were made. This had the effect of discouraging some owners from rehabilitating their historically significant structures. The Legislature decided that restoration of these properties would be encouraged if tax relief were available. Property tax relief was selected as a tool which could provide the financial incentives necessary to promote rehabilitation of eligible historic properties. Since passage of this law, over thirty-five local governments have implemented programs which allow their constituents to take advantage of this tax relief.

Definition:

"Special Tax Valuation" is the revision of the assessed value of a historic property which subtracts for up to ten years, such rehabilitation costs as are approved by a Dayton Historic Preservation Commission (DHPC).

IMPLEMENTATION

Only local governments which implement the law are eligible to pass on the tax relief to the public. The City of Dayton identifies the types of properties that are eligible for special valuation, and designates a local review board that will review applications.

ELIGIBILITY in DAYTON

To be classified as eligible for special valuation, a property must first meet the following criteria:

1. It must be listed in the Local Register of Historic Places established by the City of Dayton, Certified Local Government, and,
2. It must be of a class of properties approved by the local government.

Eligible properties which undergo substantial rehabilitation may receive special valuation if the rehabilitation work is approved by the local review board. The work must have been conducted within two years prior to application, and must be equal in cost to at least 25% of the assessed value of the structure prior to rehabilitation.

REQUIREMENTS

Protection of the Property

Property owners who want to take advantage of special valuation must sign an agreement with the local review board (DHPC) that guarantees they will meet the following standards during the ten-year property tax exemption period:

- The property must be maintained in good condition.
- The owner must obtain approval from the local review board prior to making further improvements.
- The property must be visible from a public right-of-way, or otherwise be made available for public view once every year.

The penalty for violating the agreement or other program requirements is substantial. All back taxes which would otherwise have been owed, interest on back taxes, and a penalty equal to 12% of back taxes.



How the Application Process Works:

APPLICANT:

- Submits COA application for project and rehabilitation work to DHPC prior to building permits and any work beginning on property.
- Submits STV application to the assessor no later than 24 months after beginning date of rehabilitation work.

ASSESSOR:

- Reviews application for completeness.
- Verifies legal owner, legal description, etc.
- Submits application to Dayton Historic Preservation Commission (local review board) within ten working days.

DHPC:

- Reviews application and attachments.
- Determines approval or denial of application no later than Dec. 31st of application year.
- If application is approved, notifies applicant, assessor, and State Advisory Council within ten days.
- Executes agreement with applicant.
- Returns application to assessor.
- Records agreement.

ASSESSOR:

- Files application, agreement and certification statement (if applicable) with the county recording authority.
- Determines special valuation and enters in tax roles separately from the normal assessed value.

How Eligible Properties Are Defined

To be eligible for special tax valuation, a property must be:

1. Listed in the Dayton Local Register of Historic Places for individual or district properties.

AND

2. It must be of a class of historic properties approved by the City of Dayton, DHPC.

The Timetable

WITHIN 2 YEARS PRIOR TO DATE OF
STV APPLICATION:

- Rehabilitation work begun and completed.

BEFORE OCTOBER 1 (IF SPECIAL VALUATION
IS DESIRED FOR FOLLOWING YEAR)

- Applicant submits application.

APPLICATIONS FOR SPECIAL VALUATION

will be reviewed, and approved or denied, by the Dayton Historic Preservation Commission (DHPC). The DHPC will make their determination at a public meeting, during which the applicant may be present.

It is mandatory for the applicant to consult with the DHPC before beginning the rehabilitation work, to ensure that the project will comply with the applicable standards.

RESPONSIBILITIES

1. WHILE CONDUCTING THE REHABILITATION, the applicant must:

- a. MONITOR rehabilitation work to ensure that it conforms with *The Washington State Advisory Council's Standards for Rehabilitation*
- b. MAINTAIN accurate records of project costs, and dates of project work

2. WHEN APPLYING FOR SPECIAL VALUATION, the applicant must FILE an application for special valuation with the assessor's office (on the Department of Revenue form) no later than two years after beginning the rehabilitation project. The application must include as attachments:

- a. The legal description of the property
- b. Comprehensive exterior and interior photographs of the property before and after rehabilitation
- c. Architectural plans or other legible drawings depicting the completed project
- d. A notarized affidavit attesting to the actual cost of rehabilitation work
- e. A statement from the DHPC indicating that the property is a certified historic structure if it is located in an historic district.

3. IF A PROJECT IS APPROVED, the applicant must:

- a. SIGN an agreement with the local review board guaranteeing that during the 10-year period of special valuation he or she shall:
 - MAINTAIN the property in safe and sound condition and protect it from the elements, and repair deteriorated or broken exterior features, in compliance with *The Washington State Advisory Council's Standards for Rehabilitation*
 - OBTAIN written consent of the DHPC prior to making further improvements or alterations to the property

- MAKE the property accessible to the public once each year if it is not normally visible from a public right-of-way
 - OBTAIN written consent of the DHPC and City prior to demolishing the property
 - NOTIFY the assessor within 30 days if the property becomes disqualified for special valuation, e.g. if agreement terms are violated.
- b. PAY processing fees (and title search fees, if required) charged by the assessor's office.

4. IF THE PROJECT IS DENIED, because the property is determined ineligible for special valuation, the applicant may APPEAL to the decision of the DHPC to Superior Court, or the County Board of Equalization.

5. IF THE PROJECT IS LATER DISQUALIFIED for special valuation, or in the event of any dispute, the applicant may APPEAL to the County Board of Equalization.

6. IF THE PROPERTY IS SOLD, and the new owner desires continuation of the special valuation, he or she must SIGN an agreement with the local review board ensuring that the program requirements will be satisfied for the duration of the special valuation period.

IMPORTANT DEADLINES

- Application for special valuation must be made no later than 24 months after the beginning date of the rehabilitation work.
- October 1 is the deadline for applications when special valuation is desired for the following year. NOTE: due to the lag in property tax payments, the tax reduction will appear one-year after special valuation designation, and it applies until the year following the end of the 10-year special valuation period.

PHASED PROJECTS

Properties which are rehabilitated in phases may receive special valuation for each phase, provided that qualified rehabilitation expenditures for each phase exceed 25% of the assessed value of the property, exclusive of land value, at the time that phase began. Each phase is treated as though it were a separate project, and is subject to all requirements of the special valuation program.