

# COUNTY COUNCIL OF BEAUFORT COUNTY

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CLERK TO COUNCIL

## AGENDA FINANCE COMMITTEE Monday, January 27, 2014 1:00 p.m. Executive Conference Room Administration Building

### Committee Members:

Rick Caporale, Chairman  
Steve Fobes, Vice Chairman  
Brian Flewelling  
William McBride  
Stu Rodman  
Jerry Stewart

### Staff Support

Alicia Holland, Chief Financial Officer

1. CALL TO ORDER – 1:00 P.M.
2. PRESENTATION / TREASURER'S COMPENSATION ([backup](#))
3. PRESENTATION / BAILEY BILL ([backup](#))
4. DISCUSSION / REAPPOINTMENTS AND APPOINTMENTS
  - A. Airports Board
5. ADJOURNMENT

### Open Item

Establish General Fund Reserve Policy



# SOUTH CAROLINA COUNTY COMPARISONS

COUNTY	POPULATION	POP RANK	POPULATION % CHANGE 2011 - 2012	POP % CHANGE RANK	ASSESSED PROPERTY VALUE 2010	EMPLOYEE HEAD COUNT FOR TREASURER'S OFFICE	EMPLOYEE WORK WEEK	COUNTY PERFORMS TAX COLLECTION FOR LOCAL MUNICIPALITIES	JOINT TAX COLLECTION FEE ASSESSED
Aiken *	162,812	11	0.5%	14	550,259,888	9 FT 1 PT	37.5	YES	NO
Anderson	189,355	9	0.5%	16	665,216,610	16 FT	37.5	YES	NO
Beaufort	168,049	10	2.2%	3	1,833,355,095	20 FT	40	YES	NO
Berkeley *	189,781	8	3.0%	1	778,129,117	8 FT 1 PT	37.5	YES	NO
Dorchester *	142,496	12	1.8%	8	495,860,614	14 FT 1 PT	40	YES	NO
Florence	137,948	13	0.4%	17	493,575,353	15 FT 3 PT	37.5	YES	\$5 - 10/REPT & \$0.001/RECORD; \$0.97/TAX NOTICE
Pickens *	119,670	14	0.2%	22	442,023,365	6 FT	40	YES	\$1.50/MO/TAX NOTICE
Sumter	108,052	15	0.7%	13	296,552,020	9 FT	37.5	YES	\$1.92/MO/TAX NOTICE

\* Treasurer's offices without responsibility for delinquent tax collection.

## COUNTY FINANCE & EMPLOYMENT DATA

	TOTAL REVENUE FY2010	GENERAL FUND BUDGET FY2012	F-T EMPLOYEES FY 2012	P-T EMPLOYEES FY 2012
Aiken	\$93,280,970	\$52,359,442	812	58
Anderson	\$80,954,734	\$56,832,045	837	135
Beaufort	\$170,148,348	\$96,100,000	1,144	140
Berkeley	\$110,073,679	\$54,790,523	1,037	46
Dorchester	\$66,217,928	\$41,595,808	761	1,077 * includes all election workers
Florence	\$91,861,117	\$48,229,641	736	41
Pickens	\$49,398,404	\$35,500,000	492	123
Sumter	\$142,578,606	\$38,876,299	553	92



## MEMORANDUM

**TO:** Councilman Rick Caporale, Chairman, Finance Committee  
**FROM:** Anthony Criscitiello, Planning Director *TC*  
**DATE:** January 23, 2014  
**SUBJECT:** Bailey Bill Summary and Advantages

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The City of Beaufort plans to adopt the Bailey Bill and has requested that County Council consider joining The City and other municipalities in adopting the bill as well. Lauren Kelly, the City of Beaufort Project Development Planner, will make a presentation regarding the bill.

**Bill Summary:** This bill - Sections 4-9-195 & 5-21-140, a.k.a the Bailey Bill - was adopted by SC state legislature in 1990, and amended in 2004, to permit municipalities and local governments to offer special property tax assessments for rehabilitated historic structures, as well as low and moderate income rental properties. The special assessment can essentially freeze taxes at the pre-rehabilitated rate for a given amount of time, offering an incentive for a property owner to invest in their house while keeping their tax rates the same.

With regards to the rehabilitated historic structures, the Bailey Bill allows municipalities to set certain criteria including:

- **Qualification for Historic Structures** – properties but must meet one or more of the following:
  - (a) the property is listed in the National Register of Historic Places;
  - (b) the property is designated as a historic property by the county governing body based upon criteria established by the county governing body and is at least fifty years old; or
  - (c) the property is at least fifty years old and is located in a historic district designated by the county governing body at any location within the geographical area of the county.
- **Rehabilitation expenditure minimums** – can be set between 20% -100% of Fair Market Value
- **Duration of special assessment period** – can up to 20 years. Special assessment can keep tax liability the same, and/or increase it incrementally over a given period of time

The city is proposing to adopt the bill as it applies to rehabilitating historic structures, and suggests that the county and other municipalities also adopt it, and work towards common standards to make this as effective and easy to administer as possible, from both an individual perspective as well as a governmental perspective. The portion of the bill pertaining to rehabilitating Low and Moderate Income Rental Properties needs more study. The city will work with the Beaufort Housing Authority to see if this would benefit them and Section 8 housing rehabilitations. The rest of the conditions may not apply, as Beaufort does not have any "Low and Moderate Housing Rehabilitation Districts," as required by the bill.

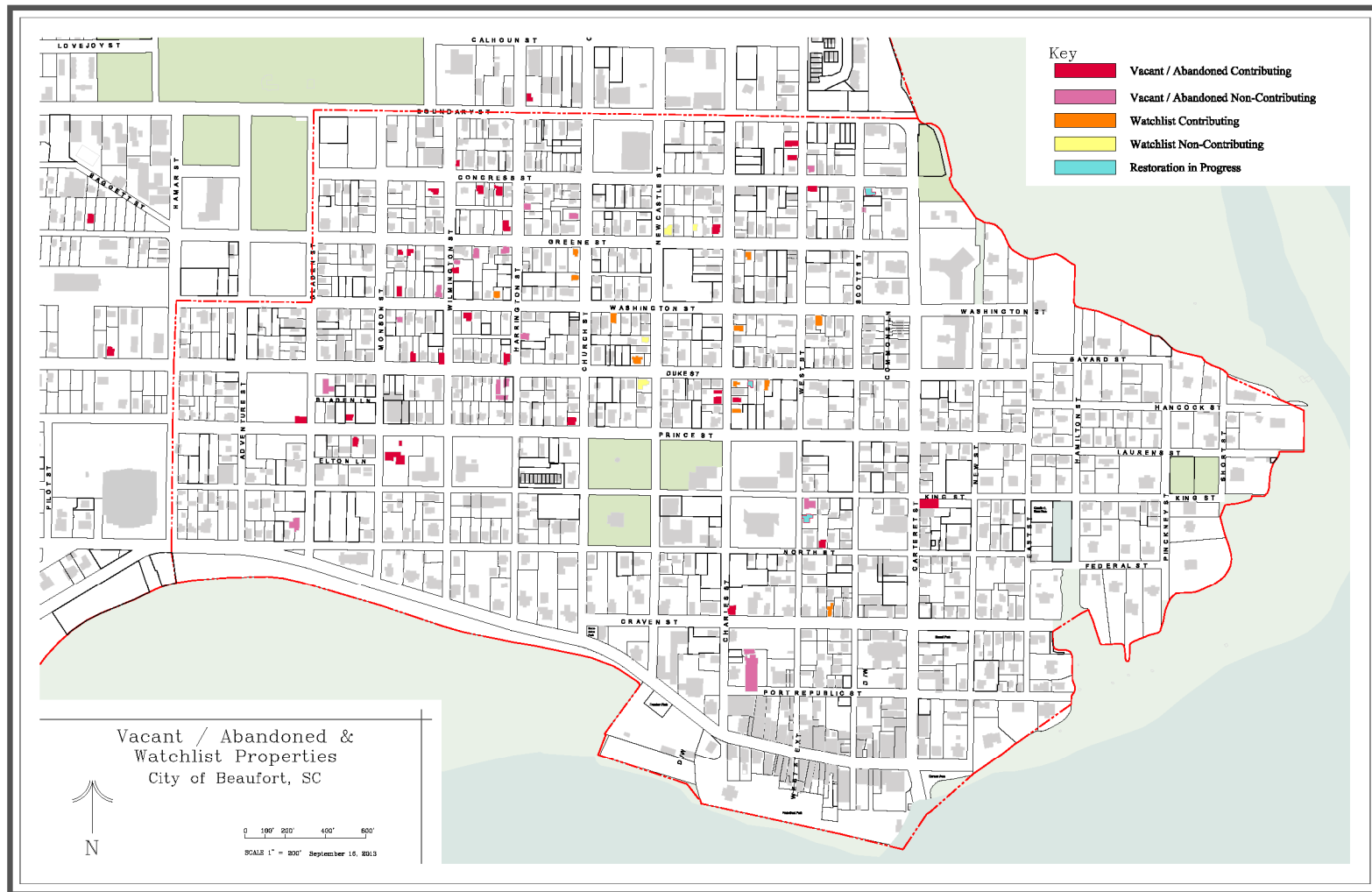
**Advantages:** This is a tool in the tool box to encourage restoration and preservation of historic buildings in our city, county and other municipalities. Currently, many properties that could take advantage of this bill either sit vacant or are in various states of disrepair. This directly affects government revenue, as the values of the buildings are low, and thus they are taxed at a low rate. This indirectly affects revenue and general character of the area, as it detracts investment in close proximity to these properties. Adopting this bill comprehensively throughout the county would incentivize redevelopment on an individual and neighborhood-wide level. Then once the special assessment period is over property taxes would increase to fair market value, and provide another direct benefit for all local governments involved. There is no direct loss to the municipalities, as the tax rate would not change from its current amount. Conversely, if no action is taken to improve these properties, the county and municipalities could start losing tax revenue as the property values continue to decline. Ultimately, this can result in a demolition by neglect situation, which not only nets a tax loss, but a loss of significant historic resources which cannot be replaced.

City of Beaufort  
Planning Department

Tax Incentives for Rehabilitating Vacant /  
Abandoned Buildings in the Historic District

Current Status  
Current Tax Incentives  
Proposed Tax Incentive  
Value of Preservation  
Conclusion & Recommendations

# HISTORIC DISTRICT VACANT BUILDINGS | MAP



## VACANT BUILDINGS | CURRENT STATUS

**50:** The City currently has 50 properties on the Vacant/Abandoned list.

**38:** Of those 50 properties, 38 are listed as “contributing” to the historic district and would be eligible for tax incentives.

On these 38, the city annually receives **\$12,440** in tax dollars, from these properties, an average of **\$327/property**. The county/school district receives **\$34,627**, an average of **\$911/property**.

**25:** An additional 25 properties in the district are on an internal “watchlist.” This signifies that the property is occupied, but not well maintained.

**<2:** Over the past 10 years, the city has averaged less than 2 substantially rehabilitated vacant buildings/year



# VACANT BUILDINGS | REHABILITATIONS: 2003 - 2013

## Completed or In Progress

- 702 Bladen Street (HBF)
- 1215 Boundary Street
- 1800 Boundary Street
- 710 Carteret Street
- 802 Carteret Street
- 1006 Church Street
- 907 Craven Street
- 912 Duke Street
- 1405 Duke Street
- 1003 Greene Street
- 1212 Greene Street
- 1307 Greene Street
- 810 Harrington Street
- 807 North Street
- 915 Port Republic Street
- 1311 Prince Street

## Pending Projects

- 1407 Duke Street
- 507 West Street
- 605 West Street – Phase I Grant
- 712 Congress Street

## Working with Lowcountry Housing Trust

- 710/712 Charles Street – Duplex + Workshop
- 511 West Street (4 plex)
- 915 Craven Street – Tabernacle Baptist

# VACANT BUILDINGS | DEMOLITIONS: 2009 - 2013

## Demolished

- 802 Bladen Street Accessory
- 904 Boundary Street
- 212 Burroughs Ave
- 1012 Charles Street
- 1105 Charles Street
- 1010 Church Street
- 1012 Congress Street
- 1008 Duke Street
- 1303 Duke Street
- 1411 Duke Street
- 1703 Duke Street
- 1811 Duke Street
- 1932 Duke Street
- 1915 Duke Street

- 914 Emmons Street
- 2305 Lafayette Street
- 1105 Greene Street
- 1110 Green Street
- 1111 Green Street
- 803 North Street
- 1411 Palmetto Drive
- 100 Pine Cove Street
- 905/907 Prince Street
- 1214 Prince Street
- 1170/1179 Ribaut Road
- 2801 Waddell Road
- 912 Washington Street

## Pending Demolition

- 814 Newcastle
- 505 Prince (fire)

demolitions as a result of code enforcement actions – items in green signify location within the historic district

# VACANT BUILDINGS | COMMERCIAL STRUCTURES

509 Carteret Street



1401 Duke Street



# VACANT BUILDINGS | MULTI-UNIT STRUCTURES

810/812 Congress-Duplex



915 Craven Street – 4plex



# VACANT BUILDINGS | 1 STORY COTTAGES

1408 Greene Street



1408 Greene Street



# VACANT BUILDINGS | 2 STORY HOUSES

1203 Prince Street



1108 West Street



# VACANT BUILDINGS | CURRENT TAX INCENTIVES

The screenshot shows a web page from the City of Beaufort. At the top left is the logo for 'BEAUFORT SOUTH CAROLINA TRICENTENNIAL 1711-2011' with a large '300' graphic. To the right are links for 'News' and 'Employment' and a search bar. Below the logo is a navigation menu with buttons for 'Departments', 'City Hall', 'Projects', 'Residents', 'Visitors', and 'Business'. The main content area has a breadcrumb trail: 'Home > Departments > Planning > Historic District > Tax Credits for Historic Preservation'. The page title is 'Tax Credits for Historic Preservation'. The text explains that one of the first questions people have when considering purchasing an historic property is 'What kind of help is out there for this project.' It lists three key questions: 1. Is the property considered a "certified historic structure." 2. Is the property going to be owner-occupied, or income producing (eg. commercial or rental)? 3. Has this property been vacant and abandoned and for how long? Below this, it mentions research done by the National Park Service and the South Carolina State Historic Preservation Office. A section titled 'Federal, State & Local Incentives' lists resources for each level: Federal (National Park Service website, NPS Tax Incentives brochure), State (Chart to help identify the type of credits you may qualify for, Incentives for Owner Occupied properties, Incentives for Income Producing properties, SC Abandoned Buildings Revitalization Act), and Local (Occupancy of empty/vacant commercial buildings, Rehabilitation of vacant or abandoned structures, View entire redevelopment incentives program). A sidebar on the right titled 'Historic District' lists '1997 BC Above Ground Historic Sites Survey' and 'Tax Credits for Historic Preservation'.

BEAUFORT  
SOUTH CAROLINA  
TRICENTENNIAL 1711-2011  
300

News Employment enter search terms GO

Departments City Hall Projects Residents Visitors Business

Home > Departments > Planning > Historic District > Tax Credits for Historic Preservation

## Tax Credits for Historic Preservation

One of the first questions many people have when they consider purchasing an historic property, particularly one that needs improvement, is "What kind of help is out there for this project." Fortunately, there are some great financial incentives at the Federal, State, and Local level that can help make the financial implications of restoring an historic property more manageable.

The type and amount of financial assistance depends on a number of things:

1. **Is the property considered a "certified historic structure."** In the City of Beaufort, any property either individually listed on the [National Register of Historic Places](#) or listed as "Contributing" in the [1997 Beaufort County Above Ground Resources Survey](#) is a "certified historic structure."
2. **Is the property going to be owner-occupied, or income producing (eg. commercial or rental)?**
3. **Has this property been vacant and abandoned and for how long?**

Much research and compilation has been done both by the [National Park Service](#) and by the [South Carolina State Historic Preservation Office](#) to help property owners figure out exactly which tax credits they qualify for. Below are a list of links to different resources those two organizations have put together. The City of Beaufort also has our own local incentives for certain types of restoration and redevelopment so those are listed as well. If you have any questions, please contact Lauren Kelly in the Planning Department: 843-625-7014, or [lkelly@cityofbeaufort.org](mailto:lkelly@cityofbeaufort.org)

### Federal, State & Local Incentives

**Federal** - offers incentives for income producing properties

- [National Park Service Technical Preservation Services webpage](#)
- [NPS Tax Incentives brochure](#)

**State** - offers incentives for both owner occupied and income producing properties

- [Chart to help identify the type of credits you may qualify for - Preservation Hotline #11](#)
- [Incentives for Owner Occupied properties](#)
- [Incentives for Income Producing properties](#)
- [SC Abandoned Buildings Revitalization Act](#)

**Local** - offers incentives for a variety of specific building types and scenarios

- [Occupancy of empty/vacant commercial buildings](#)
- [Rehabilitation of vacant or abandoned structures](#)
- [View entire redevelopment incentives program](#)

**Historic District**

- [1997 BC Above Ground Historic Sites Survey](#)
- [Tax Credits for Historic Preservation](#)

# VACANT BUILDINGS | CURRENT TAX INCENTIVES

Federal: incentives for income producing properties

20% income tax credit on rehab expenditures.

State: incentives for income producing properties

1. 10% income tax credit on rehab expenditures (uses same application as federal tax credit)
2. SC Abandoned Buildings Revitalization Act – Adopted in 2013 - must spend >\$150,000 on property vacant for at least 5 years; can apply for either:
  - State Income Tax Credit – up to 25% of expenses, not to exceed \$500,000
  - Local Property Tax Credit – could apply to both city and county for credit on 25% of expenses times the taxing entity ratio (6%), not to exceed 75% of total tax liability, for up to 8 years.
    1. File “Notice of Intent to Rehabilitate”
    2. Council would determine Eligibility
    3. Public Hearing required, and credit is approved by ordinance



# VACANT BUILDINGS | CURRENT TAX INCENTIVES

## State: incentives for owner-occupied properties

25% income tax credit on rehab expenditures

## Local: incentives for income producing & owner occupied properties

1. Beaufort Redevelopment Incentive Program – offer 3 years of tax refunds for the difference in the taxes between pre- and post-rehabilitation. This is done directly through the city and applies to:
  - Occupancy of Empty/Vacant Commercial Buildings
  - New Construction in Downtown and Redevelopment Corridors (double if rental housing is created)
  - Development of Student Housing
  - Development of Accessory Dwelling Units
  - Rehabilitation of Vacant or Abandoned Structures
2. Relief from review board and permit fees is offered for buildings on the vacant/abandoned list

## VACANT BUILDINGS | PROPOSED TAX INCENTIVE

State Enabling Legislation for Local Municipalities:  
SC Special Property Tax Assessment for  
Rehabilitated Historic Buildings and Low  
and Moderate Income Rental Properties  
a.k.a. The Bailey Bill

- Sections 4-9-195 & 5-21-140

# VACANT BUILDINGS | PROPOSED TAX INCENTIVE

## SC Special Property Tax Assessment

What is it? Special Assessment based on the tax liability at pre-rehabilitation Fair Market Value, for projects that meet certain standards.

- Qualification can be set by municipality, but must meet one or more of the following criteria .
  - (a) the property is listed in the National Register of Historic Places;
  - (b) the property is designated as a historic property by the county governing body based upon criteria established by the county governing body and is at least fifty years old; or
  - (c) the property is at least fifty years old and is located in a historic district designated by the county governing body at any location within the geographical area of the county.
- Rehabilitation expenditure minimums must be set by municipality, between 20% -100% of Fair Market Value
- Duration of special assessment period, up to 20 years, must be set by municipality. Special assessment can keep tax liability the same, or increase it incrementally over a given period of time.

# VACANT BUILDINGS | PROPOSED TAX INCENTIVE

## SC Special Property Tax Assessment

How many properties are we talking about?

That's really dependent on the criteria established by the respective councils.

- The stricter the standards, the less properties would qualify
  - This law does not require buildings to be vacant to qualify, so
  - There may be more buildings than the 38-50 on the city's vacant abandoned and watchlists that qualify depending on how stringent or flexible the council wants to make the qualifying standards.
  - In the city, there could be as many as 150-200 buildings that could qualify. However, the goal of the legislation would be to set the standards to encourage primarily those properties that are vacant, or in serious disrepair to rehabilitate their properties.

Issue: There are two taxing jurisdictions. For the most tax benefit for the property owner, both the city and county would have to adopt this legislation.

# VACANT BUILDINGS | PROPOSED TAX INCENTIVE

## Comparison between Special Assessment & Redevelopment Incentives

	SC Special Assessment	Redevelopment Incentives
Timeframe	Up to 20 years – decided by council	3 Years
Must be Vacant	No	Yes
Must have Historic Significance	Not necessarily – up to council; must be in the historic district	No
Minimum Rehab Investment	20-100% of fair market value – council decision	none
# of qualifying properties	38-200* *there are about 500 contributing structures. # of qualifying properties will depend on minimum rehab investment req'd & historic designation req's.	50* *buildings must be on Vacant/Abandoned list to qualify

# VACANT BUILDINGS | PROPOSED TAX INCENTIVE

## History of Similar Tax Incentives in the Country & State

- These have been popular since the mid-80s. By the 1990s over 22 states had similar legislation, with two states (GA & OR) having mandatory legislation for these incentives as opposed to enabling legislation that can be adopted if a municipality so chooses.
- This legislation was adopted in SC in 1990, and amended in 2004 to make it simpler and easier to use.

# VACANT BUILDINGS | PROPOSED TAX INCENTIVE

## History of Similar Tax Incentives South Carolina

- This legislation has been adopted by:  
Aiken, \*Columbia, Greenville, Greer, \*Richland  
County, Seneca, Sumter County
- On average, the term of the special assessment is 10 years. Some municipalities choose to gradually increase the rate towards the end of the term, while others simply end the special assessment all at once.

# VACANT BUILDINGS | PROPOSED TAX INCENTIVE

## Impact of Similar Tax Incentives in the Country & State

According to a 1999 paper titled State and Local Real Property Tax Incentives for Historic Preservation by Harry K. Schwartz (former Director of the Center for Preservation Policy Studies of the National Trust for Historic Preservation) in the Preservation Law Reporter:

“It should be noted that it is often difficult to determine whether a particular incentive scheme does in fact result in a loss of tax revenues, even over the near term. Since most incentives have the effect of freezing tax revenues on a historic building for a period of years, when a property owner makes use of the incentive, the taxing authority is left in the same position it was in before the rehabilitation activity took place, it is receiving the same, low tax yield as it did from the unimproved building. If, in the absence of the incentive, the rehabilitation would not have taken place, it is hard to see how the taxing authority has lost anything by granting the abatement.”



# VACANT BUILDINGS | PROPOSED TAX INCENTIVE

## Sample Calculation of a Subsidy-to-Rehabilitation Ratio

Example Property: 1408 Greene Street

### 1. Assumptions –

- assessed value = \$96,100
- (tax cap value= \$70,646)
- Rehab added value = \$70,000
- Value including rehab \$169,100
- Incentive duration 10 years



### 2. Calculation of taxes due over life of incentive

- Base city tax (6% market value at 66.61 mills [.06661])
  - Pre-rehab:  $\$70,646 \times .06 = \$4,238 \times .06661 = \$282/\text{yr} \times 10 \text{ years}^* = \$2,820$   
\*assumes no depreciation due to increased deterioration
  - Post-rehab:  $\$169,100 \times .06 = \$10,146 \times .06661 = \$675/\text{yr} \times 10 \text{ years} = \$6,750$

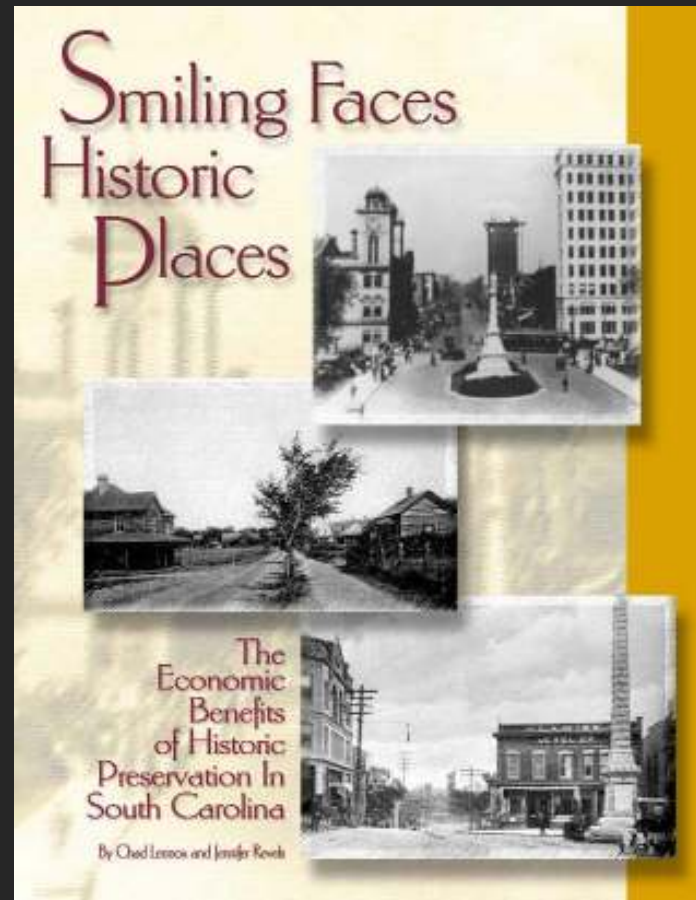
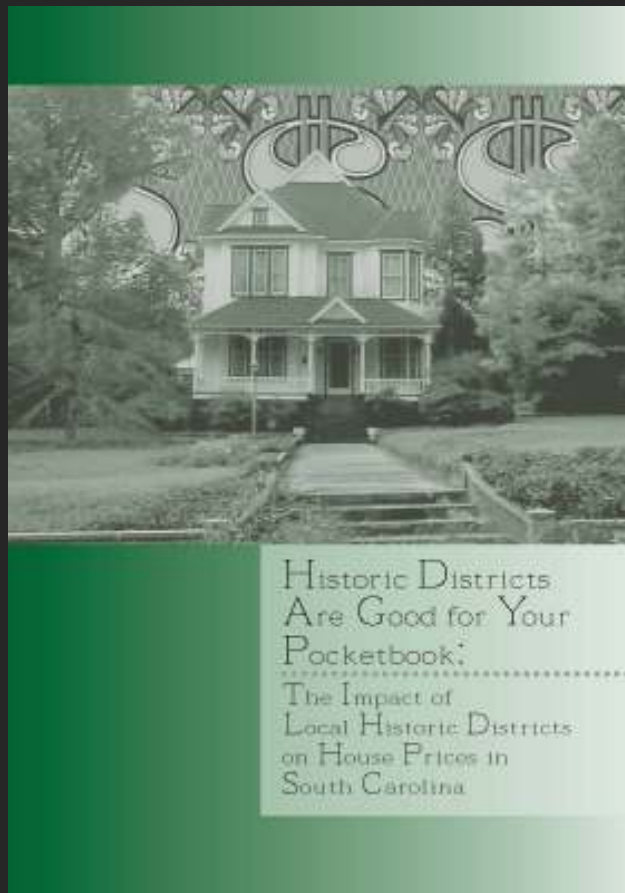
3. Calculation of savings attributable to use of incentive:  $\$6,750 - \$2,820 = \$3,930$

### 4. Calculation of subsidy-to-rehabilitation ratio:

- Taxes saved ( \$3,930) / Value of Rehab (\$70,000) = 5.6%
- If adopted by the county, this ratio (using full millage) increases to 27.7%

# VACANT BUILDINGS | VALUE OF PRESERVATION

South Carolina has commissioned multiple studies on the financial impact of preservation on municipalities



## VACANT BUILDINGS | VALUE OF PRESERVATION

According to “Historic Districts are Good for Your Pocketbook”:

The average house price in Beaufort’s HD is 21% higher than a comparable house outside the district (c. 2000)

According to “Smiling Faces Historic Places” in South Carolina:

- For each residential rehab project there is an average of \$180,000 in direct and indirect construction costs
- For each commercial rehab project there is an average of \$1,000,000 in direct and indirect construction costs

# VACANT BUILDINGS | CONCLUSIONS

## Conclusions

1. This incentive appears to have little to no negative effect on the current tax revenue in the city in the short term
2. In the long term, this incentive could have a positive effect on city and county tax revenue.
3. For the maximum impact possible, both the City AND County should adopt this incentive.
4. The public impact of adopting this legislation is very beneficial to the city and county, as it reiterates how both jurisdictions are working together to support the restoration of historic properties within the community.

# VACANT BUILDINGS | RECOMMENDATIONS

## Recommendations

1. Consider adopting this legislation with a Sunset period of 5 years.
2. Work with the County Council to encourage the county to adopt this legislation as well.
  - County should consider adopting legislation with same terms as the city
  - County should consider automatic approval for any project approved by the city, similar to Richland County
3. Preliminary recommendations for standards: At first blush, the city, after a discussion with the town of Bluffton, is considering:
  - Allowing properties which meet any of the 3 criteria to be eligible;
  - Setting the minimum expenditure requirement between 70-80% of the assessed value; and
  - Setting the duration at 10 years, with a fixed rate through year 7, a 25% increase year 8, 50% increase year 9, and 75% increase year 10. On year 11, the property owner would pay taxes on the full assessed value.