



## THE CITY OF SAN DIEGO

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### OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Date Issued: July 18, 2023

IBA Report Number: 23-18

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# Response to Request for Analysis of Potential and Designated Historical Resource Review

## OVERVIEW

On February 13, 2023 our Office received a memorandum from Council President Elo-Rivera, requesting an analysis of the City's potential and designated historical resource review policies and processes related to construction permitting. The memorandum also requested potential policy recommendations to streamline the historical resource review processes, a component of the review process for approving development and construction permits, so as to not delay the creation of new homes while continuing to meet the City's historical preservation goals. The memo states that the historic review process is reportedly a major bottleneck in the construction permitting process, creates uncertainty, requires significant staff time to complete, and ultimately delays the creation of new homes. This report responds to that request, and the memorandum is included as an attachment to this report. In this report, we review laws and regulations that govern historical resource review, provide background on the City's Historical Preservation Program, discuss peer cities' policies and programs, and highlight key policy considerations for City Council.

## BACKGROUND

The City of San Diego has rich and diverse historical resources that represent important aspects of the City's history. They document the characteristics of the City's communities, how the City achieved its present form, and how it is likely to continue to evolve. Historic preservation is the identification, evaluation, registration, and protection of the City's historical resources. Identifying and protecting these resources, and thereby preserving the City's past, can provide a sense of continuity to its current and future residents. In a practical manner, preservation can provide a wide range of benefits, including:

*Historical resources* include elements from the built environment such as buildings, districts, landscapes, objects, structures, important archaeological sites, and traditional cultural properties.

- **Maximizing the use of existing infrastructure and reducing environmental impact.** Preserving and reusing historical resources can help conserve the existing built environment and avoid producing landfill waste resulting from demolition.
- **Fostering cultural heritage and educational opportunities, and establishing strong community ties.** Preservation can create a connection between the public and the community’s heritage, enhance the cultural richness of the community, and strengthen community identity. Public awareness of history and culture can promote community involvement and participation.
- **Encouraging local economic growth.** Preserving the existing physical assets and unique features of a community can promote tourism that drives local economic growth by attracting visitors and additional investment.

The Historical Preservation Element of the City’s General Plan recognizes many of these benefits. For instance, it provides policies to foster greater public participation and education in historic preservation, and increase opportunities for cultural heritage tourism. In the City of San Diego, preservation efforts have helped protect the Old Town neighborhood, which retains its unique identity as a permanent site mixing Mexican and American cultures, and the iconic California Tower in Balboa Park with its intricately detailed ornamentation and colorful tile.

Despite benefits, there are tradeoffs to historical preservation, resulting in controversy, especially in areas that are highly built-out or where cost-of-living is high. Preservation can constrain development in the City by limiting the opportunity for new construction and restricting development on protected sites. Of particular interest to the City are impacts on the creation of new homes, since a severe lack of supply drives continually rising housing costs. The Mayor’s Middle Income Housing Working Group found that “existing historic preservation criteria are generous and slow the pace of middle-income housing development”.<sup>1</sup>

### **Overview of Historical Preservation Policies and Regulations**

Regulations governing preservation of historical resources exist at the federal, State, and local levels. Collectively, they provide for public stewardship of historical resources and drive public policy considerations that balance the need for preservation of historical resources with other governmental objectives such as economic development and protection of property owner’s rights.

Historical preservation regulations fall into two broad categories: those governing governmental actions and those governing private actions. Most regulations pertaining to *governmental* actions are procedural in nature, meaning governmental agencies must follow specific procedures to fully assess impacts of their actions, and weigh the proposals against other public interest concerns before proceeding with such actions. These procedural regulations are generally enacted at the federal and State level. Preservation is not always required, and if it is required, the degree of protection can vary when there are other competing public interests at stake.

On the other hand, preservation regulations governing *private* actions typically provide substantive protection of historical resources through regulating the alterations and demolitions that may

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<sup>1</sup> [Middle-Income Housing Working Group Summary of Recommendations](#)

impair or destroy items of historical, architectural, or cultural significance. It should be noted that these regulations are not meant to prohibit changes, but rather establish a mechanism to manage changes. Historical resources are mainly protected from private actions through local historical preservation ordinances. Nevertheless, many jurisdictions, including the City of San Diego, base their standards of evaluating changes to historical resources on the [U.S. Secretary of the Interior's Standards for the Treatment of Historic Properties](#).

Major historical preservation regulations at the federal, State, and City level are summarized below and referenced throughout this report:

### ***Federal Historical Preservation Regulations***

- The **National Historical Preservation Act (NHPA)** establishes a national historical preservation program and provides the legal framework for state, local, and tribal preservation programs. It has three major components:
  - 1) The *National Register of Historical Places*, which is the nation's official listing of historical resources;
  - 2) A process known as *Section 106 review*, which requires federal agencies to consider the effects on historic properties of federal or federally-assisted projects; and
  - 3) The *Certified Local Government (CLG) program*, under which local governments with CLG status may nominate a property for listing in the National Register and compete for federal grants allocated to each state. To be certified, local governments must meet certain criteria such as enforcing laws and regulations for the designation and protection of historical properties and establishing an historic preservation review commission by local ordinance. The City of San Diego became a CLG in 1986 under the provisions of the NHPA.
- The [U.S. Secretary of the Interior's Standards for the Treatment of Historic Properties \(Standards\)](#), codified in the Code of Federal Regulations, offer four distinct approaches to the treatment of historic properties: preservation, rehabilitation, restoration, and reconstruction. The *Standards* are nationally accepted benchmarks for preservation, restoration, adaptive reuse, and expansion of historic properties across local, state, and federal levels. The *Standards* are cited numerous times in the San Diego Municipal Code Article 3, Division 2 ("[Historical Resources Regulations](#)") to guide development permit review and development incentive programs.

### ***State Historical Preservation Regulations***

- The **California Environmental Quality Act (CEQA)** requires a lead agency<sup>2</sup> to consider the environmental impact of projects prior to granting approval. Historical resources are considered part of the environment and are subject to review under CEQA. A project that may cause a substantial adverse change in the significance of a historical resource is therefore considered a project that may have a significant effect on the environment. A

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<sup>2</sup> The lead agency, as defined by CEQA, is the public agency that has the primary responsibility for carrying out or approving a project. The lead agency possesses discretionary authority over the proposed project. The City Planning Department is charged with implementing CEQA requirements in the City of San Diego.

project that has been determined to conform with the *U.S. Secretary of the Interior's Standards for the Treatment of Historic Properties* can generally be considered to be a project that will not cause a significant impact. Of note, CEQA does not require a project to be denied when significant environmental impacts are identified. The approval or denial is ultimately left to the City. CEQA applies to all projects undertaken by a public agency and discretionary projects<sup>3</sup> undertaken by private parties.

- The **California Register of Historical Resources**, as codified in the California Public Resources Code, is the authoritative guide to the State's significant historical and archeological resources. While listing in the *California Register* tends to be honorific, it may qualify the property owner to benefit from historical preservation grants and other incentive programs such as the Mills Act, as discussed in detail below. Additionally, listing in the *California Register* could trigger preservation requirements in the State Building Code when the historical integrity of a designated resource is threatened.

### ***City Historical Preservation Regulations***

- San Diego Municipal Code §111.0206 establishes the authority and duties of the **Historical Resources Board (HRB)**. The HRB is responsible for identifying and designating historical resources for preservation; reviewing and making recommendations on applications for development permits involving historical resources; and maintaining an up-to-date register of designated historical resources, among other duties. The HRB consists of 11 members, appointed by the Mayor and subject to confirmation by City Council. Three standing subcommittees – Policy, Archaeological and Tribal Cultural Resources, and Design Assistance – generally provide input to City staff and applicants.<sup>4</sup>
- The City's **Land Development Code** establishes the procedures to designate historical resources, criteria for reviewing requests to alter historic resources, and an appeal process for historical designation. The purpose of these regulations is to protect, preserve, and, where damaged, restore historical resources. The code requires a construction permit or development permit if the development premise contains historical resources, unless certain exemption criteria are met. The development regulations for designated historical resources and historical districts prohibit substantial alteration, removal, relocation, or demolition of historical resources and only allow minor alternations to historical resources or new construction in a historical district if it would not adversely affect the special character or special historical, architectural, or cultural value of the resource. Municipal Code §126.0505 includes a deviation process to bypass these requirements when no feasible alternative exists, all feasible mitigation measures are provided by the applicant, and the denial of the development would result in economic hardship to the owner.
- **Council Policy 700-46 Mills Act Agreement for Preservation of Historical Property** established a City property tax abatement program pursuant to the California State law enacted in 1972. The program allows the City to enter into contracts with individual owners

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<sup>3</sup> A discretionary project requires a decision maker to exercise judgement or deliberation to approve or deny a development and may require a public hearing.

<sup>4</sup> Per Historical Resources Board Procedures, HRB subcommittees generally do not make recommendations to the Board. One exception is the Policy Subcommittee, which may make recommendations to the Board on policy issues, and make final decisions regarding annual Historic Preservation Award recipients.

of qualified historical properties who actively participate in preserving their historical properties. The property for which the agreement is requested must be a designated historical resource by HRB. Under the contracts, the City grants property tax abatement to property owners as a financial incentive for historical preservation. Owners of designated historic properties are required to include a 10-year maintenance and rehabilitation/restoration work plan at the time of application for a Mills Act agreement. The 10-year work plan should demonstrate that the requested Mills Act agreement would result in investment of anticipated tax savings into the designated historic property.

The City's Mills Act program was established in 1995. In the initial years of the program, there was no formal inspection schedule or monitoring of agreements for compliance with contract requirements. To improve the accountability of the program, a 2008 reform made the following major modifications to the program:

- a. Established a fiscal threshold in which total property tax reduction for all new agreements cannot exceed \$200,000 per fiscal year;
- b. Established a fee to cover the City's reasonable cost of administering the program;
- c. Established an inspection schedule for monitoring Mills Act properties prior to a new agreement and every 5 years thereafter to ensure compliance with the contract requirements; and
- d. Established a formal application process with a fixed deadline each year.

## FISCAL AND POLICY DISCUSSION

The laws and regulations discussed above lay the foundation of the City's Historical Resource Review process. This section summarizes the administration of the Historical Preservation Program, Potential and Designated Historical Resource Review process and review time, and the City's process of conducting historical surveys and establishing historical districts. Overall, we determined staff time spent on historical resource review as part of permit review process is reasonable and is unlikely to hold up permit issuances. However, as will be discussed more in the *Issues for Council Consideration* section, permit review is only one aspect of the Historical Preservation Program, other aspects of the program could also have direct implications for development projects, sometimes even before a permit application is filed. This section also discusses the historical designation and historical resource review process in other jurisdictions in the State. While other jurisdictions largely follow similar historical resource review process, we found that HRB is empowered to make final decisions on historical designation, which is typically not the case with other jurisdictions.

### **City of San Diego's Historical Resources Review Process**

#### ***Administration of the City's Historical Preservation Program***

The City's Historic Preservation Program operated as a single unit in the City Planning Department (City Planning) for the majority of its existence until 2016, when the program was divided between City Planning and the Development Services Department (DSD) in an effort to separate the long-

range planning-oriented aspects of the program from implementation functions. Under this structure, City Planning's Historical Resources Section is staffed with two positions<sup>5</sup> responsible for:

- Development of historical preservation policies and regulations
- Development of historic context statements and surveys
- Designation of new historic districts
- Addressing historical preservation as part of the City's long-range planning efforts such as updates to the General Plan and Community Plans

DSD's Historical Resources Section is staffed with six positions<sup>6</sup> responsible for:

- Designation of individually significant historic resources
- Project review for designated and potentially significant sites
- Administration of the City's Mills Act program
- Supporting the City's HRB and its subcommittees

While staff in both departments collaborate closely to support the City's Historic Preservation Program, not having a unified program under one department has led to a few unanticipated issues. For instance, professionals meeting the U.S. Secretary of the Interior's Professional Qualification Standards may be interested in working on the full range of historic preservation activities including both preservation planning and implementation of preservation policies; however, with the preservation program split between two departments, staff are tasked with limited scope of work. It is believed that the high turnover rate experienced by DSD's Historical Resources Section in the past few years is partially due to the narrow scope of historical preservation activities within the Department. Additionally, staff, the public, and the Mayor's Middle-Income Housing Group all identified the City's Historic Preservation Program as needing reforms; however, it is challenging to implement comprehensive reforms with the program split between two departments.

Other jurisdictions in the region typically have historical preservation programs housed in a single department. To address these challenges, the FY 2024 Adopted Budget includes the transfer of 5.00 full-time equivalent positions (FTEs)<sup>7</sup>, \$709,000 in personnel expenditures, and \$348,000 in revenues associated with the Historic Preservation Program from DSD to City Planning. This transfer will restore the Historic Preservation Program as a single unified program under City Planning to allow for greater integration between long-range historic preservation planning activities and resource preservation and management activities, and greater consistency in the application of historic standards and criteria across the program. We note that City Planning also requested two Planner positions to support comprehensive reforms to the program and one Legislative Recorder to support HRB; however, these positions are not funded in the Adopted Budget.

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<sup>5</sup> City Planning positions include one Senior Planner and one Associate Planner.

<sup>6</sup> DSD positions include two Senior Planners, one Associate Planner, one Assistant Planner, one Junior Planner, and one Legislative Recorder II.

<sup>7</sup> The transfer includes five Planner positions from DSD to City Planning. The Legislative Recorder II position will remain in DSD and continue to provide support to HRB until the City Planning is able to do so.

### ***Potential and Designated Historical Resource Review Process***

It is important to note that the Historical Resource Review process is just one part of the entire permit review process. A permit application would typically require multiple discipline reviews such as environmental review, engineering and structure review, etc. Permit applicants must address comments from all discipline reviews, as applicable, to eventually receive sign-off on a project. The main purposes of the historical review process are to determine if a site is potentially significant based on the City's Historical Designation Criteria and if designated, whether proposed alterations are consistent with the *U.S. Secretary of the Interior's Standards for Treatment of Historic Properties (Standards)*.

### **Historical Designation Criteria**

The Historical Resources Guidelines of the City's Land Development Manual identify six criteria under which a resource may be historically designated by HRB. A resource is historically significant if it meets at least one of the following criteria. More discussion on these criteria is included in the *Issues for Council Consideration* section below.

- a. Exemplifies or reflects special elements of the City's, a community's, or a neighborhood's, historical, archaeological, cultural, social, economic, political, aesthetic, engineering, landscaping or architectural development.
- b. Is identified with persons or events significant in local, state or national history.
- c. Embodies distinctive characteristics of a style, type, period, or method of construction or is a valuable example of the use of indigenous materials or craftsmanship.
- d. Is representative of the notable work of a master builder, designer, architect, engineer, landscape architect, interior designer, artist, or craftsman.
- e. Is listed or has been determined eligible by the National Park Service for listing on the National Register of Historic Places or is listed or has been determined eligible by the State Historical Preservation Office for listing on the State Register of Historical Resources.
- f. Is a finite group of resources related to one another in a clearly distinguishable way or is a geographically definable area or neighborhood containing improvements which have a special character, historical interest or aesthetic value or which represent one or more architectural periods or styles in the history and development of the City.

### **Potential Historical Resource Review**

The Potential Historical Resource Review process applies to any development project requiring a construction permit or development permit, if the project involves any parcel containing a structure that is 45 or more years old.<sup>8</sup> City staff need to determine whether the site is potentially significant based on the City's designation criteria and thereby requires a site-specific survey known as Historical Research Report within 10 business days of an application for a construction permit,

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<sup>8</sup> Interior development and any modifications or repairs that are limited in scope to an electrical or plumbing/mechanical permit where the development would not include a change to the exterior of existing structures are exempted from this process, as well as certain types of in-kind repair and replacement.

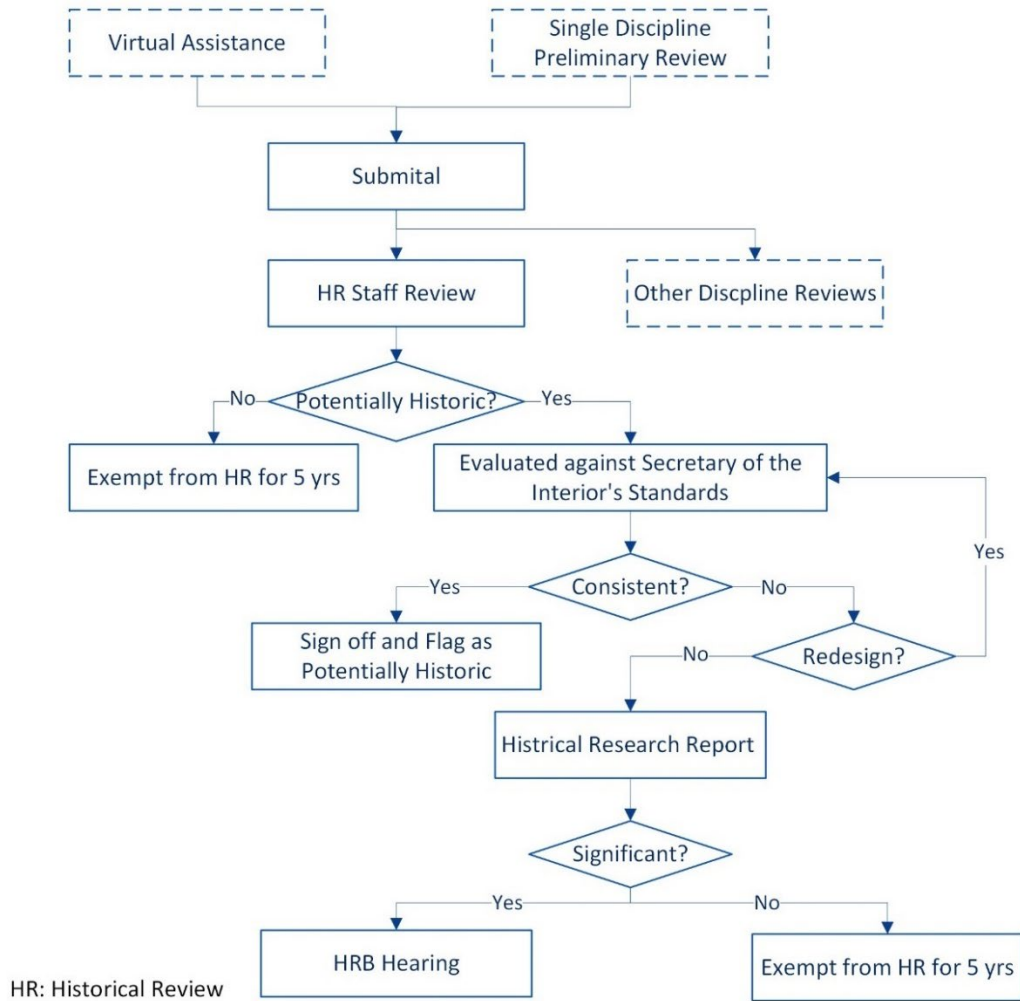
which requires a ministerial review, or within 30 calendar days of an application for a development permit, which requires a discretionary review. Based on the site-specific survey and the best information available, City staff will determine whether a site meets the City's designation criteria and is eligible for historic designation.

The review process begins with submittal of plans and other required documents to DSD through its permit application portal, Accela. The submittal is routed to Historical Resources staff for review and determination of potential historical significance of the property concurrent with other discipline reviews (e.g., environmental) as applicable. If staff determines that no potentially significant historical resource exists on the site, the property will be exempt from historical review for five years, which is the standard timespan for which determinations are valid. If staff determines that a potentially significant resource exists on the site, the Historical Resources Regulations and Guidelines require a Historical Research Report to be prepared to fully analyze the property, its integrity, and its eligibility for designation.

However, in order to not overburden projects that do not propose adverse impacts to potential resources, staff first determine whether proposed alterations are minor and consistent with the *Standards*. If the project is consistent with the *Standards* and would not adversely impact the potential significance of the resource, staff flags the property as potentially historic, but signs off on the project without requiring a Historical Research Report to be prepared. If the proposed work is *inconsistent* with the *Standards*, the applicant can either redesign the project to comply with the *Standards*, or prepare a site-specific Historical Research Report for the City in accordance with the City's Historical Resources Guidelines. If the Historical Research Report concludes that the property does not meet the designation criteria and if staff concurs, the property will be exempt from historical review for five years. If staff does not concur, or if the Report concludes that the property is potentially significant, the Report will be docketed for an HRB hearing for consideration of historical designation. If the property is designated, any future projects will follow the Designated Historical Review process as discussed below. The following chart summarizes the City's Potential Historical Resource Review process.



## Potential Historical Resource Review Process



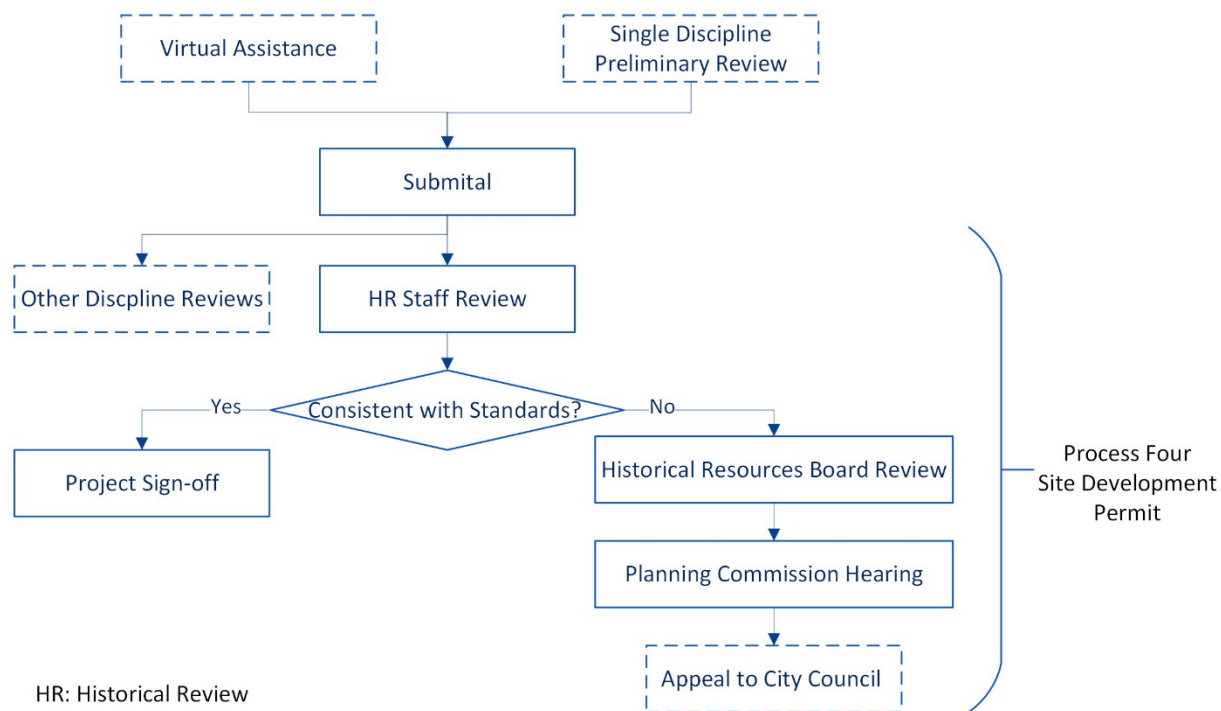
### Designated Historical Resource Review

The Designated Historical Review process applies to projects involving properties that are designated by HRB as individually significant, properties within the boundaries of the City's adopted historical districts, and properties eligible for listing or listed in California or National Registers. Since the question of significance for designated historical resources has already been settled, the review is focused only on whether the project is consistent with the *Standards*. If the project is not consistent with the *Standards*, a Site Development Permit will be required in accordance with the decision Process Four, in which case a recommendation of the Historical Resources Board is required prior to the Planning Commission's decision on a Site Development Permit.<sup>9</sup> If the project is consistent with the *Standards*, it will be processed ministerially, at the City staff level without additional Board or Commission review. While revisions to the project design may be necessary to be consistent with the *Standards*, nearly all projects impacting designated historical resources are ultimately determined to be consistent with the *Standards* and

<sup>9</sup> Permit applications are reviewed through one of the five decision processes, requiring differing levels of review depending on the type of the permit approval and the scope of the project.

exempted from a Site Development Permit. Staff estimated that at most 1-2 Site Development Permits are processed annually. We note that a project involving designated historical resources is subject to the Designated Review even for alterations that would not typically require a permit. The following chart summarizes the City’s Designated Historical Resource Review process.

### Designated Historical Resource Review Process



As reflected on the charts above, project applicants could request to meet with Historical Resources staff through a virtual appointment before project submittal to determine compliance with the *Standards*. Applicants could also seek a Single Discipline Preliminary Review to determine the potential for historic resources on a project site or consistency with the *Standards*. However, neither of these services provided by DSD exempt the project from Potential or Designated Historical Review processes.

#### ***Potential and Designated Historical Resource Review Time***

As noted above, for Potential Historical Resource Review, Historical Resource Regulations require staff make the initial determination of significance within 10 business days for ministerial applications and 30 calendar days for discretionary applications. According to DSD staff, the required turnaround time is generally met. This includes going through a public participation and input process established in 2008, which requires the City to seek input from local individuals and groups with expertise when determining whether a potential historic resource exists, even in situations where a site-specific survey has been submitted by a project applicant.

If staff determines a project site does not meet designation criteria, or it meets the criteria but is consistent with the *Standards*, then the project can be signed off within one review cycle. If additional information, project design revisions, or a Historical Research Report are required, then

subsequent review time may vary but on average, ministerial review cycles take approximately 17 calendar days and discretionary review cycles take approximately 24 calendar days, excluding lag time between review cycles when responses are pending with the applicant. If it is determined that a property needs to be forwarded to the HRB to be considered for designation, 4-6 weeks is typically required for docketing at one of the Board's monthly meetings.

DSD performed approximately 3,500 reviews in FY 2020, 4,000 in FY 2021 and 3,400 in FY 2022 to determine if a site contains a potentially historic resource. The vast majority of properties reviewed under the Potential Historical Resource Review process are cleared as not historic. According to DSD staff, the Department referred, on average, 10 projects annually to the HRB between 2020 and 2022, of which 67% were designated.

For Designated Historical Resource Review, the review cycles vary depending on the scope of work, type of development, and applicant. For example, a project within designated historical district areas like Gaslamp and Liberty Station could take one month or longer to review, whereas a smaller residential development involving a designated resource might take two weeks, excluding the time when responses are pending with the applicant. Most of these types of projects are signed off within two review cycles. DSD performs approximately 500 designated historical resources reviews annually.

It is worth noting that the virtual assistance and preliminary review services provided by DSD have helped streamline permit review by addressing general questions and project related issues before project submittals. In calendar year 2023, DSD offered, on average, 30 virtual assistance sessions and 15 preliminary reviews per month. The Department also responded to approximately 57 voicemails and 25 emails related to historical resources projects and regulations per month. Continuing to offer these services to the public could help minimize revisions and resubmittals and ultimately improve permit review efficiency.

Based on the staff time required to complete historical resource reviews above, overall, we believe it is unlikely that Potential and Designated Historical Resource Reviews, as only one part of a multi-disciplinary permit review process, are holding up permit issuances. However, the process could create uncertainty for property owners and developers when the question of significance is unsettled before a permit application is filed or when a Historical Research Report is deemed to be required during permit review, which would cause additional burden to the applicants and require additional time to complete.

### ***Historical Survey and Historical Districts***

The historical resource review and permitting process could be streamlined by identifying resources of historical significance proactively through historical resource surveys, thereby removing the requirement for projects to go through the Potential Historical Resource Review process. Historical resource surveys are a critical planning tool to identify what merits preservation and to inform planning decisions in a broader sense of cultural heritage, environment, and community development. There are two types of historical surveys: 1) a reconnaissance survey, which characterizes resources in an area in general and may involve "windshield survey" activities, reviewing the general distribution of buildings, architectural styles, historical maps, and periods and modes of construction; and 2) an intensive survey which is designed to identify precisely and

completely all historic resources in an area and provides the fundamental information needed for historical resource reviews.

The City of San Diego completed 25 reconnaissance surveys between 1977 and 2018. Many of these reconnaissance surveys provided the basis for subsequent intensive surveys as part of the process to establish the City's 24 historical districts. A historic district is a geographically defined concentration of resources that collectively convey a shared significance under one or more of the City's designation criteria. Properties within each historical district are divided into recommended contributing resources – those that were built within the period of significance<sup>10</sup> for the district and retain integrity to convey that significance, and non-contributing resources – either built outside of the period of significance, or have been so modified that they no longer retain integrity to convey the significance of the district.

### **Historical Resources Review Policies in Other Jurisdictions**

#### ***Historical Resources Designation Process***

In reviewing processes of other jurisdictions, we think it is worth noting how the processes to designate historical resources differ among jurisdictions. In San Diego, the HRB plays a larger role compared to other jurisdictions. This is important given the implications of historical designations such as the impact on future development opportunities of the property, additional permit review requirements, and eligibility for tax incentives under the Mills Act Program.

Across jurisdictions, the designation process typically starts with the nomination of a property or a neighborhood, though the policy on who can make a nomination varies. For instance:

- In San Diego and Los Angeles, any member of the public can make a nomination.
- In Sacramento, the nomination is made by the Preservation Director, the Preservation Commission, or City Council.
- In San Francisco, the nomination may come from the property owner, the Board of Supervisors, the Arts Commission, the Historic Preservation Commission, or the Planning Commission.

Once a nomination is filed, reviewed, and taken under formal consideration, public hearings are typically required. Most municipalities require that public hearings be held by an advisory board or commission. Some further require City Council hearings. For instance:

- In San Diego, designation requests are heard at the Historical Resources Board; notably, no Council hearings are required by the City's historical resources regulations unless an appeal to the historical designation is filed.
- In Los Angeles, the Cultural Heritage Commission is required to hold two hearings and votes to make a recommendation to the City Council. If the Commission approves the nomination, the designation is referred to the City Council. The Council's Planning and Land Use Management Committee holds an initial hearing on the nomination to make a recommendation to the full City Council. Then the City Council votes on the proposed designation.
- In Sacramento, the Preservation Director holds at least one public hearing on the statement of nomination. If the Preservation Director concurs with the nomination, the nomination is

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<sup>10</sup> Period of significance is the specific chronological period during which the district gained historical significance.

heard at the Preservation Commission, which makes a recommendation to the City Council. The City Council may consider the matter and may adopt the designation by a majority vote.

*We note that, in San Diego, designation decisions made by Historical Resources Board are considered final.* In situations where an appeal to City Council is filed within 10 business days after the Board decision, the City Council may reject designation on the basis of 1) factual errors in materials or information presented to the Board, 2) violations of bylaws or hearing procedures by the Board or individual member, or 3) presentation of new information. In some other municipalities where designations are contingent upon City Council actions, the advisory board/commission's decisions are not considered binding. In those jurisdictions, City Councils may adopt, modify or reject the action recommended by the board/commission on a broader basis.

### ***Historical Resources Review Process***

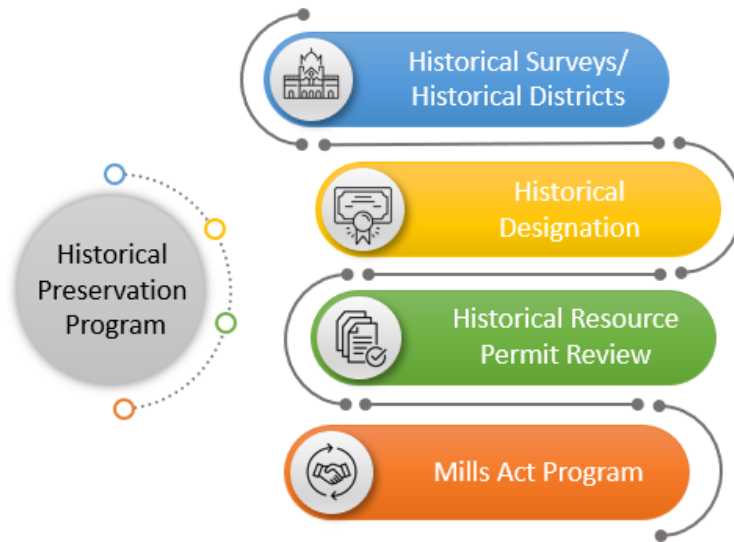
The City has established 24 historical districts covering 1,659 contributing properties. However, the vast majority of the City's parcels are not included in historical districts and are not yet surveyed. To ensure parcels of potentially historical significance are properly evaluated before demolition or major alterations, any project involving a parcel containing a structure that is 45 or more years old is subject to the City's Potential Historical Resources Review Process. This process may require a site-specific survey and could cost considerable staff time and potentially delay the proposed project.

In contrast, the City of Los Angeles took a different approach by conducting a comprehensive citywide historical survey, SurveyLA, in partnership with private organizations. SurveyLA spanned seven years, and covered over 880,000 legal parcels. It identified individual historical resources, non-parcel resources, historic districts, and district contributors and non-contributors. The result of the survey forms the foundation of Los Angeles's historical preservation program by providing information on potential historic resources including construction and ownership history, architectural styles, reasons for significance, relevant evaluation criteria, and photographs. SurveyLA, along with other historical resources surveys, helped relieve burdens on both historical resources review staff and project applicants. It allowed Los Angeles to shift away from gathering data relevant to specific projects towards having a systematic planning tool to ascertain the potential significance of undesignated properties. Capitalizing on these surveys, Los Angeles's historical resources review process mainly focuses on designated historical resources.

## **ISSUES FOR COUNCIL CONSIDERATION**

Potential and Designated Historical Resource Review is one of the many discipline reviews as part of the City's construction permitting process. Though it does require work of staff and applicants, we did not find historical resource permit review holding up development projects. However, as discussed earlier in the report, the permit review process is affected by other aspects of the Historical Preservation Program that could shape the decisions on whether a permit and what type of permit would be required. Historical Preservation Program encompasses an array of processes that can have direct impacts on the fate of a designated or potentially significant resource as reflected in the figure below. These processes, including historical surveys and historical districts, historical designation, historical resource permit review, and Mills Act Program, can serve as tools

of historical preservation and rehabilitation, but may also result in uncertainty for development projects or conflict with other city priorities.



This section discusses the policy recommendations on various aspects of the City’s Historical Preservation Program, with key recommendations included as bolded text throughout the section. Some highlights of the recommendations are summarized in the table below to assist Council’s consideration and discussion.

<p><b>Recommendation 1:</b> Historical preservation decisions should be made with consideration of other citywide priorities, and costs and benefits of historical preservation should be considered when making decisions affecting future development opportunities of historical resources. The Municipal Code could be revised to allow the City Council to overturn historical designation decisions on a broader basis.</p>
<p><b>Recommendation 2:</b> A robust historical survey and historical district program should be developed to provide greater certainty to future development and help streamline permit review process.</p>
<p><b>Recommendation 3:</b> A public database for potential and designated historical resources could be developed to help ensure compliance with historical resources regulations through historical resource review.</p>
<p><b>Recommendation 4:</b> District specific standards consistent with the U.S. Secretary of Interior’s Standards could be established to provide greater certainty and consistency to developers and property owners, and provide clear public guidance on redevelopment of historical properties.</p>
<p><b>Recommendation 5:</b> The full fiscal impact and cost recoverability of the Mills Act Program, and the potential to prioritize multifamily housing for property tax benefits, should be assessed.</p>
<p><b>Recommendation 6:</b> The City’s historical designation criteria should be holistically evaluated to ensure that designation criteria are written with precision and apply to properties truly worth preserving.</p>
<p><b>Recommendation 7:</b> The inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the City could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment.</p>

**Recommendation 1: Historical preservation decisions should be made with consideration of other citywide priorities; and costs and benefits of historical preservation should be balanced**

As discussed briefly in the *Background* section, historic preservation has substantial benefits and costs. On one hand, historic preservation is an instrument to safeguard the City's historical and cultural legacy that could be lost to new development without preservation regulations. It may also result in additional benefits such as environmentally sustainable development, stronger neighborhood ties, and heritage tourism opportunities to boost economic growth. On the other hand, such benefits may come at the cost of preventing new development and inhibiting redevelopment due to the numerous restrictions that result from historical designation. For instance, earlier this year Council heard an appeal to the historical designation of a commercial building in Bankers Hill, where a 72-unit mixed used development was planned for the site. Without City Council approval of the appeal to the historical designation, this project would have been at stake. As the City grapples with an affordable housing shortage, restrictions imposed by preservation could further limit housing supply on a citywide basis, leading to citywide impacts beyond just residents in historic properties or neighborhoods protected by preservation regulations. Housing supply restrictions could further increase housing and rental costs, and ultimately exacerbate housing affordability issues.

As discussed earlier in this report, unlike some other jurisdictions in the State, the HRB is empowered to make designation decisions based on the City's historical designation criteria without City Council approval. Council reconsideration of designations can currently only occur if an appeal is filed within 10 business days after a Board decision, and even then Council may only reject designation on the grounds specified in the Municipal Code, which do not allow the Council to consider other citywide priorities.

Additionally, the City's historical resources review process for projects that deviate from the Historical Resources Regulations is siloed. When decisions affecting future development opportunities of historical resources are made, the current process focuses narrowly on historical preservation goals and associated benefits, significantly limiting the consideration of other citywide priorities. This exclusion of other priorities is typically not the case with other City processes. For instance, when evaluating infrastructure priorities, departments consider not only the City's infrastructure goals but also the goals of Community Plans and the Climate Action Plan. When amending parking regulations, the City also considers transit priorities, environmental implications, and housing goals.

We also note that the current historical resource review processes lack a systematic evaluation of costs and benefits. While the benefits of preservation are often recognized, though not necessarily quantified, throughout the process, little consideration is given to costs such as potential impacts on housing development. That noted, it should also be understood that it may be challenging to conduct formal cost benefit analysis in every single case; many benefits associated with preservation are not easily quantifiable.

However, the measurement of costs appears to be more straightforward. For instance, to assess the impact on housing development, the City could evaluate the opportunity cost of preventing new residential development or redevelopment when development proposals are available. The amount of foregone investment tied to development could be used as an approximation of opportunity costs. The City may also benefit from understanding the overall impact of historical designation

on housing development by comparing the number and scale of housing development projects in historical districts and projects in similarly situated neighborhoods.

**It is critical to consider other citywide priorities when making historical preservation decisions. We recommend revising the Municipal Code to allow the City Council to overturn historical designation decisions based on criteria not limited to factual errors, procedure violations, and new information so that other factors such as other citywide priorities could be taken into consideration.**

**Furthermore, the benefits and the costs of historical preservation should be assessed when making discretionary decisions affecting future development opportunities of historical resources to ensure preservation goals are balanced with other City priorities. This could be accomplished by requiring City Planning staff to comment on the effect of the designation on housing development so that City Planning can bring in its expertise on long-range planning and development trends, or requiring a formal cost-benefit analysis as part of the discretionary permit review process.**

**Recommendation 2: The City should take a proactive approach to identifying historical resources by developing a robust historical survey and historical district program, to provide greater certainty to future development and streamline permit review process**

Currently, the public, developers, and City staff have limited information on the potential historical significance of undesignated properties. The City's existing Potential Historical Resources Review process relies on site-specific surveys conducted on a project-by-project basis. These site-specific surveys could cost a considerable amount of time and funding, and place the burden on both staff and project applicants. Site-specific surveys are largely uncoordinated, and survey results are not compiled, organized, or utilized to inform other planning decisions. As noted earlier, the vast majority of properties reviewed by historical resources review staff are cleared as not significant. Spending significant staff time reviewing properties that lack historical significance is not an optimal use of staff time. Furthermore, for property owners and developers, not knowing whether a property could potentially be historically significant creates uncertainty and could put proposed development projects at risk. Late discovery of historic resources on project sites can lead to unresolvable conflicts.

One way to streamline the potential historical resources review process and provide greater certainty to property owners and developers is through having a robust historical survey and historical district program that identifies properties of historical significance proactively. Unlike site-specific surveys with scattered and inconsistent data, a coordinated program has the potential to produce data that could serve multiple purposes including providing the basis for historical review and designation, meeting regulatory requirements, and informing long-range planning decisions. A robust historical survey could also benefit property owners and developers by providing basic information on the classification of contributing and non-contributing historical resources, and potentially significant individual resources to guide project planning. We note that City Planning anticipates reevaluating the City's Potential Historical Resources Review process as part of its comprehensive reform of the historical program. One critical component of the reform is to adjust staff assignments to focus less on the review of projects impacting undesignated properties that are 45 years old or older, and more on proactive preservation efforts, including identifying and protecting truly significant resources.



We note that the creation of a robust historical survey and historical district program could require a considerable upfront investment to support intensive survey work and public participation throughout the process. However, **the program could provide greater certainty for future development by settling the question of significance proactively, and removing the need to go through the Potential Historical Resource Review process.** For resources not identified as potentially significant during survey evaluation, greater certainty could be provided clarifying City requirements as part of the district specific design standards and guidelines as discussed in a later section. According to staff, City Planning will also explore additional options that streamline redevelopment for those properties as part of the upcoming reforms.

While the City may not have resources to support a large-scale project like SurveyLA, there are grant opportunities that could support such program. The National Park Service Underrepresented Community Grants, for instance, provide annual funding to projects that identify and designate historic properties associated with communities currently underrepresented on the National Register of Historic Places. The State also awards Certified Local Government (CLG) grants on a competitive basis to local governments. Some private organizations and charitable foundations also offer grant programs, such as the California Humanities and the Getty Conservation Institute.

**Recommendation 3: A public database of potential and designated historical resources could help ensure compliance with historical resources regulations and streamline the historical review process**

The City of San Diego has a long history of historic preservation. It was one of the first jurisdictions in California to receive a CLG status. Over the past few decades, the City designated 1,443 individually significant resources, created 24 historical districts containing over 1,659 contributing resources, and developed numerous historical context statements and reconnaissance surveys. These records are generally available either on the City's website or through the California Historical Resources Inventory Database (CHRID). However, some of the older records may be difficult to read as many are copies of copies. CHRID has a significant information gap in terms of historical context statements and survey results, and overall the system is not user friendly. There is not an easy way for the public to tell where the City's historical resources are located and what the boundaries of historical districts are. Property owners within a historical district may find it difficult to find out whether their properties are subject to historical preservation requirements. This could result in potential violations of the City's regulations if alterations or demolitions are done without proper historical resources review.

In contrast, many other jurisdictions provide a web-based mapping tool to the public to allow for easy access to historical designation information. For instance, the complete results of SurveyLA are available through a web-based information and management system. The City of Los Angeles also provides a mapping tool, Zoning Information and Map Access System, to allow the public to check whether a property is within a designated historical district and the designation status of a property. Sacramento and San Jose provide similar mapping tools based on historical designation or survey data. A publicly accessible database with information on the classification of each individual property and historical survey results could provide enormous value, allowing developers and communities to channel rehabilitation and maintenance work on historical resources, reduce conflicts to be resolved during project review, and increase public appreciation of historical resources. **We recommend that City Planning consider working with the**

Department of IT and the Performance and Analytics Department to develop a public database with GIS functionality to display potential and designated historical resources, including designated historical districts, based on historical review and survey data.

**Recommendation 4: Establishing district specific standards consistent with the U.S. Secretary of Interior’s Standards and provide clear guidance to the public on redeveloping a historical resource where a deviation is required**

The *Standards* are a foundational component of the City’s historical preservation program. However, the application of the *Standards* is not always straightforward, and there can be a divergence of views as to whether a proposed project complies with the intent of the *Standards*. Having an objective set of standards and criteria that is specific to the City’s historical districts, could help resolve conflicts during historical resources review and thereby expedite the review process and provide greater consistency to property owners and developers.

Sacramento, for instance, requires a historic district plan be adopted for each of that City’s designated historic districts. Plans are required to address “the goals for review of development projects within the historic district” and “the standards and criteria to be utilized in determining the appropriateness of any development project involving a landmark, contributing resource or noncontributing resource.” These standards and criteria are developed in accordance with the *Standards*, comprised of design principles, rationale, and design guidelines for rehabilitation of contributing resources, additions & accessory structures for contributing resources, and new (infill) construction & alterations to non-contributing resources. Guidelines are often accompanied by diagrams and photos, illustrating the appropriate application of guidelines, as reflected in the example below. Sacramento’s historical preservation staff note that these standards helped provide

**Standards & Criteria Common to Sacramento's Historic Districts**

### 3. New (Infill) Construction & Alterations to Non-Contributing Resources

This section provides standards and criteria for construction of infill development for residential, commercial and mixed-use projects that apply generally to Sacramento’s historic districts. Guidelines that apply specifically to a certain historic district are identified in its historic district plan.

New construction should be reflective of its time and be harmonious with existing historic buildings in terms of setting or site layout, building massing, architectural character, and building materials. Infill development should be developed in such a way as to respect, reflect, or enhance the surrounding historic fabric in each district.




Figure 26. The houses in the Bungalow Row Historic District are set back a uniform distance from the street to create a consistent block face.

Sacramento Historic District Plans Final

#### Setbacks, Setting, Location, & Site Layout

##### Design Principle

*Alterations to existing buildings and new construction must support the historic setbacks, setting, location, and site layout of the historic district in which it is located. This can be accomplished by siting buildings on their lots to reflect historic development and streetscape patterns.*

##### Rationale

Building setbacks and site layout determine the overall rhythm and visual continuity of a street and vary between different areas of Sacramento. Buildings in the Central City have historically been oriented within the city’s original 1848 street grid to face the street, creating a pedestrian-friendly public environment. Primarily commercial or industrial historic districts, meanwhile, often have a strong street wall of buildings that are built to the front lot line, while primarily residential historic districts are usually characterized by deeper yet consistent setbacks and typically have some open yard space at the rear. Such setbacks reinforce the rhythm and visual cohesiveness of the street and surrounding area as a whole. Areas outside the Central City follow different patterns of site layout and building setbacks that are reflective of their district uses and periods of development. The site design of infill development should reinforce these existing historic patterns.

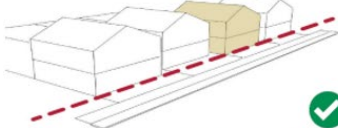


Figure 27. The setback of the new house falls within the range of setbacks of neighboring contributing resources.

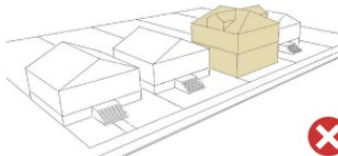


Figure 28. The site placement of the new building does not respect the setbacks of the adjacent contributing buildings.

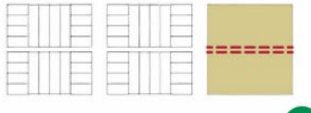


Figure 29. Maintain the historic pattern of circulation from adjacent blocks.

Source: City of Sacramento, Adopted Historic District Plans

objectivity and consistency and improve the efficiency of historical resource review. The City of Long Beach also developed similar design guidelines for each of its designated historic districts.

**Council may wish to direct staff to establish standards and design guidelines specific to the City’s historic districts to streamline redevelopment for properties within historical districts. The guidelines should also clarify permit requirements and the process for new development on vacant and non-contributing sites to provide greater certainty to developers and facilitate timely review and approval of those projects.** We note that public involvement is a key to increasing the validity of the standards and criteria. Intensive public engagement was conducted during the development of Sacramento’s historic district plans to gather input from the public and the professionals. Adequate public engagement that allows the community to question the standards and criteria would help enable a resolution that balances the historical preservation and community development needs.

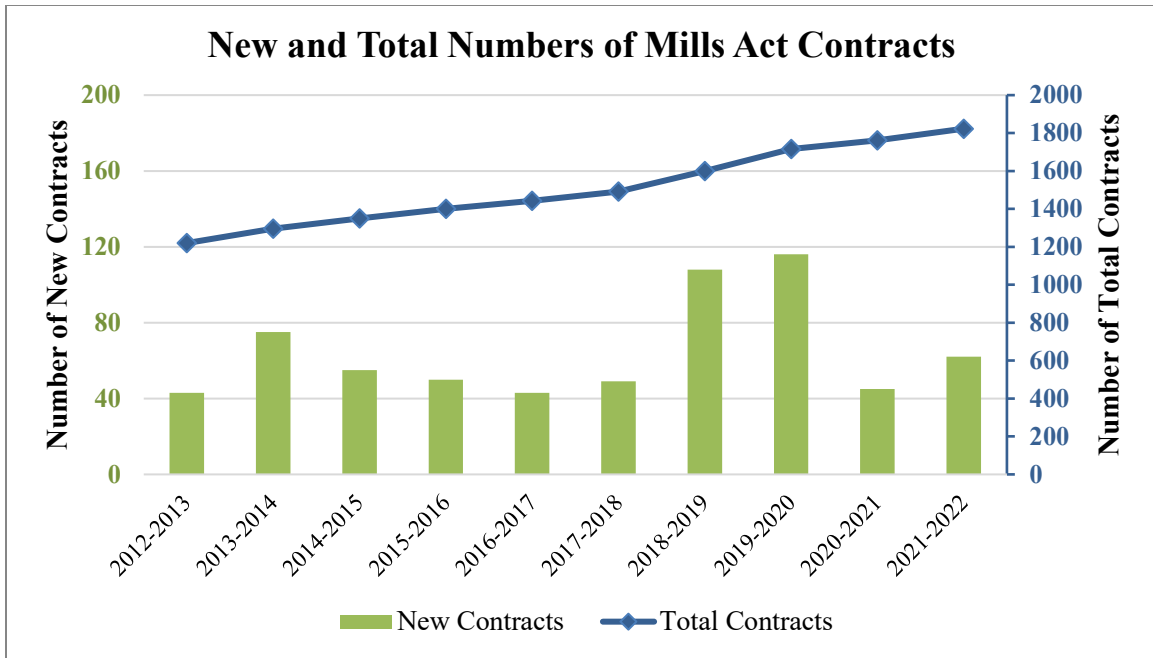
In addition to standards and design guidelines, the public needs clear guidance on how to proceed with a redevelopment project involving a historical resource when a deviation from the standard is required. A lack of understanding of the City’s discretionary permit review process and the implications of historical designation could lead to a “chilling effect” on development. This could contribute to the few site development permit applications filed for historical resources annually. **We recommend City Planning develop public guidance to help property owners and developers understand redevelopment opportunities for historical resources and associated permitting process and procedures.**

#### **Recommendation 5: Updating Council Policy 700-46 Mills Act Agreement for Preservation of Historical Property**

The City of San Diego has the highest number of properties benefiting from Mills Act contracts among jurisdictions in California based on survey results from recent years,<sup>11</sup> with the total number of properties increasing steadily over the past decade, as reflected on the chart below. However, since the 2008 reform, there has not been a comprehensive evaluation to assess the outcome of the program. The evaluation could assess whether benefits gained from the program are balanced with the revenue lost and the administrative cost of the program. Our review of currently available information suggests that some of the 2008 modifications may not be achieving their intended goals.

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<sup>11</sup> Based on 2020 and 2017 survey results.



Source: based on City of San Diego Certified Local Government Annual Reports.

For instance, the intent of establishing a fiscal threshold was to manage the fiscal impacts of the program on the City’s General Fund. Although staff monitors the annual fiscal threshold, the total impact of revenue loss from existing and new contracts is largely unknown. For each application year, staff estimates the anticipated tax reduction based on the County Tax Assessor’s formula to comply with the annual threshold requirements. According to DSD staff, to date the annual threshold of \$200,000 has not been exceeded. However, we note that the annual threshold only applies to *new* Mills Act contracts during a given application year; the total revenue loss incurred by the City per year could be higher as the number of the City’s Mills Act contracts continues to grow.

The City Council should be informed of the total annual General Fund revenue loss from the Mills Act program. The City currently does not have a mechanism to track the cumulative tax reductions for Mills Act contracts, however, this information could be obtained from the County Tax Assessor’s Office. The latest data the City has is from 2008, at which time the total reduction of property tax revenue to General Fund was \$1.1 million, associated with 898 Mills Act contracts. The number of Mills Act contracts has more than doubled since then, with 1,963 contracts as of December 2022. Property values have increased substantially over the past decade. Only relying on annual threshold for new contracts may not fully reflect the whole picture of the program’s fiscal impact. **We recommend staff obtain data on total revenue loss from the Mills Act program from the County Tax Assessor’s Office and provide an annual update to the City Council to allow for proper fiscal oversight of the program.**<sup>12</sup>

<sup>12</sup> Based on the impacts of this program on General Fund and the program’s staffing capacity, Council may wish to consider whether it would be appropriate to establish an annual cap for total revenue loss incurred by General Fund or an annual cap for the number of new Mills Act contracts.

Furthermore, the program may not achieve the desired cost recovery level. The City adopted a fee schedule as part of the 2008 reform to recover the costs of staff time devoted to administering the Mills Act program. The current fee schedule reflects reduced fees based on a 2012 fee adjustment. The table below compares the current and 2008 fee schedules.

	2008 Fee Schedule	Current Fee Schedule
Individual Historical Resource Nomination	\$1,185	\$1,185
Mills Act Agreement	\$590	\$471
Mills Act Monitoring	\$492	\$234
Mills Act Enforcement	\$949	\$756

At the time of the 2008 reform, the intent of implementing a fee schedule was to fully recover the *administrative* cost of the program, with fee amounts developed based on then salary data. Over the years, the program administrative costs have increased as a result of increased number of contracts and higher staffing costs. Given the number of Mills Act contracts has significantly increased since 2008, it is unlikely that the program is achieving full cost recovery. Any administrative costs not recovered are subsidized by the General Fund. It is important to note that the Mills Act program, with the intent to incentivize historical preservation for the benefit of the public, is not typically set to achieve 100% cost recovery in other jurisdictions. This is to encourage historical preservation and avoid precluding qualified property owners from participating in the program due to economic hardship to pay the fees. Nevertheless, it is reasonable to set 100% cost recovery goals for *monitoring and enforcement activities* associated with non-compliance of the Mills Act contracts, given the tax benefits provided to recipients. Staff noted that properties are often found in partial compliance or non-compliance. Tracking and correcting these issues is crucial to the effectiveness of the program. Such activities would entail additional staff costs. Ensuring 100% cost recovery of non-compliance activities could improve the overall cost recoverability of the Mills Act program. **We recommend City Planning staff assess the cost recovery level of the program based on current fee schedule and present a revised fee schedule proposal to City Council to achieve the desired cost recovery level for each element of the program, including nomination and application, program monitoring, and enforcement activities.**

Opportunity also exists for the Mills Act program to assist with the retention and creation of housing. **Council may wish to consider establishing criteria that prioritizes multi-family properties and conversions of commercial/industrial properties to housing for property tax benefits of the Mills Act program, as well as contractual requirements that no net loss of housing units can occur under the contract.**

**Recommendation 6: Revamping the City’s historical designation criteria**

The City of San Diego’s designation criteria is not significantly different from those of other jurisdictions in the region. There is general commonality among the criteria to identify important historical persons and events; notable works of masters; and distinctive characteristics of a method, period, or type of construction. A comparison of local, State and national designation criteria is presented in Attachment 2 to this report. Notably, criterion A is unique to the City of San Diego. It assesses whether a resource “exemplifies or reflects special elements of the City's, a community's, or a neighborhood's, historical, archaeological, cultural, social, economic, political,

aesthetic, engineering, landscaping or architectural development”. This criterion is fairly encompassing and could be extended to a variety of properties that are not truly significant. According to the *Guidelines for the Application of Historical Resources Board Designation Criteria (Guidelines)*, “special elements of development refer to a resource that is distinct among others of its kind or that surpass the usual in significance”. The use of “distinct among others” and “surpass the usual” suggests something that is subjective and not easily supported by objective evidence. In fact, the *Guidelines* provide for additional documentation requirements (e.g., publication in scholarly journal articles or books) for all other five criteria, except for criterion A. We note that members of the HRB and City staff who are subject matter experts of historical preservation are capable of critically applying the City’s designation criteria. However, with a criterion that is this broad, the quality of the designation program could be diluted.

As part of its reform to the Historical Preservation Program, City Planning anticipates evaluating the architectural element of the designation criteria and crafting a higher designation standard from the architectural perspective. **We recommend City Planning work with the Historical Resources Board to holistically reassess the City’s historical designation criteria to ensure that designation criteria are written with precision so that they apply only to properties truly worth preserving.**

#### **Recommendation 7: Incentivizing conversion of historical resources to housing units through adaptive reuse**

As discussed in the *Background* section, the *Standards* provides four treatments of historic properties. Of the four treatments, the *Standards for Rehabilitation* offer the most flexibility and are most commonly used by staff to ensure development projects adhere to *Standards*. According to City Planning and DSD, staff do not seek to apply the *Rehabilitation Standards* narrowly or use them as a tool to limit development. Instead, staff use them for their intended purpose: ensuring that the essential characteristics that make a historical resource significant are preserved while accommodating new development that ensures the resource’s continued relevance and vitality. In 2018, the City amended its Historical Resources Regulations to provide development incentives to projects that are consistent with the *Standards*. These incentives exempt the historic square footage from the gross floor area (GFA) limits for the site, allowing for larger development sites, and allow deviations from development regulations either ministerially or through a low-process level discretionary permit. City Planning is looking to expand this incentive program as part of the upcoming comprehensive reforms.

Another incentive program Council may wish to consider is incentivizing the conversion of under-utilized historical properties into housing units through adaptive reuse. Adaptive reuse refers to repurposing an existing structure for a new use, such as converting a vacant office building to residential building. In the context of historical preservation, adaptive reuse could serve as a tool to revitalize historical neighborhoods, preventing obsolete buildings from being demolished or replaced while simultaneously expanding the supply of affordable housing. Several features of historical properties may make such properties especially attractive for housing development:

- Adaptive reuse projects could utilize various tax incentive programs offered by the City, State, and federal governments, increasing the feasibility of the projects.<sup>13</sup> Further incentives could be provided by adjusting development impact fees assessed.
- Older buildings tend to have smaller floor plates (square footage of the floor) and thereby are considered better suited for office-to-residential conversion than newer buildings with larger floor plates. Newer buildings' wide floor plates make it more difficult to utilize all interior space while ensuring all housing units meet building code requirements on door, window, and natural light.<sup>14</sup>
- Repurposing a building from non-residential to residential use would generally not require dislocation of existing tenants that sometimes accompany new development projects involving existing residential properties.

The Advisory Council on Historic Preservation recognized that “rehabilitating historic properties to provide affordable housing is a sound historic preservation strategy.”<sup>15</sup> Several California jurisdictions have enacted ordinances that incentivize adaptive reuse. The City of Los Angeles, for instance, approved its first Adaptive Reuse Ordinance in 1999 for Downtown Los Angeles, which enabled the creation of more than 12,000 housing units. It has since extended the Adaptive Reuse Program to other neighborhoods, and passed a Citywide Adaptive Reuse Ordinance. More recently, an office building designated as a historical landmark – the Hollywood Western Building – is being converted to 79 affordable units for seniors, along with retail and commercial space on the ground floor. Three key components contribute to the success of the Los Angeles’s Adaptive Reuse Program: a set of land use ordinances; new building code requirements that are specific to adaptive reuse projects; and an expedited approval and permitting process. The City of Santa Ana also passed a similar adaptive reuse ordinance.

Adaptive reuse lies at the intersection of preserving the historical character of the City and meeting the growing need for housing through continuous innovation. With the pandemic reshaping the hybrid work arrangements and the hospitality industry, a total of 122,000 apartments in different conversion stages are expected to enter the market in future years nationwide, a 63% increase compared to 2021, according to a [RentCafe analysis](#). Office-to-apartment conversions made up the highest share of all adaptive reuse projects at 34% in 2022. Hotels and factories are the next most sought-after sources of apartment conversions.

Adaptive reuses are currently allowed in the City of San Diego. An adaptive reuse incentive program that allows for greater flexibility and provides a clear review process could further encourage adaptive reuse developments. **Council may wish to request City Planning to assess the inventory of historical resources that could be viable for adaptive reuse to provide**

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<sup>13</sup> For instance, the Federal Historic Preservation Tax Incentives program provides a 20% income tax credit for the rehabilitation of historic income-producing properties, such as rental housing, listed on the National Register. Additionally, California’s State Historic Rehabilitation Tax Credit (authorized by SB451) provides for a 20% credit for the rehabilitation of historic properties with an additional 5% bonus credit for projects that meet certain standards, such as low-income housing developments.

<sup>14</sup> According to a [study](#) by global real estate firm Avison Young, more than 6,200 buildings across 10 U.S. cities are viable candidates for residential conversion. These buildings were built before 1990 with floor plates below 15,000 square feet, which are the two main criteria that provide long-term potential for conversion.

<sup>15</sup> Advisory Council on Historic Preservation, Affordable Housing and Historic Preservation Implementation Principles, [https://www.huduser.gov/publications/pdf/historic\\_preserv.pdf](https://www.huduser.gov/publications/pdf/historic_preserv.pdf)

**housing units. Based on the assessment, Council could consider facilitating and incentivizing adaptive reuse of historical resources through an ordinance.**

## CONCLUSION

This report responds to Council President’s memorandum requesting a comprehensive analysis of the City’s potential and designated historical resource review processes as they relate to construction permitting. As requested, our Office reviewed relevant policies and legislative framework, staffing and resources, processes and procedures, and peer cities’ historical resources programs. We also provided recommendations on seven different aspects of the City’s Historical Preservation program to streamline historical resource review as part of permitting process, improve the sustainability and fiscal accountability of Mills’ Act program, and promote housing development while preserving truly significant historical resources.

As discussed in the *Issues for Council Consideration* section, historical preservation is one of several citywide priorities. Decisions to meet historical preservation goals should not be made in a silo, but should be considered in a broader citywide context, with impacts on other competing City priorities fully assessed, such as opportunities to increase housing. As voiced by the Advisory Council on Historic Preservation, “actively seeking ways to reconcile historic preservation goals with the special economic and social needs associated with affordable housing is critical in addressing one of the nation’s most pressing challenges.” By taking a holistic approach, historical preservation could serve as a tool for housing creation.

Our Office appreciates the opportunity to analyze these issues, and would like to particularly thank staff from City Planning and DSD, and the Historical Resources Board member for meeting with us and answering our questions related to this research request. Our Office continues to be available to assist Council with any future next steps.



Ruixin Chen  
Fiscal & Policy Analyst



APPROVED: Charles Modica  
Independent Budget Analyst

Attachment 1: Councilmember Request Memorandum

Attachment 2: Comparison of Local, State & National Historical Resource Designation Criteria





**COUNCIL PRESIDENT SEAN ELO-RIVERA**  
**City of San Diego**  
**Ninth District**

**MEMORANDUM**

DATE: February 13, 2023

TO: Charles Modica, Independent Budget Analyst

FROM: Council President Sean Elo-Rivera, Ninth District

SUBJECT: Analysis Request – Potential and Designated Historical Resource Review

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**Background**

On November 4, 2022, your office published IBA Report 22-30: “Response to Request for Analysis on Improving Housing Affordability.” The report identified many constraints on the approval and development of new homes in the City and included several recommendations to address those constraints.

Our office has taken a particular focus on the report’s permitting analysis and recommendations. As Councilmember Moreno, Councilmember Whitburn, and myself noted in our request for the report, San Diego has taken some of the most aggressive and progressive land-use reforms in California to add housing capacity, but just as critical is how quickly the City and the Housing Authority can help create the new homes it allows for. Since the report’s release, we have engaged City staff, homebuilders, planning and design professionals, and advocates to learn more about the permitting process and to identify possible policy solutions to get homes approved and built faster and more affordably.

A recurring topic in our conversations on permitting are the potential and designated historical resource review processes. The historic resource review process is reportedly a major bottleneck in the construction permitting process, and creates uncertainty, requires significant City staff time to complete, and ultimately delays the creation of new homes, which drives up the cost of housing. Undoubtedly, the City should protect important landmarks and preserve its historic resources, but

we should also ensure that those priorities don't impose unnecessary burdens on our other priorities of creating new homes and driving down housing costs.

### **Analysis Request**

Our office requests the Independent Budget Analyst conduct a comprehensive analysis of the City's potential and designated historical resource review processes as they relate to construction permitting. To provide the City Council an understanding of the impacts of the historical resource review processes, my office requests the following be addressed in your analysis:

- An overview of the San Diego Municipal Code and relevant policies related to historical resources
- An overview of the Development Services Department's historical resource review processes as they relate to construction permitting
- The amount of City staff and time required to complete the historical resource review processes as they relate to construction permitting
- Review of peer cities' policies on potential and designated historic resource review as they relate to construction permitting
- Policy recommendations to streamline the historical resource review processes, while also continuing to meet the City's goals around historic preservation

For any questions or clarifications, please contact Brendan Dentino, Policy Director, Council District 9, at [dentinob@sandiego.gov](mailto:dentinob@sandiego.gov).

CC: Jillian Andolina, Deputy Director, Office of the Independent Budget Analyst  
Jessica Lawrence, Director of Policy, Office of the Mayor  
Eric Dargan, Chief Operating Officer  
Kris McFadden, Deputy Chief Operating Officer  
Elyse Lowe, Director, Development Services Department  
Heidi Vonblum, Director, Planning Department

## Attachment 2: Comparison of Local, State &amp; National Historical Resource Designation Criteria

City of San Diego Historical Resources Board Designation Criteria	California Register of Historical Resources Criteria	National Register of Historical Resources Criteria	City of Los Angeles Historic-Cultural Monument Designation Criteria
<p>Exemplifies or reflects special elements of the City's, a community's, or a neighborhood's, historical, archaeological, cultural, social, economic, political, aesthetic, engineering, landscaping or architectural development (Criterion a).</p> <p>Is identified with persons or events significant in local, state or national history (Criterion b).</p> <p>Embodies distinctive characteristics of a style, type, period, or method of construction or is a valuable example of the use of indigenous materials or craftsmanship (Criterion c).</p> <p>Is representative of the notable work or a master builder, designer, architect, engineer, landscape architect, interior designer, artist, or craftsman (Criterion d).</p> <p>Is listed or has been determined eligible by the National Park Service for listing on the National Register of Historic Places or is listed or has been determined eligible by the State Historical Preservation Office for listing on the State Register of Historical Resources (Criterion e).</p> <p>Is a finite group of resources related to one another in a clearly distinguishable way or is a geographically definable area or neighborhood containing improvements which have a special character, historical interest or aesthetic value or which represent one or more architectural periods or styles in the history and development of the City (Criterion f).</p>	<p>Associated with events that have made a significant contribution to the broad patterns of local or regional history or the cultural heritage of California or the United States (Criterion 1).</p> <p>Associated with the lives of persons important to local, California or national history (Criterion 2).</p> <p>Embodies the distinctive characteristics of a type, period, region or method of construction or represents the work of a master or possesses high artistic values (Criterion 3).</p> <p>Has yielded, or has the potential to yield, information important to the prehistory or history of the local area, California or the nation (Criterion 4).</p>	<p>Is associated with events that have made a significant contribution to the broad patterns of our history (Criterion A).</p> <p>Is associated with the lives of persons significant in our past (Criterion B).</p> <p>Embodies the distinctive characteristics of a type, period or method of construction, or represents the work of a master, or possesses high artistic values, or represents a significant and distinguishable entity whose components may lack individual distinction (Criterion C).</p> <p>Has yielded, or may be likely to yield, information important in history or prehistory (Criterion D).</p>	<p>Is identified with important events of national, state, or local history, or exemplifies significant contributions to the broad cultural, economic or social history of the nation, state, city or community (Criterion 1).</p> <p>Is associated with the lives of historic personages important to national, state, city, or local history (Criterion 2).</p> <p>Embodies the distinctive characteristics of a style, type, period, or method of construction; or represents a notable work of a master designer, builder, or architect whose individual genius influenced his or her age (Criterion 3).</p>

<b>City of Pasadena Landmarks Designation Criteria</b>	<b>City of Sacramento Landmarks Register Criteria</b>	<b>City of Long Beach Landmarks and Landmark Districts Designation Criteria</b>	<b>County of San Diego Historical Resources Register Criteria</b>
<p>It is associated with events that have made a significant contribution to the broad patterns of the history of the City (Criterion a).</p> <p>It is associated with the lives of persons who are significant in the history of the City (Criterion b).</p> <p>It embodies the distinctive characteristics of a type, architectural style, period, or method of construction, or represents the work of a architect, designer, engineer, or builder whose work is of significance to the City or possesses artistic values of significance to the City (Criterion c).</p> <p>It has yielded, or may be likely to yield, information important locally in prehistory or history (Criterion d).</p> <p>Note: the criteria for designation of historic monuments are similar to the above, except that they must be regionally, statewide, or nationally significant, rather than simply being locally significant (Criterion e).</p>	<p>It is associated with events that have made a significant contribution to the broad patterns of the history of the city, the region, the state or the nation (Criterion i).</p> <p>It is associated with the lives of persons significant in the city's past (Criterion ii).</p> <p>It embodies the distinctive characteristics of a type, period or method of construction (Criterion iii).</p> <p>It represents the work of an important creative individual or master (Criteria iv).</p> <p>It possesses high artistic values (Criteria v).</p> <p>It has yielded, or may be likely to yield, information important in the prehistory or history of the city, the region, the state or the nation(Criteria vi).</p>	<p><b>Landmark:</b> It is associated with events that have made a significant contribution to the broad patterns of the City's history (Criterion A).</p> <p>It is associated with the lives of persons significant in the City's past (Criterion B).</p> <p>It embodies the distinctive characteristics of a type, period or method of construction, or it represents the work of a master or it possesses high artistic values (Criterion C).</p> <p>It has yielded, or may be likely to yield, information important in prehistory or history (Criterion D).</p> <p><b>Landmark Districts:</b> The grouping represents a significant and distinguishable entity that is significant within a historic context (Criterion E).</p> <p>A minimum of sixty percent (60%) of the properties within the boundaries of the proposed landmark district qualify as a contributing property (Criterion F).</p>	<p>Is associated with events that have made a significant contribution to the broad patterns of San Diego County's history and cultural heritage (Criterion 1).</p> <p>Is associated with the lives of persons important to the history of San Diego County or its communities (Criterion 2).</p> <p>Embodies the distinctive characteristics of a type, period, San Diego County region, or method of construction, or represents the work of an important creative individual, or possesses high artistic values (Criterion 3).</p> <p>Has yielded or may be likely to yield, information important in prehistory or History (Criterion 4).</p>