

*City Planning & Community Investment
Historical Resources Board Workshop*

**Historic Preservation Incentives
April 18, 2008**



City Planning & Community Investment Historical Resources Board Workshop

- Introductions
 - Mayor's Office
 - HRB and Staff
 - Special Guest Speakers
- Objective to review issues and solicit public input
 - Comprehensive review of incentives
 - Develop more tools

City Planning & Community Investment Historical Resources Board Workshop

- City commitment to historic preservation
 - General Plan policies
 - New historic districts
 - New Mills Act contracts
 - Historical resources section staffing levels

Historic Preservation Incentives

- Current Incentives
 - Federal tax credits
 - El Cortez
 - San Diego Trust Bank
 - Use of State Historic Building Code
 - 2008 Revised Code adopted by City
 - Flexibility through alternative compliance
 - Façade easement
 - Ginty House on Cortez Hill

Historic Preservation Incentives

- Current Incentives
 - Mills Act tax reduction
 - Conditional Use Permit and other Code flexibility
 - Design assistance for owners of historical resources through the Historical Resources Board
 - Façade improvement program for historic commercial properties

Historic Preservation Incentives

- Additional Incentives from General Plan
 - Use of Transfer of Development Rights
 - Architectural assistance service
 - Retention of non-conforming setbacks
 - Protection and preservation of important archaeology sites on private property
 - Use of conservation areas to protect neighborhood character through design guidelines

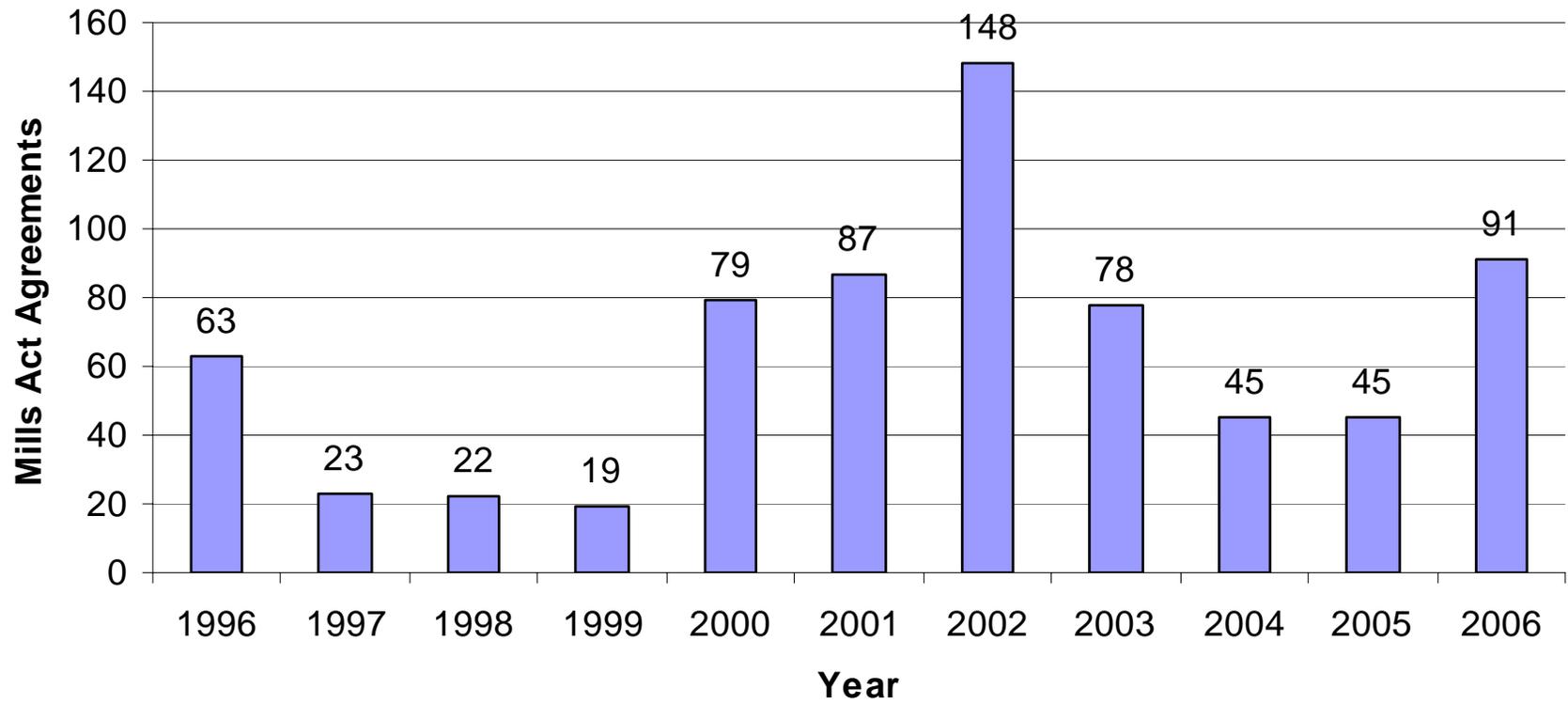
Historic Preservation Incentives

- Mills Act Program
 - State program adopted locally (City Council Policy 700-46 adopted July 18, 1995)
 - Property tax reduction for designated historical properties
 - County Tax Assessor uses formula set by State law (20%-70% savings typical)
 - 10 year life, renewed annually
 - Maintain property according to Secretary of the Interior's Standards

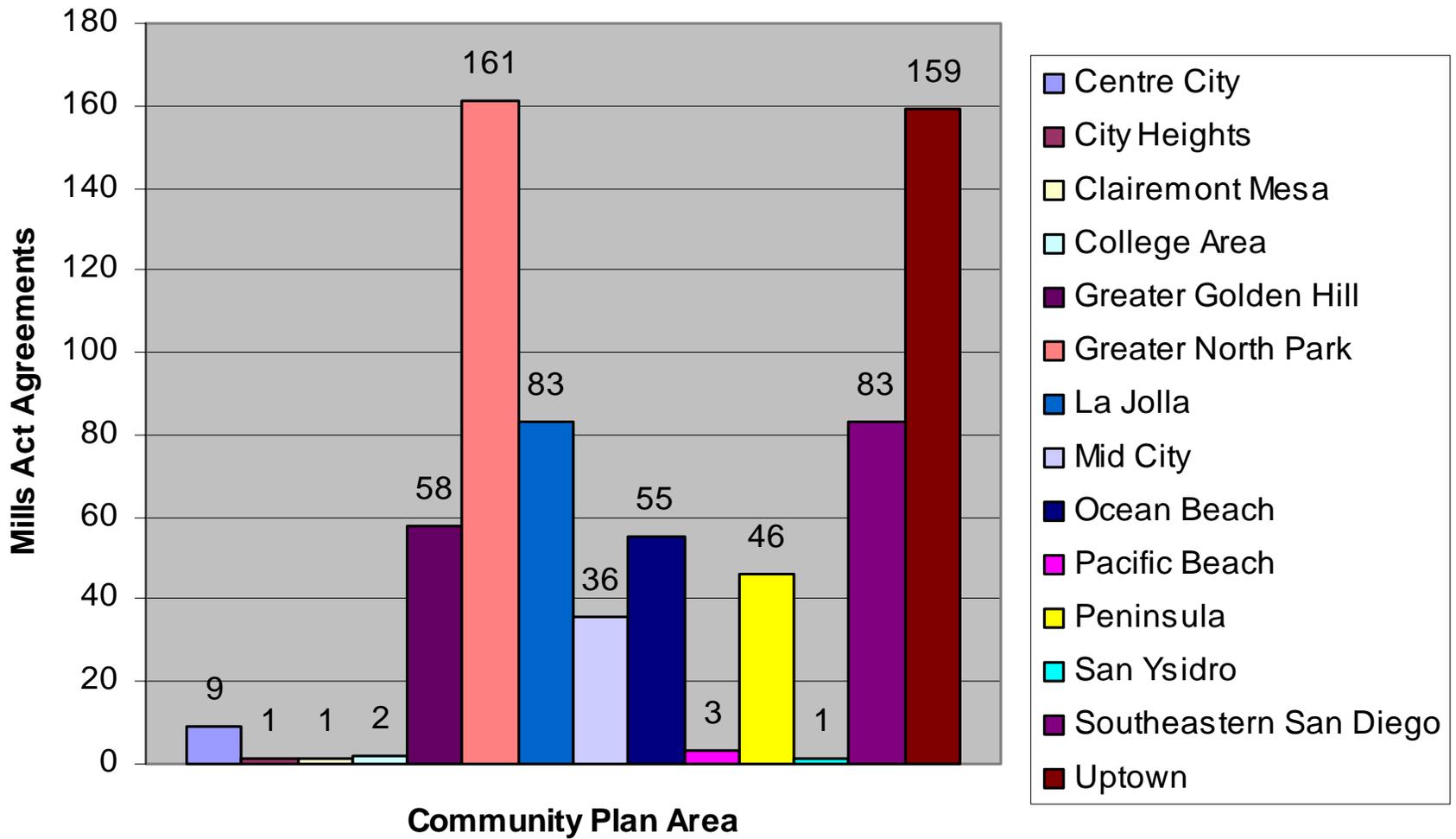
Historic Preservation Incentives

- Mills Act Program
 - Application deadline October 1st
 - Contract Requirements
 - Resource visible from public right-of-way
 - Resource specific conditions/exclusions
 - No formal inspection requirements
 - Fees \$100 per \$100k assessed value to \$400 max

Number of Mills Act Agreements by Year



Number of Mills Act Agreements by Community Plan Area



Mills Act Assessments

Gary Kendrick

Supervising Appraiser I

MILLS ACT DATABASE

Find Parcel Number:

 **FIND**
  **UNDO**
  **ADD REC**
  **MENU**
  **EXIT**

PARCEL NUMBER: 225-591-42-00

STREET NUMBER: 2031

STREET NAME: EAST MISSION AVE

JURISDICTION: Escondido

NEIGHBORHOOD:

ZIP CODE:

MILLS ACT LUC: 887

UNITS: 1

OWNERSHIP: FRANK

APPRAISER #: 09311

VAD:

VAC: 0

TRA: 04014

NOTES

P TYPE: SFD **APPROVED**

SUP AREA: 61

LAND USE CODE: 10110

CHARACTERISTICS OF IMPROVEMENTS

CLASS: D4.0	GSTAL: 0
EFFECTIVE YEAR: 1908	CPSTAL: 0
AREA SQUARE. FT: 1,940	POOL: <input type="checkbox"/> NO
BEDROOMS BATHS: 3/2	VIEW:
ADDITIONAL AREA:	USLND: 25,300
GCHV: <input type="checkbox"/> NO	MILLS ACT DOC NO: 1997-0538067

Print Preview for Current PAR Record

Print Current PAR Record and Advance to Next Record

PAR TURNED IN:
 DUPLICATE PAR:
 ACTIVE PERMIT:
 APPRAISER INITIALS: lp

PARCEL NUMBER: 225-591-42-00
CURRENT MKT VALUE: \$325,000

NOTES

PROP 13:

PROP 13 LAND BASE:
PROP 13 IMP BASE:
PROP 13 BASE: \$118,100
APPRAISAL YEAR: 08
BASE YEAR: 92
PROP 13 INDEX FACTOR: 1.34629

BLENDED VALUE:
SFO OCCUPIED:
NON-RENEWAL YEAR:
TAX RATE: 1.11241
MORTGAGE RATE: 6.75
REMAINING LIFE BLDG: 20
BLDG RATIO PERCENT: 40%
PERCENT EXPENSE: 16%
PERCENT VACANCY: 5%
RENT/MONTH & \$SQ. FT.: \$1,450 \$0.75

Find Parcel Number

CAPITALIZATION RATE CALCULATIONS:

HISTORIC RISK FACTOR: 4 SFO OCCUPIED 4%, ELSE 2%
TAX RATE: 1.11241 ENTERED
MORTGAGE RATE: 6.75 ENTERED
RECAPTURE RATE: 2.00 1/REM LIFE * BLDG RATIO * 100
CAPITALIZATION RATE: 13.86 SUM OF ABOVE RATES
C RATE DECIMAL: 0.1386241 CONVERTED TO DECIMAL

PROPERTY VALUES:

CURRENT MARKET: \$325,000 ENTERED
PROP 13 VALUE: \$158,996 P13 BASE * P13 FACTOR
MILLS VALUE: \$100,164
 Mills Value : Income less expenses is divided by the capitalization rate in decimal form.
REPORTED RENT: \$0

$$\frac{((1 - \text{PERCENT EXPENSE}) * ((1 - \text{PERCENT VACANCY})) * (\text{ECON RENT MONTH} * 12)))}{(.01 * \text{CAP RATE})}$$

AREA SQUARE. FT.: 1,940 **PAR TURNED IN:** **DUPLICATE PAR:** **ACTIVE PERMIT:** **APPRAISER INITIALS:** lp

Subject Restricted Historical Property

Restored, 105-year-old, Victorian single-family residence. Excellent condition. Under Mills Act contract since 1985 and not in nonrenewal status. Owner-occupied.

Determination of Restricted Value (current lien date)

Gross income (Fair rent)		
\$1,500 per month x 12 months =		\$18,000
Less: Anticipated vacancy and collection loss		
\$18,000 x 5%		<u>- 900</u>
Effective gross income		17,100
Less: Anticipated operating expenses		
Grounds maintenance	\$600	
Fire insurance	400	
Management Fee	360	
Water and garbage	240	
Building maintenance	+ 500	<u>- 2,100</u>
Net Operating Income		\$15,000

Restricted Capitalization Rate

Rate Components:

Interest rate	.08	
Risk (owner-occupied SFR)	.04	
Property tax (ad valorem)	.015	
Amortization		
(50-year remaining life)	+ .02	<u>.155</u>

Restricted Value		
\$15,000 ÷ .155		= <u>\$96,774</u>

Taxable Value—Three-Way Value Comparison

Restricted value	\$96,774
Factored base year value (based on prior change in ownership)	\$357,000
Current market value (based on comparable sales)	\$450,000

Other California Jurisdictions

- San Jose
 - Districts – 9 historic, 5 conservation areas
 - Individual Properties – 3,422 total
 - Historic Preservation Incentives
 - California Historic Building Code
 - Local code flexibility
 - Federal Tax Credits
 - City building tax exemption (5% of improvement value)
 - Mills Act tax reduction

Other California Jurisdictions

- San Jose's Mills Act Program
 - Eligibility - Top tier landmarks
 - Limitations - no limit
 - Monitoring - no formal inspection program
 - Fees -- \$640 to \$2,675 sliding scale

Other California Jurisdictions

- San Francisco
 - Districts – 11 local, 36 CR/NR, 6 conservation districts
 - Individual Properties – 259
 - Historic Preservation Incentives
 - California Historic Building Code
 - Local code flexibility
 - Federal Tax Credits
 - Mills Act tax reduction

Other California Jurisdictions

- San Francisco's Mills Act Program
 - Eligibility - City/National landmarks
 - Limitations - up to 50% reduction
 - Monitoring - restoration/rehab and monitoring plan required
 - Fees - for contract and inspections

States With Similar Property Tax Incentives

(Resources must be National Register listed)

Oregon

(Portland, Eugene, Salem, Beaverton)

National Register Designated Resources – 1,976

398 with tax incentive

Arizona

(Phoenix & Tucson)

National Register Designated Resources – 13,458

4,361 with tax incentive

Other Cities Nationwide

Philadelphia

- 10,700 properties currently designated in districts
- 3,836 properties currently designated individually
- 13,735 properties currently proposed for designation in districts
- No design guidelines beyond Secretary of the Interiors Standards
- Financial Incentives provided through a collaboration of the City of Philadelphia and a non-profit organization, Preservation Alliance of Greater Philadelphia
 - Historic Properties Repair Program (1 Million from City's funds provided as grants for low/moderate income historic district homeowners.)
 - Easement Donation

Other Cities Nationwide

Chicago

- 6,283 properties currently designated in districts
- 217 properties currently designated individually
- Financial Incentives:
 - Property Tax Incentive (Reduction for 12 years for commercial only)
 - Property Tax Freeze (Freezes tax for 12 years for residential only)
 - Façade Easement Donation and Rebate Program

New Orleans

- 15,853 properties currently designated in 15 districts
 - Additionally, 20 National Register Districts not included in count
- 433 properties currently designated individually
- Design Guidelines
 - Architectural Review Committee
 - Secretary of the Interiors Standards
 - Additional Rules, Regulations and Guidelines on City website
- Financial Incentives:
 - Property Tax Freeze (Freezes tax for 5 years for residential only)

Other Cities Nationwide

Boston

- More than 7,000 properties currently designated in 7 districts or individually
- 3,836 properties currently designated individually
- 13,735 properties currently proposed for designation in districts
- Design Guidelines
 - Certificate of Appropriateness required for permit approval
 - Historic District Commissions must review exterior alterations within their districts
- Financial Incentive:
 - Historic HomeWorks
 - Grant of up to 50% of costs of restoration, repairs, etc., matching funds required.



lacity.org

City of Los Angeles

Ken Bernstein, Manager
Office of Historic Resources

Potential Changes to Mills Act Program

- Policy Subcommittee Review of Overall Program (2006 and 2007)
- Review of Current Proposal (January 2008)
 - Annual limit
 - Additional Eligibility Requirements
 - Threatened or deteriorated resource
 - Affordable housing
 - Economic hardship
 - Supports revitalization efforts

Potential Changes to Mills Act Program

- Presented to HRB Policy Subcommittee
(January 2008)
 - Application deadline March 31st
 - Contract Requirements
 - Resource visible from public right-of-way
 - Tailored agreement to achieve rehabilitation or restoration
 - Inspection for new agreement and every 5 years
 - Fees
 - \$590 for agreement
 - \$492 monitoring with agreement and every 5 years
 - \$949 enforcement only if needed

Potential Changes to Mills Act Program

- Presented to Community Planners Committee (March 2008)
 - Revised after Policy Meeting
 - Application deadline June 30th
 - Pipeline provisions for properties already designated and in queue for designation at time of revisions (except for fees)

Potential Changes to Mills Act Program

- Public Comments
 - Policy Subcommittee Meeting
 - CPC
 - SOHO
 - Grand Jury
 - SHPO

Potential Changes to Mills Act Program

- Areas of General Agreement
 - Application deadline (June 30th)
 - 10-year tailored agreements
 - Monitoring/Inspections
 - Fees
- Areas of Disagreement
 - Annual limit
 - Eligibility requirements

Changes to Incentives Program

- HRB Subcommittee
- New General Plan Incentives
 - Transfer of Development Rights
 - Architectural Assistance
 - Non-conforming setbacks
- Conservation Areas with Overlays
 - Neighborhood Design Guidelines

Implementation of Mills Act Program Changes

- **Public process**
 - **HRB Policy Subcommittee (January 2008)**
 - **CPC (March 2008)**
 - **Workshops with HRB**
 - **April 18, 2008**
 - **May/June**
 - **Workshop with LU&H**
 - **July/August**
 - **City Council before end of 2008**

