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 1\textsuperscript{st}
  – 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
Mills Act Assessments

Gary Kendrick
Supervising Appraiser I
Subject Restricted Historical Property

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% = -900

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

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

Restricted Value
$15,000 ÷ .155 = $96,774

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.
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