



STAFF REPORT

Meeting Date: January 21, 2014

Item Number:

To: Honorable Mayor & City Council

From: William Crouch, AIA AICP, Urban Designer

Subject: Incentives for Historic Preservation Program.

Attachments: Appendix: Summary of Incentive Options Matrix

1. Cultural Heritage Commission Report and Meeting Synopsis – January 9, 2013
2. Cultural Heritage Commission Report and Meeting Synopsis – April 10, 2013
3. Planning Commission Report and Meeting Synopsis – September 12, 2013

INTRODUCTION

The City Council authorized a Historic Preservation Program for the City of Beverly Hills with the adoption of Ordinance 12-0-2617 (“Historic Preservation Ordinance”) on January 24, 2012. As part of the implementation of the Historic Preservation Program, Beverly Hills Municipal Code (BHMC) §10-3-3209 authorizes that the City Council may “by resolution establish preservation incentives to encourage owners to designate, maintain, preserve, rehabilitate, and improve city landmarks, historic districts, and contributing properties.”

The Cultural Heritage and Planning Commissions have, respectively, prepared and reviewed the recommendations transmitted in this report. The purpose of this report is to present a menu of incentives options that, over a three year period starting in fiscal year 2014-2015, staff will study and, as appropriate, make recommendations to the City Council for implementation.

The report also conveys the discussions and recommendations of the Cultural Heritage Commission and Planning Commission on the matter.

BACKGROUND

As part of the implementation of the City's Historic Preservation Program, the Cultural Heritage Commission (CHC) has worked on developing a list of potential incentives to encourage property owners to preserve and maintain historic resources in the city. A subcommittee of two of the Cultural Heritage Commissioners (Commissioners Greer and Pynoos) was formed to take the lead on the initiative and work with City staff, the Planning Commission, City Council, and the community on the topic of Preservation Incentives.

On January 9, 2013, a staff report (Attachment 1) was presented to the Cultural Heritage Commission that provided an overview of established incentive programs used at the Federal, State, and local levels, for the Commission's consideration in working towards crafting a set of incentives to encourage historic preservation in the city.

A follow-up report (see Attachment 2) was presented at the April 10, 2013, CHC meeting to provide analysis of the possible incentives and present a strategy for developing and prioritizing a Historic Preservation Incentives Program for the City of Beverly Hills. At that meeting the CHC considered the various incentive options available, provided feedback as to priorities and phasing, and requested that the matter be forwarded to the Planning Commission to continue to develop scenarios and to make recommendations to the City Council. The CHC also requested that prior to the full Planning Commission's consideration of the subject, that the matter be discussed by representatives of the Planning Commission and Cultural Heritage Commission. Accordingly, a joint subcommittee of the Planning Commission (Chair Rosenstein and Commissioner Yukelson) met with the CHC - Preservation Incentives Subcommittee (Commissioners Greer and Pynoos) in September 2013. The top priorities identified in the joint special meeting were:

- 1) Mills Act Program: recommending extension of the pilot program
- 2) Priority processing: developing a process to shorten review times for historic projects
- 3) Fee waivers/reductions: including a study in Phase I and implementation in a future Phase II

The Planning Commission considered the study session item on September 12, 2013 and requested minor modifications to the proposed phasing plan including prioritizing the study of Transfer of Development Rights (TDRs) as an essential element in any comprehensive incentives program.

The Cultural Heritage Commission, the joint PC-CHC subcommittee, and the Planning Commission have all expressed their support of an incentives program and recommended that the City Council consider the comprehensive preservation incentives program being developed and the proposed implementation phases. The Phasing Plan presented under the "Analysis" section of this report reflects the most recent priorities expressed by the PC and CHC.

DISCUSSION

A variety of financial, technical, and administrative tools are available at the Federal and State levels to owners of historic properties. Additionally, the CHC and staff have proposed additional ideas for incentives that might be appropriate at the local level in Beverly Hills. A basic description of each specific incentive is included below for reference. Specific incentive options have been analyzed in terms of potential costs (time, money, barriers) and benefits (promoting or preserving historic resources). Each incentive has been broken down to identify the following properties:

- Time frame for implementation;
- Estimated level of costs for the City to implement and for the applicant/property owner;
- Factors or potential barriers to consider;
- Benefits that are likely to result;
- What actions will be needed; and
- Which agencies, community or stakeholder groups might be involved.

Initial estimates of timing and cost are only to provide guidance regarding how incentives options should be pursued and prioritized. More in-depth analysis of specific program requirements can be conducted in the future once the City Council sets priorities for the City's comprehensive historic preservation incentives program. The Summary of Incentive Options Matrix (see Appendix) provides an explanation of the incentive options and associated costs, considerations, and future action items. Expanded discussion of some of the newly suggested incentives is provided below.

Parking

The Planning Commission considered the concept of extending in lieu parking benefits to historic properties as a financial incentive. The City operates an in-lieu parking program which provides qualifying commercial properties¹ the option "to satisfy all or part of the requirements for parking spaces by the payment to the city of an in lieu fee" (BHMC §10-3-3301). The fees collected are then used by the City to construct and maintain parking facilities to serve the In Lieu Parking District.

BHM Code currently specifies "historic places" as eligible to participate when the use involves adaptive reuse of a building listed on the National Register (and also meets the other qualifications). Additionally, these "historic places" (as well as non-profit museum uses) may be granted a waiver, in whole or in part, of the in lieu parking fees by the City Council or the Planning Commission. The Planning Commission considered as a possible incentive that the code could be amended to allow this provision to apply to all historic places listed on the Beverly Hills Local Register of Historic Places ("Local Landmarks"). At their September 12, 2013 meeting, the PC expressed their support of the concept. In order to enable this change, a zoning code text amendment would need to be adopted. A new code section on the waiver of fees is proposed as part of the update to the Historic Preservation Ordinance that was recommended by the Planning Commission on November 21, 2013, that will be forwarded for City Council consideration in early 2014.

Transfer of Development Rights

The incentive that the Planning Commission discussed in the most detail and recommended moving up as a priority is a potential Transfer of Development Rights (TDR) program. The Planning Commission requested the study of a possible TDR program be advanced into Phase II of the future incentives program. Since TDR is a complex zoning regulation, it would require extensive study including work by an outside consultant and would likely extend beyond one fiscal year. Accordingly, staff supports the recommendation to initiate a study of a TDR program in fiscal year 2015-2016, however, consideration of any ordinance, if ultimately supported by the

¹ Generally, the property must be: commercially zoned; located in the Business Triangle; retail, service commercial or full service restaurant uses; max. 16,000 square foot lot, max. FAR 2:1, max. 45 feet in height (for detailed requirements and findings, see BHMC §10-3-3302 et seq.)

City Council, would not begin until fiscal year 2016-2017 according to the recommended schedule.

Character Contributing Buildings

While reviewing the range of potential incentives for historic preservation, the Planning Commission considered the list of incentives and how they might apply to “character contributing buildings” in the context of common interest developments such as condominiums. BHMC § 10-2-707 defines “character contributing building” to mean: “Any multi-family residential building that the Planning Commission determines, due to its proportions and scale, design elements, and relationship to the surrounding development, is of continued value and contributes to defining the character of the community as a whole.” One of the benefits afforded to character contributing buildings by the BHMC is that buildings that are designated as such are eligible for certain zoning relaxations when converting an existing multi-family building for condominium purposes. If granted, the “character contributing” determination allows an owner of an existing legally non-conforming building to apply to the City to convert the building to common interest development units without meeting all zoning and building code requirements in place at the time of conversion.

The City Council could consider extending any of the incentive benefits discussed herein to “character contributing buildings.” Particularly, the following might be suitable for application to character contributing buildings: ability to utilize the California State Historical Building Code (CHBC); inclusion in a potential Adaptive Reuse Ordinance; participation in a Transfer of Development Rights (TDR) program; and a reduction of required off-street parking. The character contributing buildings code section, coupled with appropriate incentives, could allow for properties to be preserved that are significant to the community but that may not be eligible nor designated for individual listing on the Local Register of Historic Places. Vice versa, the opportunities currently available to character contributing buildings could guide future initiatives that would apply to historic properties. For example, non-conforming character contributing buildings are currently eligible to request relief from certain development standards required in the zoning code; the same benefit could be offered to historic properties in a potential Adaptive Reuse Ordinance. At the time of their review, the Planning Commission was in support of this general idea as a way to recognize buildings that are valued by the community but are not at the level of significance of a Local Landmark.

ANALYSIS

Benefits of an Incentive Program

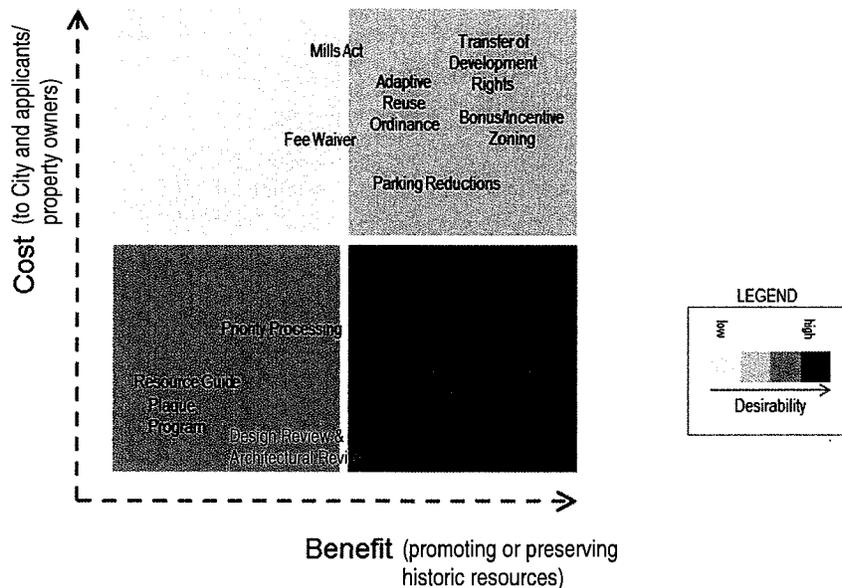
Many of the existing available incentives for preservation are already available to owners of historic properties through Federal or State initiatives. Additional ideas that are proposed herein (for example: TDR program; In Lieu Parking fee waiver/reduction; Mills Act contracts; bonus, incentive, or adaptive reuse zoning ordinances; parking reductions; prioritization of project approvals, etc.) represent the opportunity for Beverly Hills to offer very specific *local* incentives that would be beneficial both for applicants/property owners and the City. For example, the prospect of reduced or waived in lieu parking fees represents a significant financial incentive that the City could offer to applicants. If the incentive is strong enough, it would encourage property owners to preserve, adaptively reuse, and seek Local Landmark designation for their eligible historic properties.

The adoption of a historic preservation incentives program is enabled by the Historic Preservation Ordinance adopted by the City Council and represents an opportunity for the City to advance the goals of the City's General Plan, as illustrated in the following 2010 General Plan Goals and Policies:

- *Historic Preservation (HP) 1: Value and Preserve Significant Cultural Resources.* A community with well-preserved and maintained historic and cultural resources that provide a sense of permanence, foster civic pride and stewardship, and contribute to the unique identity and charm of the City.
- *HP 1.3: Promote National, State, and Local Designation of Historic Resources.* Develop programs to promote the nomination of properties listed on the City's historic resources inventory for listing on the local register of historic resources, California Register of Historic Resources, or National Register of Historic Places.
- *HP 1.4: Develop Incentives to Protect Significant Historic Resources.* Develop and fund financial and regulatory incentives to encourage the protection of historic buildings, districts, and public landmarks/monuments from demolition or significant alteration, which may include Mills Act contracts, waiver of fees, flexible development standards, conservation easements, transfer of development rights, and other incentive-based mechanisms to make preservation feasible for owners and developers.
- *HP 1.4a: Mills Act.* After conducting an analysis of the likely fiscal impact, consider implementing a local Mills Act ordinance as an incentive for owners to preserve and maintain historic properties for their own benefit and the benefit of the community.

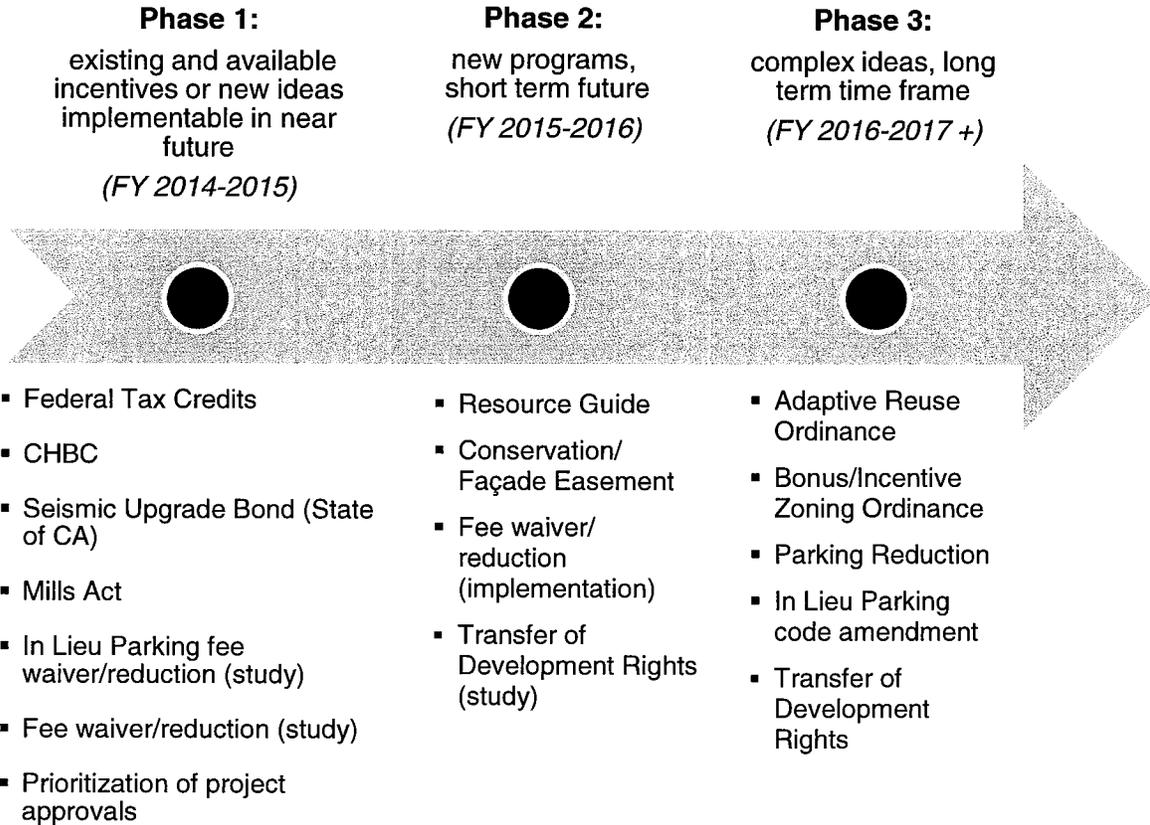
Cost-Benefit Analysis

The information in the incentive analysis (Appendix) can be used to chart the incentives in terms of potential costs and benefits. The cost-benefit diagram below can help illustrate the viability of such programs to be implemented; for example, the most desirable incentives would be those with low costs and high benefits, and the least desirable would be those with high costs and low benefits.



Phasing

Authorizing a comprehensive Historic Preservation Incentives Program is a substantial undertaking that will require significant time, planning and resources. As such, it is recommended that the Program be broken down into phases and implemented over time. This allows the City to capture the “low-hanging fruit” and capitalize on opportunities that are within reach to be implemented in the near future. Other ideas or programs that are more complicated or longer range have been identified for later phases. Alternatively, programs can be rearranged in phases based on the priorities of the City Council, CHC, and PC.



FISCAL IMPACT

The discussions contained in this initial report do not result in any fiscal impacts; however, the eventual adoption of a Comprehensive Historic Preservation Incentives Program may have substantial fiscal impacts (depending on the level of incentive) that would need to be further studied by staff, based on the City Council’s direction. Some incentives may have a fiscal benefit rather than a negative fiscal impact. Staff will return with a thorough fiscal analysis of the information contained herein at a later time when City Council will be asked to identify and appropriate budgetary funds for the purpose of further study (e.g. TDR program, fee waivers/deductions, bonus/incentive zoning ordinance).

RECOMMENDATION

The Cultural Heritage Commission, Planning Commission, and Planning Division staff have worked together to identify, analyze, and prioritize the field of incentives for historic preservation available at the federal, state, and local levels. The information has been forwarded to the City Council for review with the support and recommendation of the CHC and PC. Staff will return to City Council with a future report regarding the setting of priorities, suggested phasing of a historic preservation incentives program, necessary recourses and fiscal impacts.

Susan Healy Keene, AICP
Director of Community Development


Approved By _____