

# **Attachment 1:**

**Cultural Heritage Commission Report and Meeting Synopsis  
– January 9, 2013**



# Cultural Heritage Commission Report

**Meeting Date:** January 9, 2013

**Subject:** Incentives for Historic Preservation

**Recommendation:** Review the information on preservation incentives and provide feedback and direction to staff.

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## REPORT SUMMARY

This report provides an overview of established incentive programs used at the Federal, State, and local levels, for consideration by the Cultural Heritage Commission (CHC) in working towards crafting a set of incentives to encourage historic preservation in the City of Beverly Hills.

Programs outlined herein include:

- Federal Tax Credits
- Mills Act Contracts
- Conservation and Façade Easements
- Transfer of Development Rights
- State Historic Building Code
- Adaptive Reuse Ordinance
- Bonus or Incentive Zoning
- Seismic Upgrade Bond
- Other Incentive Ideas

## BACKGROUND

Historic preservation is not only about regulations that prevent inappropriate change to historic resources. Successful historic preservation programs also make available positive incentives, providing property owners financial and technical tools that help give new life to historic properties. Property owners also find that property values and marketability increase when historic preservation standards are used in rehabilitating their properties.

Following recent discussion by the Preservation Incentives Subcommittee of the CHC, this staff report summarizes some of the key incentives that help make historic preservation projects possible.

## DISCUSSION

The City Council and the Cultural Heritage Commission have expressed desire to push an incentive-based approach (over mandates) to encourage preservation of historic resources in Beverly Hills. As

such, staff has prepared this report to provide an overview of established approaches to preservation incentives. Based on direction from the Cultural Heritage Commission, staff can elaborate on the following material or work with the CHC to begin to craft a Historic Preservation Incentives Program for Beverly Hills.

The following tables provide summaries of the incentive programs available in California that would be potentially applicable and appropriate in the Beverly Hills context.

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## FEDERAL TAX CREDITS

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Tax relief for owners of historic properties is provided by the federal government in the form of tax credits. A tax credit lowers the amount of tax owed (as opposed to a tax deduction, which lowers the amount of income subject to taxation).

Federal historic preservation tax credits are offered at two levels:

- 1) 20% Rehabilitation Tax Credit. For “certified historic structures.”
- 2) 10% Rehabilitation Tax Credit. For buildings built before 1936 that are *not* “certified historic structures.”

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### 20% REHABILITATION TAX CREDIT

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Description	The 20% tax credit “rewards private investment in rehabilitating income producing historic properties, such as offices, rental housing and retail. The incentive provides a 20% tax credit for all qualifying hard and soft cost expenditures during rehabilitation.” <sup>1</sup>
Benefits	<ul style="list-style-type: none"><li>▪ Rehabilitation costs provide tax advantages to owners who improve their historic properties.</li><li>▪ Helps make historic redevelopment financially possible.</li></ul>
Eligibility	<ul style="list-style-type: none"><li>▪ Only <i>certified historic structures</i> are eligible for the 20% tax credit. A “<i>certified historic structure</i>” is defined by the NPS as “a building that is listed individually in the National Register of Historic Places or a building that is located in a <i>registered historic district</i> by the National Parks Service as contributing to the historic significance of that district.”<sup>2</sup></li><li>▪ Commercial, industrial, agricultural and rental residential properties that are used to produce income and buildings that are depreciable are eligible.</li><li>▪ A property used exclusively as an owner’s private residence is not eligible.</li></ul>
Restrictions	<ul style="list-style-type: none"><li>▪ All new work must be done to meet the Secretary of the Interior’s Standards for the Rehabilitation of Historic Properties.</li><li>▪ The building owner must hold the structure for five years following completion of the rehabilitation, or they must pay back the credit.</li></ul>

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<sup>1</sup> LA Conservancy, “Incentives for Preserving Historic Buildings,” page 2

<sup>2</sup> National Parks Service, “Historic Preservation Tax Incentives,” page 4

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#### 10% REHABILITATION TAX CREDIT

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Description	The 10% tax credit rewards private investment and applies to qualifying soft and hard costs for rehabilitations on non-residential, non-historic properties built before 1936.
Benefits	<ul style="list-style-type: none"><li>▪ Rehabilitation costs provide tax advantages to owners who improve their historic properties.</li><li>▪ Helps make historic redevelopment financially possible.</li></ul>
Eligibility	<ul style="list-style-type: none"><li>▪ Applies to properties which are not listed on or not eligible for listing on the National Register of Historic Places</li><li>▪ Building must be built before 1936</li><li>▪ Non-residential properties only (including hotels)</li><li>▪ Residential buildings, including private homes and rental housing, are not allowed.</li></ul>
Restrictions	<ul style="list-style-type: none"><li>▪ An owner can either receive the 20% tax credit or the 10% tax credit for a property, not both.</li></ul>

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#### STATE MILLS ACT PROGRAM

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Description	The Mills Act is a state law that enables local governments to enter into contracts with owners of historic properties to provide property tax abatement in exchange for the continued preservation of a historic property.
Benefits	<ul style="list-style-type: none"><li>▪ Promotes preservation, rehabilitation, and maintenance of historically designated properties by the property owner.</li><li>▪ May provide substantial tax relief to the property owner, particularly on recently-acquired properties which would have higher assessed property values.</li><li>▪ The historic contract could boost the marketability of a property.<sup>3</sup></li></ul>
Eligibility	<ul style="list-style-type: none"><li>▪ Specific criteria and details of the program are to be determined by the local authority.</li><li>▪ For example, in the City of Los Angeles, properties that are eligible are: owner-occupied single-family residences with a property tax assessment of \$500,000 or less; income-producing commercial properties (including apartments) with an assessed value of \$1,500,000 or less.</li></ul>
Restrictions	<ul style="list-style-type: none"><li>▪ The minimum initial contract period is 10 years, with automatic annual renewals. The contract stays with the property and subsequent owners are bound to the same rights and obligations of the contract.</li></ul>

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<sup>3</sup> Getty Conservation Institute, page 5

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## CONSERVATION AND FAÇADE EASEMENTS

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Description	Conservation and façade easements allow a property owner to receive an income tax deduction by donating a part of the historic property to a qualified preservation organization (considered a charitable donation) that will oversee that the historic and architectural qualities of the structure are not altered in the future.
Benefits	<ul style="list-style-type: none"><li>▪ Protects the architectural and historical significance of a building by restricting the right to alter its appearance or footprint.</li><li>▪ The property owner who donates an easement can receive a one-time income tax deduction. The value of the easement is determined by calculating the difference between the fair market value of the property without the easement, and the value of the property with the easement restrictions (limitations on future development, height, use, etc.)</li><li>▪ Easement holders are often given funding priority for necessary repairs in the event of a natural disaster by relief organizations such as FEMA.</li></ul>
Eligibility	<ul style="list-style-type: none"><li>▪ The building must be a certified historic structure – listed on the National Register of Historic Places or part of a National Register District.</li><li>▪ The building is not required to be depreciable or income producing. Private residences are eligible.</li><li>▪ The area covered by an easement is typically the exterior building envelope (i.e. façade easement), but can also include historically significant interiors or exterior spaces (i.e. conservation easement) as long as they are publically accessible.</li></ul>
Restrictions	<ul style="list-style-type: none"><li>▪ Any changes to the area subject to the easement must be approved by the easement holder (preservation organization) and reviewed to meet the Secretary of the Interior’s Standards for the Treatment of Historic Properties.</li><li>▪ The easement runs in perpetuity with the deed of the property, regardless of change in property ownership.</li><li>▪ The easement shall not in practice significantly alter the building’s use.</li><li>▪ Requires lender’s approval of the easement if there is a mortgage on the property.</li></ul>
Examples	<ul style="list-style-type: none"><li>▪ Preservation Organizations: Los Angeles Conservancy, Pasadena Heritage</li></ul>

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**TRANSFER OF DEVELOPMENT RIGHTS (TDR)**

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Description	<p>Transfer of Development Rights, or TDR, is a growth management tool that allows for the development potential on sensitive sites to be transferred or sold to non-sensitive sites through the private market.</p> <ul style="list-style-type: none"> <li>▪ A TDR program designates areas where development may be transferred to or from. The “sending zone” is the area to be protected, where development potential will be exported from. “Receiving zones” are areas designated to accept development potentials, which are appropriate for and exhibit a market demand for increased density.</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>▪ Discourages demolition of historic buildings by allowing property owners to realize the unused economic potential of their property.</li> <li>▪ Helps minimize negative economic impacts to landowners by providing a path for a property owner to recoup part of the economic loss that the historic preservation ordinance may have caused.</li> <li>▪ Helps bolster the legal basis of the City’s historic preservation program in regards to the issue of whether a ‘taking’ has occurred.</li> <li>▪ TDR programs prosper in areas with high land values and hefty development pressures, both of which apply to Beverly Hills.</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>▪ Requires the city to designate sending and receiving zones or sites for where development rights could be transferred to and from. Some cities establish a TDR “bank,” allowing TDR from landmark structures to be purchased and held until a buyer can be found.</li> </ul>
Restrictions	<ul style="list-style-type: none"> <li>▪ TDRs require active development demand to be effective.</li> </ul>
Examples	<p>Cities of San Francisco, Los Angeles, West Hollywood, Pasadena, San Diego</p>

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**CALIFORNIA HISTORICAL BUILDING CODE (CHBC)**

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Description	<p>The state recognizes that historic buildings have unique construction qualities and so the CHBC provides an alternate building code applicable for use by historic properties, which is performance-based rather than prescriptive.</p>
Benefits	<ul style="list-style-type: none"> <li>▪ Allows for flexibility in the otherwise rigid building regulations to enable sensible rehabilitation, restoration, preservation, relocation, or change in occupancy of historic buildings.</li> <li>▪ Aims to encourage preservation of historic buildings and conservation of architectural elements while maintaining standards for public safety.</li> <li>▪ Intent is to further “a cost-effective approach to preservation.”<sup>4</sup></li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>▪ The CHBC provides a definition of qualified historical structure or property, and can determine if a structure or property is qualified.</li> </ul>

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<sup>4</sup> State Historical Building Code, Section 18951

- When new construction is involved on a historic property, the areas of new construction are required to meet the standard building code, while the historic areas can utilize the CHBC.

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### **ADAPTIVE REUSE ORDINANCE**

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Description	An adaptive reuse ordinance, adopted by a city, would modify zoning requirements to facilitate the conversion of existing historic structures into new uses. The ordinance could create an expedited approval process and ensure that older and historic buildings are not subjected to the same zoning and code requirements that apply to new construction, which might otherwise preclude reuse of historic buildings.
Benefits	<ul style="list-style-type: none"><li>▪ Allows obsolete historic structures to breathe new life through rehabilitation and change of use.</li><li>▪ In Downtown LA, the Adaptive Reuse Ordinance enabled the conversion of dozens of underutilized historic structures into new residential and commercial units and catalyzed the development boom Downtown.</li><li>▪ Can help create new housing units to serve market-rate and affordable tenants.</li></ul>
Eligibility	<ul style="list-style-type: none"><li>▪ Criteria would need to be determined in the City ordinance.</li></ul>
Examples	<ul style="list-style-type: none"><li>▪ City of Los Angeles – Downtown and other districts</li><li>▪ Cities of Long Beach, Santa Monica, Pasadena</li></ul>

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### **BONUS OR INCENTIVE ZONING**

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Description	A developer may be granted certain zoning “bonuses,” e.g. additional density above and beyond what would ordinarily permitted by the zoning code in exchange for providing a public amenity such as historic preservation.
Benefits	<ul style="list-style-type: none"><li>▪ Incentivizes developers to save and reuse historic structures rather than demolish them to make way for new development.</li><li>▪ Benefits the public through provision of amenities such as historic preservation, open space, affordable housing, etc.</li></ul>
Eligibility	<ul style="list-style-type: none"><li>▪ Enabled by California state law. Implemented at local level.</li></ul>
Examples	<ul style="list-style-type: none"><li>▪ City of Sacramento</li></ul>

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### **CALIFORNIA SEISMIC BOND ACT**

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Description	Property tax relief is available in California under certain circumstances to owners of historic, unreinforced masonry buildings that are required to be seismically upgraded. The value of seismic upgrade retrofitting to unreinforced masonry buildings can be deducted from property valuation over a fifteen year period.
Benefits	<ul style="list-style-type: none"><li>▪ This incentive can offer owners sizable tax savings while protecting at-risk historic masonry buildings.</li></ul>
Eligibility	<ul style="list-style-type: none"><li>▪ Applies to unreinforced masonry buildings (URM). Provides a 15-year new construction exclusion for improvements made to URMs undertaken to comply with local ordinances on seismic safety.</li></ul>

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### **OTHER IDEAS**

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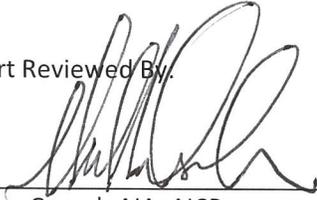
The Preservation Incentives Subcommittee of the Cultural Heritage Commission met with staff and generated a list of several other ideas for incentives that could be developed and implemented by the City of Beverly Hills. These ideas included:

- Technical assistance offered to property owners, e.g. through the local or national landmark designation process or architectural guidance for alterations. Create a “how-to” guide for what a property might be eligible for, including a list of consultants and historic architecture specialists.
  - Personalized property histories presented to property owner. Could feature historic properties on the City’s website on a revolving basis.
  - Fast-tracking of project approvals.
  - Additional access to City services, e.g. tree trimming services or film permit assistance.
  - Relaxation of zoning standards, possibly through an overlay zone.
  - Parking benefits. Relaxation of parking standards or issuance of preferential parking permits for designated properties.
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### **CONCLUSION**

The various preservation incentives discussed can be further developed by the Preservation Incentives Subcommittee and returned to the CHC for future consideration. If the Commission eventually decides to embark upon one or more of the available incentive options in tailoring an appropriate incentive program for the City of Beverly Hills the Commission would need to communicate their recommendations to City Council in writing, and request the necessary work be incorporated into the 2013-2014 work program.

Report Reviewed By.



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William Crouch AIA, AICP  
Urban Designer

**California State Parks. *Mills Act Property Tax Abatement Program.***

Getty Conservation Institute. *Incentives for the Preservation and Rehabilitation of Historic Homes in the City of Los Angeles, A Guidebook for Homeowners.* 2004. J. Paul Getty Trust.

*Land Use Planning and Development Regulation Law*, 2003. St. Paul, MN, West Group.

Los Angeles Conservancy. *Incentives for Preserving Historic Buildings.* Los Angeles, CA.

Los Angeles Department of City Planning. *Office of Historic Resources.* "Adaptive Resuse Ordinance."  
<http://www.preservation.lacity.org/reuse-ordinance>

State Historical Building Code, 2010. California.

Technical Preservation Services, 2012. *Historic Preservation Tax Incentives.* National Park Service, U.S. Department of the Interior.



**CITY OF BEVERLY HILLS**  
455. N. Rexford Drive  
Beverly Hills, California 90210

**CULTURAL HERITAGE COMMISSION**  
**REGULAR MEETING SYNOPSIS**  
**January 9, 2013**  
**1:30 PM**

**MEETING CALLED TO ORDER**

Date / Time: January 9, 2013 / 1:38 PM

**ROLL CALL**

Commissioners Present: Commissioners Pynoos, Greer, Beck, Vice Chair Waldow, Chair Furie  
Commissioners Absent: None  
Staff Present: William Crouch, Reina Kapadia, Karen Myron (Community Development Department); David Snow (City Attorney's Office); Jan Ostashay (City Historic Consultant)

**APPROVAL OF AGENDA**

Motion: Motion by order of the Chair to amend the agenda, moving Item #2 to later in the agenda.  
Action: **The agenda was approved as amended.**

**COMMUNICATIONS FROM THE AUDIENCE**

Speakers: None.

**ADOPTION OF MINUTES**

1. Minutes from the Cultural Heritage Commission Special Meeting of November 6, 2012.

Motion: Motion by Commissioner Beck, second by Commissioner Pynoos to approve the minutes as corrected (4-0-1 Greer Abstained).  
Action: **The minutes were approved as corrected.**

**PUBLIC HEARINGS**

3. Nomination for inclusion onto Local Register of Historic Properties of "The Witch's House" at 516 N. Walden Drive.

Forward the Nomination of "The Witch's House" at 516 N. Walden Drive to the City Council for Local Landmark Designation.

Planner: William Crouch, Urban Designer  
Jan Ostashay, City Historic Consultant  
Public Input: None.  
Motion: Motion by Commissioner Beck, second by Commissioner Greer to approve the local Landmark Nomination and forward the recommendation to City Council for approval (5-0).  
**Action: Approved to initiate nomination proceedings.**

**4. Nomination for inclusion onto Local Register of Historic Properties of "Waverly Mansion" at 9401 Sunset Boulevard.**

Forward the Nomination of "Waverly Mansion" at 9401 Sunset Boulevard to the City Council for Local Landmark Designation.

Planner: William Crouch, Urban Designer  
Jan Ostashay, City Historic Consultant  
Public Input: None.  
Motion: Motion by Vice Chair Waldow, second by Commissioner Beck to approve the local Landmark Nomination and forward the recommendation to City Council for approval (5-0).  
**Action: Approved to initiate nomination proceedings.**

**5. Nomination for inclusion onto Local Register of Historic Properties of "Hilton Office Building" at 9990 Santa Monica Boulevard.**

Forward the Nomination of "Hilton Office Building" at 9990 Santa Monica Boulevard to the City Council for Local Landmark Designation.

Planner: William Crouch, Urban Designer  
Jan Ostashay, City Historic Consultant  
Public Input: None.  
Motion: Motion by Vice Chair Waldow, second by Commissioner Greer to approve the local Landmark Nomination and forward the recommendation to City Council for approval (5-0).  
**Action: Approved to initiate nomination proceedings.**

**SPECIAL PRESENTATION  
(taken out of order)**

2. Guest speaker Adrian Scott Fine from the LA Conservancy brought a presentation regarding Historic Preservation Incentives and particularly their Historic Preservation Easement Program.

**Action:**                      **No action was taken on this item.**

**(return to order)**

6. **Initiation of Nomination Proceedings for inclusion onto Local Register of Historic Properties of property at 801 N. Rodeo Drive.**

Forward the initiation of this property to the Director for a report and recommendation.

Planner:                      William Crouch, Urban Designer  
Public Input:                Deborah Blum, owner

Motion:                      Motion by Commissioner Pynoos, second by Commissioner Beck to initiate nomination proceedings for inclusion onto the Local Register of Historic Properties.

**Action:**                      **Approval to initiate nomination proceedings.**

**NEW BUSINESS**

7. **Re-evaluation of Pilot Mills Act Program Goals and Policies.**

Re-evaluate and Recommend to the Planning Commission acceptable Goals and Policies to direct the City's Pilot Mills Act Program.

The Commission directed staff to agendize Mills Act Education for a future Cultural Heritage Commission Meeting.

8. **Incentives for participation in the City's Historic Preservation Program.**

Staff report and discussion of possible incentives for participation in the City's Historic Preservation Program.

Planner:                      Reina Kapadia, Limited Term Planner

The Commission directed staff to agendize this item for additional discussion at the next Cultural Heritage Commission Meeting.

**9. Resolution approving the Application and Certification Agreement for the Certified Local Government Preservation Program.**

Staff Report and Resolution for application by the City of Beverly Hills to join the Certified Local Government Preservation Program.

**Planner:** Sana Jahani, Planning Intern

**Motion:** Motion by Vice Chair Waldow, Second by Commissioner Greer to recommend that City Council adopt a resolution approving the application and certification agreement for Certified Local Government Preservation Program.

**Action:** **The resolution was approved.**

**COMMUNICATIONS FROM THE COMMISSION**

- Report by Commissioners of Ad Hoc Committee Activities.
  - Community Outreach and Education Subcommittee
  - Landmark Nominations Advisory Subcommittee
  - Governmental Relations and Legislation Subcommittee
  - Historic Resource Survey Subcommittee
  - Preservation Incentives Subcommittee
  
- Discussion by Commissioners of Potential Historic Resources which may warrant further consideration. The Commission has requested initial consideration be given to the following properties for future Landmark initiation:
  - Temple Emmanuel Building
  - City Hall
  - Union 76 Station
  - Litton – MCA Building
  - Millard Sheets Murals
  - Church of the Good Shepherd
  - Beverly Hills Presbyterian Church
  - All Saints Episcopal Church.

**COMMUNICATIONS FROM THE URBAN DESIGNER**

- City Council Initiation of City Hall for Landmark Nomination.
- City Council Approval of three alternative size commemorative plaques for historic properties.

- Update regarding status of Mills Act Application for Sabin Theater.
- Update regarding status of Local Landmark Nomination for National Register Landmark Property, 'Harold Lloyd Estate - Green Acres Mansion' at 1740 Green Acres Drive, Beverly Hills.
- Update regarding status of Local Landmark Nomination for National Register Landmark Property, 'Beverly Wilshire Hotel' at 9528 Wilshire Boulevard, Beverly Hills.
- Wood Roof Ordinance Update.
- City Wide Historic Survey.
- Appointment of new State Officer for Historic Preservation.
- California Preservation Foundation Annual Conference.

**MEETING ADJOURNED IN MEMORY OF HUELL HOWSER**

Date / Time: January 9, 2013 /5:23 PM