

Los Angeles Department of City Planning

RECOMMENDATION REPORT

CULTURAL HERITAGE COMMISSION

CASE NO.: CHC-2010-33-CA
CODE AMENDMENT
ENV-2010-34-CE

DATE: January 21, 2010
TIME: 10:00 AM
PLACE: City Hall, Room 1010
200 N. Spring Street
Los Angeles, CA 90012

Location: Citywide
Council Districts: All
Plan Areas: All

REQUEST: An Ordinance revision amending Division 19, Chapter 14, Section 19.144 of The Los Angeles Administrative Code - "Procedures for Application and Approval of Historical Property Contracts" – to reflect New Fees Established by the Department of City Planning and other Minor Case Processing Revisions.

APPLICANT: Director of Planning

RECOMMENDATION **That the Cultural Heritage Commission:**

1. **Recommend** the City Council direct the City Attorney to amend Division 19, Chapter 14, Section 19.142 of The Los Angeles Administrative Code - "Procedures for Application and Approval of Historical Property Contracts" – to reflect the New Fees Established by the Department of City Planning and other Minor Case Processing Revisions.
2. **Adopt** the report findings.

S. GAIL GOLDBERG, AICP
Director of Planning

[SIGNED ORIGINAL IN FILE]

Ken Bernstein, Manager
Office of Historic Resources

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SUMMARY

When the City Council adopted the City of Los Angeles' Mills Act Ordinance in 1996, it approved a modest Application Fee of \$25 and a Contract Execution Fee of \$243. In 2005, the Application Fee was increased to \$200. The total fee for an approved contract is \$443. In 2009, the Department of City Planning undertook an extensive fee study to evaluate the cost of services for all types of applications. In October 2009, Ordinance No. 180847 was adopted to reflect new application fees for planning approvals. The fees for historic preservation review and the Mills Act are not full cost recovery. The fees are modest to allow the City to recover some revenue from the processing of these cases.

The fee study and Ordinance established the following fees for the Mills Act Historical Property Contracts program:

Mills Act Application - Single Family residential dwelling:	\$250
Mills Act Application - Commercial property:	\$1,142
Mills Act Contract Execution – Single Family residential dwelling:	\$1.00 per every \$1,000 of property valuation
Mills Act Contract Execution - Commercial property:	\$1,866
Valuation Exemption Processing:	\$473 each application

An amended Department of City Planning fee ordinance will remove the Mills Act fees from the Municipal Code in order to keep them as part of the Mills Act ordinance – Los Angeles Administrative Code Division 19, Chapter 14 - Approval of Historical Property Contracts.

In addition to these fees, the Historical Property Contracts Manager is recommending an additional fee and process for an Appeal of Staff Determination of Ineligibility. Given where the program is relative to the City imposed \$1 million cap of lost revenue, it is time to slow down the program and focus more intently on incentives for properties that need significant work. The last 10-plus years of the Mills Act in Los Angeles have successfully grown the program and captured a wide variety of properties throughout the diverse neighborhoods of the City. Los Angeles is also the first city in California to develop an enforceable contract for condominium homeowner associations. The program is currently at 70% capacity or \$700,000 in lost revenue each year for all 512 contracts.

The Appeal of Staff Determination fee is proposed to be \$473. After an application is received and reviewed, the Historical Property Contracts Manager will determine whether or not the application warrants granting of a Mills Act contract based on the Priority Consideration Criteria. The criteria are:

Necessity: The residential, commercial or industrial project will require financial incentive in addition to any mortgage financing, private capital or public loans, to help ensure the preservation of the structure. This criterion will establish that the structure is in danger of deterioration and in need of substantial rehabilitation that has significant associated costs.

Uniqueness: The project is a unique example of a residential, commercial or industrial building. The unique characteristics of the Historic-Cultural Monument or HPOZ Contributing property are identified under this criterion.

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Investment: The residential, commercial or industrial project will result in additional private investment in the building other than for routine maintenance that may include seismic retrofitting, and substantial repair or rehabilitation work. This criterion will estimate the costs for the restoration and rehabilitation of the property that the owner is committed to undertaking.

Affordability (Multi-family/commercial buildings only): The residential or mixed-use project will result in the preservation or addition of safe and affordable dwelling units for low and moderate income households. Eligible properties under this criterion must conform to current United States Department of Housing and Urban Development (HUD) criteria for affordable housing.

Employment (Commercial buildings only): The commercial or industrial project will primarily supply goods or services to residents of low and moderate income areas or provide employment of low and moderate income persons.

These criteria are used to rank applications in terms of the rehabilitation needs of the property and how the Mills Act will be used to assist the viability of the project. All applications are reviewed on the merits of the applicant's consideration criteria. An application must meet a minimum of three out of five criteria to be considered for the program. Under the proposed ordinance revision, and due to the competitive nature of the program, the Historical Property Contracts Manager will determine which applications are eligible to be recommended to the City Council for approval. Property owners whose applications are not recommended for approval may appeal to the Cultural Heritage Commission on behalf of their application. The criteria for approval shall be the Priority Consideration Criteria and/or the property valuation exemption criteria, as applicable.

The Appeal of Staff Determination of Ineligibility fee would be charged when the applicant files an appeal of the staff decision to the Cultural Heritage Commission. The \$473 fee is proposed to be the same as the valuation exemption application fee. Applications applying for the Exemption From Limitations on Eligibility (valuation exemption) would not need to pay the appeal fee in the case where staff is recommending against granting the exemption since the valuation exemption cases are already reviewed by the Commission. Normally, the Commission only reviews the applications for valuation exemptions from property value limits which are single family properties that have an assessed value over \$1.5 million or commercial properties with an assessed value over \$3 million that are outside the greater downtown Los Angeles area or the Hollywood Boulevard National Register Historic District. The staff time for processing valuation exemption applications and the appeal cases is the same.

The Historical Property Contracts manager is also recommending a slight change to the application processing schedule. Applicants currently submit all documents and fees (Application Fee and Contract Execution Fee) when the application is submitted. Under the new fee schedule, applicants will submit all of the required documentation and only the Application Fee. When the application is recommended for approval, the applicant shall pay the Contract Execution Fee.

The 2010 Mills Act Application Guide will identify all of the new program requirements and highlight to prospective applicants the program goals of accepting applications from properties that need significant work and where the work is mostly pending or not completed. There are numerous properties in modest income HPOZs – and new HPOZs proposed in modest income areas - that will benefit from these tighter restrictions on the program.

FINDINGS

Staff therefore recommends that the Cultural Heritage Commission adopt a motion to:

Recommend to the City Council the preparation of an ordinance amending the Los Angeles Administrative Code Section 19.144 "Procedures for Application and Approval of Historical Property Contracts" to reflect new Mills Act fees as set by the Department of City Planning, adding a fee for Appeal of Staff Determination of Ineligibility, and other minor procedural revisions modifying the Section to read as follows (new text in bold, removed text in strikethrough):

Sec. 19.144. Procedures for Application and Approval of Historical Property Contracts.

An owner of a Historic-Cultural Monument or Contributing Structure may file an application with the Department for approval of a Historical Property Contract. Each application shall be accompanied by a nonrefundable application fee of ~~\$200 and an additional nonrefundable contract execution fee of \$243.~~ **Application fees shall be paid according to the following schedule:**

Single family residential property:	\$250
Multi-family, Commercial and Industrial property:	\$1,142
Valuation Exemption:	\$473

Each application for approval of a Historical Property Contract shall include a complete legal description of the property.

Upon receipt of an application on a form to be prescribed by the Department and payment of the fees required by this section, eligibility of the property for a Historical Property Contract pursuant to this chapter shall be determined. Upon verification that the property is a Historic-Cultural Monument or a Contributing Structure, the amount of revenue loss to the City from real property tax savings shall be calculated. If the amount of lost revenue from the proposed Historical Property Contract will not cause the City's lost revenues from Historical Property Contracts in the aggregate to exceed \$1,000,000 annually, then it shall be ascertained whether the property's current assessed valuation is \$1,500,000 or less for single-family dwellings, or \$3,000,000 or less for multi-family residential, commercial or industrial buildings, unless the property is located within the Downtown Historic Core, the Hollywood Historic District, or the Greater Los Angeles Downtown Area in which case the dollar limitations relating to assessed valuation shall not apply. If those respective valuations are exceeded, the Cultural Heritage Commission shall make a determination for properties located outside of the Downtown Historic Core, the Hollywood Historic District or the Greater Los Angeles Downtown Area, pursuant to Section 19.142 of this Code, as to whether an exemption shall be granted.

If the property is determined ineligible for a Historical Property Contract by the Historical Property Contracts Manager pursuant to this section, the owner or the owner's agent shall have the ability to apply for an Appeal of Staff Determination of Ineligibility to the Cultural Heritage Commission and pay an appeal fee of \$473. The Commission shall make a determination of eligibility subsequent to the appeal.

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If the property is determined eligible for a Historical Property Contract pursuant to this section, the owner or the owner's agent shall prepare and submit to the Department a Historical Property Contract containing the required provisions as set forth in Section 19.143: **and pay a Contract Execution Fee according to the following schedule:**

Single family residential property:	\$1.00 per every \$1,000 of assessed property valuation
Multi-family, Commercial and Industrial property:	\$1,866

If the owner submits a Historical Property Contract other than the City's standard form of Historical Property Contract, or desires modification thereof or addition(s) thereto, the agreement shall be submitted to the City Attorney for approval prior to City Council consideration. The City's standard form of Historical Property Contract or the owner's version upon approval by the City Attorney shall thereafter be submitted by the Department for consideration by the City Council. Historical Property Contracts shall be subject to City Council approval by majority vote of the entire City Council.