City of Culver City, California

Agenda Item Report

Meeting Date: 11/22/2010	Item Number: A-3
CITY COUNCIL AGENDA ITEM: Consideration of Tasks and Responsibilities Associated with Applying for and Receiving Certified Local Government Status, and Consideration of Various Financial Incentives Available to Owners of Historically Designated Properties in Culver City	
Contact Person/Dept.: B. Christine Byers/Todd Tipton/Community Development	Phone Number: (310) 253-5776/5783
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (E-Mail) Meetings and Agendas – City Council (11/17/2010); (E-Mail) Meetings and Agendas – Cultural Affairs (11/17/2010); Cultural Affairs Commission (11/08/2010); Planning Commission (11/08/2010); Culver City Historical Society (11/08/2010); Julie Lugo Cerra (10/14/2010 and 11/08/2010); Culver City Chamber of Commerce (11/08/2010).	
Department Approval: Sol Blumenfeld: (11/02/10)	City Attorney Approval: Carol Schwab (by H. Baker) (11/16/10)
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (11/16/10)	City Manager Approval: John M. Nachbar (11/17/10)

RECOMMENDATION:

Staff recommends the City Council consider 1) the tasks and responsibilities associated with applying for and receiving Certified Local Government status; and, 2) various financial incentives available to owners of historically designated properties in Culver City.

BACKGROUND:

At the June 22, 2009 City Council meeting, an item was included on the agenda pertaining to the tasks and process associated with updating Culver City's Historic Preservation Program. This included the creation of a community advisory committee similar to the Historic Preservation Advisory Committee (HPAC) that was formed in 1989; updating Section 15.05 of the Culver City Municipal Code (CCMC) relating to the Historic Preservation Program so as to remain consistent with state and federal guidelines as well as current best practices in preservation; updating the 1987 field survey (to include drafting a context statement and surveying approximately 7600 properties built between 1900 and 1964); applying for Certified Local Government (CLG) status and implementing a tax incentive program such as the Mills Act Program.

Pursuant to public input, the City Council moved to table the item to allow additional time to examine the costs associated with updating the program and the field survey. During discussion it was suggested that staff follow up with regard to applying for CLG status and potential tax incentives, such as the Mills Act Program, for owners of historically designated properties.

DISCUSSION:

Certified Local Government Status

The Certified Local Government Program is a preservation partnership between local, state, and federal government agencies established in 1966 by the National Historic Preservation Act. In California, the program is jointly administered by the National Park Service (NPS) and the California Office of Historic Preservation (OHP). California currently has 58 CLG partners, including both city and county agencies.

Obtaining CLG[1] status provides certain advantages to local governments, including:

- Credibility – In order to retain CLG status, local preservation programs have to remain consistent with federal and state standards and regulations, thereby providing the backing of programs that have stood the test of time;
- Technical Assistance -- This is in the form of a listserv[2] hosted by OHP and assistance from staff at OHP;
- Funding – Each state is required to pass through 10% of its annual Historic Preservation Fund grant from the NPS to CLGs. Grants are awarded on a competitive basis and, in California, awards average $20,000 - $25,000 which for Culver City these grant awards could significantly help offset costs associated with preparing a context statement and completing various stages of an updated survey. (See attached list of 2010-2011 CLG Grant Awards); and
- Other Economic Benefits – CLG status reinforces a community's commitment to preservation thereby potentially increasing property values and pride of place.

Community Development Department staff has been in contact with senior staff at OHP about necessary updates to the City's Historic Preservation Program and eligibility for CLG status. OHP staff has advised that updating the City's Historic Preservation Program Ordinance (CCMC Section 15.05 et seq.) is necessary if Culver City is interested in becoming a CLG to make the program consistent with federal and state standards and regulations. Areas identified by OHP requiring amendment include:

- List of definitions
- Streamlining the three-tiered designation categories
- Updating the threshold criteria for designation

- Updating threshold criteria for establishing economic hardship
- Role of the Cultural Affairs Commission and Planning Commission in review of treatment of historic properties
- Provision for economic incentives for property owners

To update the Historic Preservation Program Ordinance, staff recommends a streamlined process that includes working with a small group of community representatives comprised of Julie Lugo Cerra (City Historian), one Culver City Historical Society representative and one Culver City Chamber of Commerce representative.

These three individuals would work closely with Cultural Affairs staff and the Cultural Affairs Commission's Historic Preservation sub-committee (Vice Chair Koosed and Commissioner Bernardin) on the ordinance revisions and CLG application. (For the larger survey effort as outlined in the staff report of June 2009, staff recommended wider community representation similar to the composition of the first HPAC formed in 1989.)

Staff recommends that the Historic Preservation Ordinance revisions be completed and reviewed by the CAC with a recommendation to be presented to the City Council for consideration.

Financial Incentives to Owners of Historically Designated Properties

Pursuant to the only field survey completed in 1987 by Thirtieth Street Architects, the City Council designated approximately 124 individual structures as Cultural Resources. Designations were made in one of three categories, "Landmark", "Significant" or "Recognized". Both the "Landmark" and "Significant" designations[3] come with certain protections to ensure that the character-defining features of the structure are retained; the "Recognized" designation is honorary only and has no protections associated with it.

Currently there are four incentive programs for which only a few owners in Culver City are eligible. Eligibility is based on the level of historic significance of the property or household income level. These programs are:

20% Rehabilitation Tax Credit

- National Register listed or National Register eligible properties
- Applies to commercial, industrial, agricultural, and rental residential properties
- Properties used exclusively as an owner's private residence are not eligible
- Applies to hard and soft cost expenditures during rehabilitation (routine maintenance costs are not eligible unless part of overall rehabilitation)

10% Rehabilitation Tax Credit

- Applies to non-residential buildings, including hotels, built before 1936

- Buildings do not need to be historically designated at any level

Conservation Easements

- Property must be National Register listed, includes private residences
- Typically covers building's exterior but could include significant interior spaces
- One-time income tax deduction for entering into a legal agreement that stipulates that all future modifications will meet historic preservation standards
- Donation made to non-profit organization such as Los Angeles Conservancy
- Value of the easement is based on the difference between the appraised fair market value of the property and its value with the easement restrictions in place (value of an easement depends on the property's development potential)
- Generally easements are 10 – 15 percent of the property value, could be higher depending on zoning
- Can claim up to 30 percent of taxpayer's adjusted gross income from federal taxes in year donation made
- Easement donations may also be deductible from California income taxes
- Can also affect estate and gift taxes and local taxes
- If a property is listed locally and nationally, it can qualify for both a Conservation Easement and Mills Act program contract (where applicable)
- Easement contracts attached to deed of the property and are enforceable in perpetuity

Culver City Neighborhood Preservation Program (CDD/Housing)

- Applies to both single and multi-family residences
- Applicants cannot have liquid assets that exceed $100,000 (includes cash, CDs, investment income/does not include property value)
- $5,000 grant limit for single family home (currently there are limits on how much can be applied to exterior vs. interior work)
- $15,000 grant limit for multi-family home (for exterior); pays 50% of interior rehabilitation costs up to $6,000
- Funding is 20% set aside

While there are only three properties in the City listed in the National Register, many more are eligible for listing either as individual structures or within districts. Some of these were identified in the 1987 field survey with an "A" or "A+" ranking.

Currently, a larger number of City property owners would potentially benefit from the following two commonly used incentive programs:

Permit Fee Waivers

- Adapt current program to include historically designated commercial properties in specific areas
- Would need to identify how many properties would qualify

- Identify funding source

Mills Act Program

- Applies to properties listed on any federal, state, county, or city register, including the National Register of Historic Places, California Register of Historical Resources, California Historical Landmarks, State Points of Historical Interest, and locally designated landmarks.
- Owner-occupied family residences and income-producing commercial properties may qualify for the Mills Act program, subject to local regulations.;
- Mills Act contracts are for 10 years initially with automatic yearly extensions and stay with the property when transferred;
- Eligible properties may qualify for an annual property tax reduction[4] that can range from 5 to 50 percent;
- Properties acquired relatively recently are more likely to qualify for a substantial tax reduction under the Mills Act; properties purchased between 1979 and 1999 may realize a 5 to 25 percent reduction; properties purchased prior to 1978 (Proposition 13) are unlikely to receive a reduction;
- Cities who have a Mills Act Program can implement an annual cap in revenue loss, realized, for example, by specifying the number of contracts permitted annually or eligibility based on current assessed values[5];
- Cities can adjust their programs to adapt to economic trends, revenue levels, etc.
- Contract/inspection fees are typical and in Southern California fall within the $200 - $400 range;
- Even without a tax reduction to the current owner, entering into a Mills Act contract may substantially enhance marketability of property (a property cannot be reassessed based on new market value and new owners will benefit from preexisting lower taxation rate)

Implementing a Mills Act Program would have a financial impact to both the City and the Redevelopment Agency, but initially the impact would be minimal. This is partly due to the fact that Culver City currently has relatively few designated properties that have protections associated with them (i.e., the “Landmark” and “Significant” designation categories). In addition, there may be some “Recognized” designated properties that have not been significantly altered that may also be eligible. However, with more properties being designated over time as the result of regular historic structures survey updates, the impacts to the City’s revenues may increase.

Neither of the City’s two film studios is designated as historic districts and only a small percentage of the existing structures on each lot are individually designated at the local level. At this time, staff is not aware of any other film studio in the Los Angeles area that participates in a Mills Act Program. If even feasible, it would be up to the county tax assessor to determine to what extent this impacts the total property value.

Currently 10.4 cents of every dollar in property taxes for non-RDA component areas goes to the General Fund. In Fiscal Year 2009/2010, the City received $3.5 million in property tax revenues; the Redevelopment Agency received $37 million in the same year. For the Redevelopment Agency receipts, the amount received from The Culver Studios was estimated at $758,428 and from SPE, $850,213 (Sony Studios) and $2,504,292 (Sony Pictures Plaza).

FISCAL ANALYSIS:

The total fiscal impacts associated with this agenda item are unknown at this time. With regard to the CLG application, there are no monetary costs associated with the process other than staff time. With regard to the implementation of additional incentives to owners of historic properties, such as a Mills Act Program, the anticipated impact to the City's and Redevelopment Agency's revenue streams would initially be minimal given the relative number of eligible properties. Criteria established by the City Council would determine future impacts to the City's revenue as well as additional historic designations in association with updated surveys.

ATTACHMENTS:

1. 2010-2011 CLG Grant Awards
2. Summary of Los Angeles County Assessor's Parcel Data for Culver City 1900 – 1964
3. Certified Local Government Program Application & Procedures
4. Appendix G, Certified Local Government Requirements

MOTION:

That the City Council:

1. Authorize staff to form an advisory committee and proceed with updating Section 15.05 of the CCMC regarding the Historic Preservation Program; and,

2. Authorize staff to apply for Certified Local Government status; and,

3. Authorize staff to conduct further research on implementation of a Mills Act Program and the fiscal impacts this would have on the City.

Notes:

[1] CLG applications can be submitted year round to OHP who review the application and make a recommendation for certification to the National Park Service. The NPS makes the final certification decision. After NPS agrees with OHPs recommendation, a certification agreement is prepared and signed by both the OHP and the local government, at which time the local government is formally certified. The application process includes:

- Adoption of a resolution authorizing application for CLG status;
- Completed certification application form;
- Resumes and professional qualifications of each of the members of the local historic preservation commission/board (Cultural Affairs Commission);
- Evidence of cultural resource survey(s) performed, with information on the progress and future survey(s) and intended uses;
- Copy of Historic Preservation Ordinance (Section 15.05 et seq. of the CCMC); and,
- Copy of the local historic preservation plan or element of the General Plan (if applicable).

(In November 1997, the City Council adopted a resolution approving the application and certification agreement for CLG status, but there is no evidence that the application process was completed and submitted to OHP.)

CLGs are required to file an annual report to the state at the end of each calendar year that includes a summary of accomplishments, summary of survey activities, summaries of locally designated properties, number of National Register applications reviewed, number of properties on which design review was held, number of properties on which environmental project reviews were conducted, listing of commission and staff training received, and commission attendance records. (For a complete description of CLG requirements, see Attachment No. 4.)

[2] LISTSERV was the first electronic mailing list software application, consisting of a set of email addresses for a group in which the sender can send one email and it will reach a variety of people.

[3] 58 structures (these include 28 located on one of two film studio lots) are in either the “Landmark” or “Significant” categories; the balance of all designated structures are designated “Recognized.” In addition, there are 3 structures listed in the National Register of Historic Places (National Register) and others such as the Gateway Station Post Office are deemed eligible for listing in the National Register.

[4] Los Angeles County Assessor calculates the property tax savings by reassessing the property using the capitalization of income method as outlined in the California Taxation and Revenue Code.

5 In the City of Los Angeles, single-family homes must have current assessed values of $500,000 or less and commercial properties with values of $1.5 million or less in order to be eligible for Mills Act contracts.