# Incentives for Preserving Historic Buildings

*Bullock's Wilshire Building,*
*now the Southwestern Law School Library*


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# Incentives for Preserving Historic Buildings
## Introduction

### *Saving historic buildings*

Historic buildings help define the character of our communities by providing a tangible link with the past. Today, historic districts around the country are experiencing unprecedented revitalization as cities use their cultural monuments as anchors for redevelopment.

*The Los Angeles Central Library, once slated for demolition, remains one of the crown jewels of Downtown Los Angeles*

Sometimes, efforts to preserve and revitalize historic buildings run up against financial obstacles that create challenges in reusing these unique structures. Fortunately, there are several incentives available which can make preservation more economically feasible. These incentives are available to all qualifying projects: unlike other tax credit programs, none of the historical incentives involve a risky competition or lottery process. This information packet describes the financial and construction incentives which can make a significant difference in preserving buildings and can provide significant benefits to both property owners and the public at large.

### *Incentives for Preservation*

There are several types of incentives which can help preserve historic buildings. Financial incentives can provide income and property tax reductions. Other construction-based incentives offer additional flexibility in meeting building code requirements which can make potential projects significantly more affordable. Below is a brief summary of the major incentives currently available:

### *Financial Incentives*

**Rehabilitation Tax Credits** provide a 10% or 20% tax credit on rehabilitation spending for old and historic buildings.

**Conservation/Facade Easements** offer an income tax deduction for the donation of a specified portion of a historic building.

The **Mills Act** provides property tax relief in exchange for the continued preservation of historic properties.

The **Investment Tax Credit for Low-Income Housing** provides a tax credit for the acquisition, construction or rehabilitation of low-income housing and can be applied to historic structures.

### *Construction Incentives*

The **City of Los Angeles Adaptive Reuse Provisions** streamline the permitting process and provide flexibility in meeting zoning and building code requirements for adaptive reuse projects which convert underutilized commercial buildings to more productive uses such as live/work and residential units.

The **California State Historical Building Code** provides flexibility in meeting code requirements in historic buildings.

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# 20% Rehabilitation Tax Credit

## *Description*

The Federal Historic Preservation Tax Incentive is a program administered by the National Park Service (NPS) that 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.

## *Benefits*

**Tax Credit:** The incentive offers a 20% tax credit for the rehabilitation of certified historic structures. The credit equals 20% of the amount spent on qualifying rehabilitation expenditures and is claimed in the year in which the rehabilitated building is put into service.

## *Restrictions and Eligibility*

**Property Types Allowed:** Commercial, industrial, agricultural and rental residential properties. Buildings must be depreciable and used in a trade or business to produce income. Owners or long term lessees of at least 27.5 years for residential property and 39 years for nonresidential property may apply.

**Property Types Not Allowed:** Properties used exclusively as an owner's private residence. However, Congress is currently considering legislation that would create a similar 20% tax credit for the rehabilitation of private homes.

**Certified Historic Structure:** To be eligible, a building must be listed in the National Register of Historic Places or be a contributing structure in a National Register Historic District. Many more structures are eligible for the Register, and property owners may apply for National Register designation as part of the tax credit process. The Los Angeles Conservancy can assist a property owner in determining the eligibility of potential properties. In Los Angeles, National Register districts include the Broadway Historic Theatre District, the Spring Street Financial District and the Hollywood Boulevard Commercial District.

**Hard Costs:** Rehabilitation expenditures must be capital in nature and depreciable as real property. Routine maintenance costs such as painting and repairs are not eligible unless they are part of an overall rehabilitation. Acquisition and building enlargement costs do not qualify.

**Soft Costs:** Qualified expenditures may also include soft costs such as architectural and engineering fees, site survey fees, legal expenses, development fees and other construction-related costs, if such costs are added to the basis of the property and determined to be reasonable and related to the services performed.

**Holding Period:** Building owners must hold the structure for five years following the completion of the rehabilitation or pay back the credit. Any alterations during the five years must be reviewed by the NPS.

**Maintenance and Alterations:** Building owners must not damage, destroy or cover materials or features, interior or exterior, which help define the building's historic character.

**Tax-Exempt Restrictions:** Expenditures allocable to that portion of a building that is, or is reasonably expected to be, "tax-exempt use property" do not qualify. Moreover, the property becomes ineligible if tax-exempt entities occupy more than 35% of the building.

**Scope:** During a 24 month period, the rehabilitation expenditures must exceed $5,000 or the adjusted basis of the building, whichever is greater. For phased projects with complete sets of architectural drawings and specifications for each phase, the window of eligibility is 60 months. The adjusted basis of the building equals the purchase price plus capital improvements less total depreciation and does not include land value. Also, all new work is expected to meet the Secretary of the Interior's Standards for the Rehabilitation of Historic Properties.

# 20% Rehabilitation Tax Credit (continued)

## *Administration*

**Application:** Building owners must complete a three-part application in order to receive the 20% Rehabilitation Tax Credit. Part 1 verifies that the building is listed in or eligible for the National Register. In Part 2, applicants submit a description of the proposed work for approval by the NPS. In Part 3, the completed project is compared to Part 2 and evaluated for compliance with the Standards for Rehabilitation.

**Administration:** The incentive is jointly administered by the National Park Service in partnership with the State Historic Preservation Officer (SHPO) who acts on behalf of the U.S. Department of the Interior. The Internal Revenue Service (IRS) also participates on behalf of the Department of the Treasury.

- The application is first reviewed by the SHPO and is then forwarded to the NPS for review.
- The NPS encourages property owners to apply prior to the start of construction.

**Fees:** Processing fees which cover the review of the application range from $500 to $2,500 depending on the cost of rehabilitation.
**Code References:** Tax Reform Act of 1986 (PL 99-514; Internal Revenue Code Section 47)

## *A General Overview of Tax Credits*

A tax credit lowers the amount of tax owed, while a deduction lowers the amount of income which is subject to taxation. In general, every dollar of tax credit reduces the amount of tax owed by one dollar. Every dollar of tax deduction reduces the amount of tax owed by a fraction of a dollar equal to the taxpayer's tax rate.

### EXAMPLE OF A 20% REHABILITATION TAX CREDIT

| WITH 20% TAX CREDIT | | WITHOUT 20% TAX CREDIT | |
|---|---|---|---|
| **Rehabilitation Expenditures** | $1,000,000 | **Taxable Income** | $1,600,000 |
| *Qualifying hard and soft costs* | | | |
| **Taxable Income** | $1,600,000 | **Tax Paid** | **$640,000** |
| | | *(40% tax rate x $1,600,000)* | |
| **Tax Calculation** | $640,000 | | |
| *(40% tax rate x $1,600,000)* | | **TAX SAVINGS** | |
| ***20% Rehabilitation Tax Credit*** | ***- $200,000*** | | |
| *(20% credit x $1,000,000)* | | Tax without 20% Tax Credit | $640,000 |
| **Tax Paid** | **$440,000** | Tax with 20% Tax Credit | - $440,000 |
| | | **Tax Savings** | **$200,000** |

## *Contacts*

State Historic Preservation Officer
Office of Historic Preservation
Department of Parks and Recreation
P.O. Box 942896
Sacramento, CA 94296
(916) 653-6624

Preservation Tax Incentives
Technical Preservation Services
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# 10% Rehabilitation Tax Credit

## *Description*

A 10% tax credit rewards private investment in rehabilitating non-residential buildings built before 1936. In contrast to the 20% credit, the 10% Rehabilitation Tax Credit applies to properties that are not listed in or eligible for the National Register of Historic Places.

## *Benefits*

**Tax Credit:** The incentive provides a 10% tax credit on the amount spent on qualifying hard and soft cost rehabilitation expenditures of non-historic, non-residential buildings built before 1936.

## *Restrictions and Eligibility*

**Property Types Allowed:** Non-residential buildings, including hotels

**Property Types Not Allowed:** Residential buildings, including rental housing and private homes

**Hard Costs:** Rehabilitation expenditures must be capital in nature and depreciable as real property. Routine maintenance costs such as painting and repairs are not eligible unless they are part of an overall rehabilitation. Acquisition and building enlargement costs do not qualify.

**Soft Costs:** Qualified expenditures may also include soft costs such as architectural and engineering fees, site survey fees, legal expenses, development fees and other construction-related costs, if such costs are added to the basis of the property and determined to be reasonable and related to the services performed.

**Tax-Exempt Restrictions:** Expenditures allocable to that portion of a building that is, or is reasonably expected to be, “tax-exempt use property” do not qualify. Moreover, the property becomes ineligible if tax-exempt entities occupy more than 35% of the building.

**Scope:** Projects must pass physical tests for retaining the exterior walls and interior structural framework. Fifty percent of the existing exterior walls must remain in place. Seventy five percent of the existing interior walls must remain in place. During a 24 month period, the rehabilitation expenditures must exceed $5,000 or the adjusted basis of the building, whichever is greater. For phased projects with complete sets of architectural drawings and specifications for each phase, the window of eligibility is 60 months. The adjusted basis of the building equals the purchase price plus capital improvements less total depreciation and does not include land value. Also, all new work is expected to meet the Secretary of the Interior’s Standards for the Rehabilitation of Historic Properties.

**Additional Restrictions:** The 10% and 20% tax credits are mutually exclusive. Owners can receive one of the credits, but not both. In addition, owners of historic buildings that are denied certification for the 20% credit may not claim the 10% credit. The 10% Rehabilitation Tax Credit only applies to non-historic, non-residential buildings built before 1936. The type of building, not the owner, determines which credit is applicable.

## *Administration*

**Application:** There is no formal review process for the rehabilitation of non-historic buildings. The tax credit must be claimed on IRS form 3468 for the tax year in which the rehabilitated building is placed in service.

**Code References:** Tax Reform Act of 1986 (PL 99-514; Internal Revenue Code Section 47)

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# Conservation/Facade Easements
## Charitable Contributions for Historic Preservation Purposes

### *Description*
The owner of a historic property can earn a significant one-time income tax deduction by donating a conservation easement to a qualifying preservation organization such as the Los Angeles Conservancy. An easement is a legal agreement between a property owner and a conservation group which restricts the property's future development rights by allowing the preservation group to review in perpetuity changes to the property. With a facade easement, the area covered by the easement is typically the building's exterior envelope. Other conservation easements may specify historically significant interior spaces or the landscape on which the building sits.

### *Benefits*
**Protection:** A conservation easement protects a building's valuable historic and architectural qualities by restricting the right to alter its appearance, even after the property changes ownership.

**Income Tax Deduction:** Donors can deduct the value of the easement from their income taxes in the year of the grant. The easement's value is determined by establishing the fair market value of the property without the easement and then subtracting the value fair market value of the property with the easement restrictions based on limitations of future development, including a building's height, density and use. The difference between the two amounts is the value of the easement. The Conservancy can provide applicants with a list of qualified appraisers with experience in conservation easement assessments in order to value the easement.

**Relief Priority:** In the event of a natural disaster, holders of conservation easements are often given priority by relief organizations like FEMA to receive government funding for any necessary repair work.

### *Eligibility*
**Property Type:** The building need not be depreciable or income producing. Private residences are eligible.

**Certified Historic Structure:** The building must be a certified historic structure listed in the National Register of Historic Places or part of a National Register district. Many more structures are eligible for the Register. The Los Angeles Conservancy can assist a property owner in determining the eligibility of potential properties.

**Scope and Access:** The easement can apply to a portion of a building, including the facade, the interior or the land on which a building is located. If the interior is included in the easement, it must be accessible to the public. For private residences, viewing facades from public streets qualifies as accessible.

### *Restrictions*
**Mortgages:** If there is a mortgage on the property, the lender must sign off on the easement.

**Preservation:** Demolition, alterations and modifications to features specified in the easement must be approved by the preservation organization and are reviewed in accordance with the Secretary of the Interior's Standards for the Treatment of Historic Properties.

**Amount:** The amount of the charitable contribution cannot exceed 50% of the taxpayer's adjusted gross income in the year of donation. However, the amount by which the contribution exceeds 50% can be carried over up to five years. An accountant or tax attorney should be consulted to determine the tax benefits for a specific donor.

**Use:** In practical terms, the easement should not significantly restrict the building's use. For facade easements, exterior changes require consultation with the preservation organization. Unless the interior is specifically included in the easement, interior alterations can be made at the owner's discretion.

**Duration:** The easement is recorded on the title and runs in perpetuity with the deed to the property, regardless of the owner.

# Conservation/Facade Easements (continued)

## *Administration*

**Enforcement:** The charitable organization enforces the easement through periodic inspections.

**Natural Disasters:** The easement can also contain certain provisions to govern the restoration or demolition of the building in the event of a natural disaster. These can include requiring the owner to hold casualty loss insurance coverage or apply the easement tax benefits to the casualty loss restoration. Treasury Regulation Section 1.170A-14(g) 6 establishes threshold conditions under which the easement can be lifted or modified, subject to judicial approval. In the event of a sale following the extinguishment of the easement, the donee organization would receive a proportionate amount of the sale proceeds.

**Code References:**

- Tax Reform Act of 1986; Taxpayer Relief Act of 1997
- Income Tax Deduction: Internal Revenue Code Section 170(h)
- Estate Tax Deduction: Internal Revenue Code Section 2031, 2055 (f)

***The El Capitan Theatre on Hollywood Boulevard established its facade easement in 1985.***

## *Costs*

**Application:** A filing fee is paid to the Los Angeles Conservancy - $250 for single-family residential properties, $500 for multi-family or residential properties.

**Appraisal:** Appraisal fees will differ depending on the size of the property and the complexity of the easement donation.

**Filing Fee:** Easements must be filed with the Los Angeles County Registrar Recorder in Norwalk. The filing fee is $9 for the first page and $3 for each additional page.

**Documentation**: In some cases, professional photo documentation of the areas covered by the easement may be required. These costs will vary according to the number and type of photographs required.

**Easement Maintenance:** The Los Angeles Conservancy charges a one-time fee equal to 5% of the value of the easement donation to cover the cost of maintaining the easement in perpetuity, which includes administration and inspections.

**EXAMPLE OF**
**A TAX DEDUCTION FROM A CONSERVATION EASEMENT**

**VALUE OF BUILDING WITH EASEMENT**

**Fair Market Value of Existing Property**.......$15,000,000

- *Five story office building*
- *100,000 square feet*
- *Concrete construction*
- *Historically significant facade*

**BUILDING VALUE WITHOUT EASEMENT**

**Case 1- Income Method**

*Calculate value of land with entitlement to develop property to its highest and best use without easement restriction and within existing zoning requirements*

**Value of Unencumbered Property**.................$17,000,000

**Value of Easement**............................................. **$2,000,000**
*($17,000,000 – $15,000,000)*

**Case 2- Comparable Sales Method**

*Compare sale prices of four easement-encumbered properties from three to seven years after date of valuation to sale prices of four comparable unencumbered properties*

**Diminution in value of easement-encumbered properties compared to non-encumbered properties**

| | | |
|---|---|---|
| *Property 1* | *12.5%* | |
| *Property 2* | *9.0%* | |
| *Property 3* | *8.5%* | |
| *Average diminution in value*................................ | | 10.0% |

**Value of Easement**............................................. **$1,500,000**
*($15,000,000 x 10.0%)*

**TAX SAVINGS**
**(using Case 2)**

| | |
|---|---|
| Value of Conservation Easement .. ..................... | $1,500,000 |
| Tax Rate | x 40% |
| **Value of Tax Deduction** ....................................... | **$600,000** |

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# Conservation/Facade Easements (continued)

## *Conservation/Facade Easement Donation Process*

**Eligibility**
To claim a charitable deduction for an easement donation, a property must be individually listed in the National Register of Historic Places, or be a contributing structure in a National Register Historic District. Unless the property is individually listed in the National Register, the owner must complete Part I of the "Historic Preservation Certification Application," available from and submitted to the State Historic Preservation Office in the state where the property is located. If the property is in the process of being nominated to the National Register, the owner may still treat the donation of the easement as a charitable contribution, provided the property becomes listed in the National Register by the time federal taxes are due (plus six months of extensions) in the year following the donation.


*The facade easement for the renovated Wiltern Theatre helped ensure the integrity of the building's historic Art Deco exterior.*

**Documentation**
When the Los Angeles Conservancy accepts an easement, the Conservancy's attorney prepares a draft of the easement document for review by the owner, his/her attorney, and accountant. This includes the legal description of the property, the restoration and maintenance requirements, and the photographic documentation of existing conditions, including graphic guidelines for any future restoration. The owner and the Conservancy review this draft and make any changes that are mutually agreeable.

**Appraisal and Approvals**
After agreement is reached on the terms of the easement, the owner must obtain an appraisal of the value of the easement. This appraisal process includes estimating the cost of compliance with the restoration and maintenance requirements of the easement. For this reason, the appraisal cannot be completed until the easement is drafted.

**Settlement**
In advance of the settlement of the easement contract between the owner and the Los Angeles Conservancy, the owner must submit to the Conservancy the consent of the mortgage holder and a current insurance certificate. A fee to the Conservancy pays for the completion of the drafting of the easement document and enables the Conservancy to enforce and administer the easement into the future. Following settlement, the Conservancy records the easement and forwards to the owner the recording information.

**Timing**
The amount of time required to process easements can take from three weeks to three months, depending on the complexity of the property and the extent of the negotiations required for either the terms and conditions of the easement or the restoration and maintenance specifications. Other factors affecting the easement preparation process are the length of time the owner and attorney take to review the document and the time the mortgage holder takes to process its consent to the easement. It is best to begin the easement preparation process early in the calendar year in order to ensure that sufficient time is available to process the documents by year-end.

# Mills Act

## *Description*

The Mills Act is a state law that allows cities to enter into contracts with owners of historic properties to provide property tax relief in exchange for the continued preservation of the historic property. For properties where land represents a large portion of the market value such as in high density commercial and residential districts, the Mills Act adjusts the property tax to reflect the actual use of the site, therefore offering significant tax reductions of approximately 50% for newly improved or recently purchased properties.

*Oviatt Building, beneficiary of Mills Act tax savings*

## *Eligibility and Restrictions for the City of Los Angeles*

**Property Types:** Owner-occupied single family residences with a property tax assessment of $500,000 or less are eligible. Income producing commercial properties (including apartment and industrial) valued at $1,500,000 or less are also eligible. The Cultural Heritage Commission may grant exemptions to these limits, which has occurred more frequently in recent years as property values have soared. Properties located in the Downtown Historic Core or Hollywood Redevelopment District are exempt from the property value limits.

**Certified Historic Structure:** To be eligible, a building must be listed in the National Register of Historic Places or be a contributing structure in a National Register Historic District. In addition, owners of City Historic-Cultural Monuments and buildings contributing to a City Historic Preservation Overlay Zone are eligible. All new work is expected to meet the Secretary of the Interior's Standards for the Rehabilitation of Historic Properties.

**Contract Period:** The minimum contract period is ten years and is renewed annually. The contract is executed between the local government and the property owner and is binding for all successive owners during the ten-year period. The property owner must allow for the periodic inspection of the interior and exterior to verify compliance.

## *Administration*

**Origin:** The enabling legislation was passed in 1976 and was subsequently adopted by local cities. Los Angeles, Pasadena and San Diego have all adopted the act.

**Administration:** The Los Angeles Department of City Planning, Office of Historic Resources handles Mills Act administration.

**Fees:** Nonrefundable application fee of $268.

**Valuation**

- Property is valued according to the income method in the Revenue and Tax Code Section 439.21. Income or projected rental income less certain expenses is divided by a capitalization rate to determine the assessed value of the property. The Mills Act assessed valuation is recalculated each year to reflect changes in income, expenses, interest rate and amortization.
- If the property is owner occupied, the income is based on comparable rents for similar property in the area, or if insufficient rental information is available, the income that it could reasonably be expected to produce under prudent management.

**Code Reference:** California Government Code Section 50280 and Revenue and Tax Code Section 439.1

## *Contacts*

Historical Properties Contracts Manager
Department of City Planning, Office of Historic Resources
200 N Spring Street, Room 667
Los Angeles California 90012
(213) 978-1200

Dennis Weber
State of California
Office of Historic Preservation
PO Box 942896
Sacramento CA 94296-0001
(916) 653-5789

# Mills Act (continued)

## EXAMPLE OF COMMERCIAL PROPERTY TAX SAVINGS FROM THE MILLS ACT

| WITH MILLS ACT | | WITHOUT MILLS ACT | |
|---|---|---|---|
| **Gross Income** | $2,000,000 | **Property Assessed Valuation** | $15,000,000 |
| *($20/square foot x 100,000 square feet)* | | *($150/sf x 100,000 sf)* | |
| **Less Expenses** | - $400,000 | **Tax Assessment** | **$150,000** |
| *(annual insurance, repairs, utilities)* | | *($15,000,000 x 1% property tax rate)* | |
| **Net Income** | $1,600,000 | | |
| **Capitalization Rate** | | | |
| *Mortgage Rate* 7.75% | | | |
| *Risk Component* 2.00% | | | |
| *Tax Rate* 1.00% | | | |
| *Amortization Rate* 5.00% | | **TAX SAVINGS** | |
| *Total* | 15.75% | | |
| **Property Adjusted Valuation** | $10,160,000 | Assessment without Mills Act | $150,000 |
| *($1,600,000 / 15.75%)* | | Assessment with Mills Act | - $101,600 |
| **Tax Assessment** | **$101,600** | **Annual Property Tax Savings** | **$48,400** |
| *($10,160,000 x 1% property tax rate)* | | | |

## EXAMPLE OF RESIDENTIAL PROPERTY TAX SAVINGS FROM THE MILLS ACT

| WITH MILLS ACT | | WITHOUT MILLS ACT | |
|---|---|---|---|
| **Gross Income** | $14,400 | **Property Assessed Valuation** | $250,000 |
| *($1,200/month x 12 months based on comparable rental rates)* | | **Tax Assessment** | **$2,500** |
| **Less Expenses** | - $2,000 | *($250,000 x 1% property tax rate)* | |
| *(annual insurance, repairs, utilities)* | | | |
| **Net Income** | $12,400 | | |
| **Capitalization Rate** | | | |
| *Mortgage Rate* 7.75% | | | |
| *Risk Component* 4.00% | | | |
| *Tax Rate* 1.00% | | | |
| *Amortization Rate* 5.00% | | **TAX SAVINGS** | |
| *Total* | 17.75% | | |
| **Property Adjusted Valuation** | $68,888 | Assessment without Mills Act | $2,500 |
| *($12,400 / 17.75%)* | | Assessment with Mills Act | - $688 |
| **Tax Assessment** | **$688** | **Annual Property Tax Savings** | **$1,812** |
| *($68,888 x 1% property tax rate)* | | | |

# Investment Tax Credit for Low-Income Housing

## *Description*
The Investment Tax Credit for Low-Income Housing rewards property owners for providing low-income housing to the community. While not explicitly a preservation incentive, the credit can be used in conjunction with the Federal Historic Preservation Tax Incentive to provide additional tax savings in order to make an affordable housing project feasible. Most credits are sold to corporate or individual investors through public or private syndication.

## *Benefits*
- The credit is 4% per year for 10 years for each unit involving the 20% rehabilitation tax credit, Federal subsidies or tax-exempt bonds.
- The tax credit enables low-income housing sponsors and developers to raise project equity through the sale of tax benefits to investors. Investors benefit from the tax credit by purchasing an ownership interest in one or more tax credit housing projects. In turn, investors take a dollar-for-dollar credit against their tax liability over a ten-year period. The partnership contributes equity to the project which typically finances 30-60% of the capital costs of project construction.

## *Restrictions and Eligibility*
**Property Types:** Only rental housing projects are eligible for tax credits. Credits can be allocated to new construction projects or projects undergoing rehabilitation.

**Project Costs:** Tax credits are allocated based on the cost basis of the project, including hard and soft development costs. Land costs are not included in determining the amount of credits. The funding allocated by the Investment Tax Credit for Low-Income Housing covers a project's financing shortfall.

**Threshold Criteria:** The HUD 221(3)(d) Cost Limitations regulations set threshold criteria for potential projects. Units must meet certain standards on the cost per unit and the number of required low-income units. Initial incomes of households in tax credit units cannot exceed 60% of the area median income, adjusted for household size. There are also minimum financing commitments and restrictions on the total number of units.

## *Administration*
**Administration:** The credit program is administered by the California Tax Credit Allocation Committee (TCAC), chaired by the State Treasurer and governed by the U.S. Treasury Department's Internal Revenue Service.

**Application Process:** TCAC is currently revising its selection procedures for the Investment Tax Credit. Applicants must now complete a package which is scored and ranked. TCAC then performs a feasibility analysis on complete and eligible applications to determine the level of funding. The review process takes about 75 days.

**Code References**
- Tax Reform Act of 1986; Internal Revenue Code Section 42
- California Code of Regulations, Title 4, Division 17, Sections 10300 - 10337

## *Contacts*
Executive Director
California Tax Credit Allocation Committee
915 Capitol Mall, Room 485
Sacramento, CA 94209
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# City of Los Angeles Adaptive Reuse Ordinance

## *Description*

The Adaptive Reuse Ordinance, approved by the City Council in 1999 and revised in 2002, aims to revitalize Los Angeles' architectural and cultural resources and encourage the development of live/work communities. Adaptive reuse projects convert underutilized buildings to more productive uses such as live/work units, rental dwelling units, condominiums, and hotels. The provisions streamline the application process and provide significantly more flexibility in meeting building code and zoning requirements.

## *Benefits*

**Land Use Ordinance** (City Planning)

- Discretionary review by the Planning Department is not required.
- Many non-compliant site conditions (including building height, parking, floor area and setbacks) are permitted without requiring a variance. Residential density requirements are also waived.
- New mezzanines less than one-third the floor area of the room below are not counted as floor area.

**Construction Guidelines** (Building and Safety)

- The conversion of existing buildings to privately-owned residential use will not trigger disabled access requirements in the residential use area. Disabled access is still required in areas used by employees and that are open to the general public.
- The construction guidelines provide some flexibility in meeting structural and fire and life safety compliance requirements. Please contact the Department of Building and Safety or Fire Department for specific potential benefits.

## *Eligibility and Restrictions*

**Location and Age:** Buildings must be located in one of the following areas: Central City, Figueroa Corridor Economic Development Strategy Area, Chinatown, Lincoln Heights, Hollywood Community Redevelopment Project Area, Central Avenue south of the Santa Monica Freeway and north of Vernon Ave., and portions of the Wilshire Center/Koreatown Community redevelopment area. Buildings located in commercial and multi-residential (R5) zones whose original building permits were issued before July 1, 1974 are eligible to receive the benefits listed under the Adaptive Reuse Ordinance by right.

**Compliance:** All newly constructed floor area, except for mezzanines, must comply with the city zoning code.

**Size:** Dwelling units and live/work units must average 750 square feet in floor area with no unit less than 450 square feet.

## *Administration*

Three departments of the City of Los Angeles will guide, assist and facilitate the adaptive reuse implementation through a project facilitating team. The team will help projects through the design, permitting and construction processes.

- Office of the Mayor
- Department of Building and Safety
- Fire Department

## *Contacts*

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# California Historical Building Code

## *Description*

Preservation and rehabilitation are frequently made more difficult by unnecessarily rigid interpretation of the building code. The intent of the California Historical Building Code (CHBC), formerly the State Historical Building Code, is to protect California's architectural heritage by recognizing the unique construction problems inherent in historic environments and offering an alternative code to deal with these problems. The CHBC provides alternative building regulations and standards for the rehabilitation, preservation, restoration, relocation or change of occupancy of designated historic buildings. The CHBC aims to preserve the original or restored architectural elements, encourage cost-effective conservation and provide safety for building occupants.

## *Benefits*

The CHBC gives property owners flexibility to find economical methods to allow for the restoration of historic features while still retaining the structures' historic integrity. Many projects that would otherwise be financially impossible under today's building codes are made feasible by the CHBC, whose regulations are performance-oriented rather than prescriptive.

## *Eligibility and Restrictions*

**Certified historic structure:** To be eligible, a building must be listed in the National Register of Historic Places or contribute to a National Register Historic District. In addition, owners of City Historic-Cultural Monuments and buildings contributing to a City Historic Preservation Overlay Zone are eligible. All new work is expected to meet the Secretary of the Interior's Standards for the Rehabilitation of Historic Properties.

**New Construction:** New construction must conform to the regular code, while elements within the historic portion are afforded the latitude of appropriate alternatives.

**Substandard Buildings:** The CHBC is not a license to maintain a substandard building. Under Section 8-109, all qualifying buildings must comply with minimum standards outlined by the code.

## *Administration*

**Origin:** The CHBC was passed in 1976 and was the first of its kind in the nation. The CHBC supercedes all other California building codes.

**Enforcement:** The State Historic Building Safety Board (SHBSB) within the Office of the State Architect oversees the CHBC and its appeals. However, local enforcing agencies such as the Los Angeles Department of Building and Safety are also required to use the code. Alternative standards are handled on a case-by-case basis depending on the building and its use.

**Code References**

- California State Health and Safety Code Part 2.7- California Historical Building Code, Sections 18950 - 18961
- California Administrative Code- State Building Standards, Title 24, Part 8

## *Contacts*

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