Incentives for the Preservation and Rehabilitation of Historic Homes in the City of Los Angeles

A Guidebook for Homeowners

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The Getty Conservation Institute

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Preface

Los Angeles is a city of amazing residential neighborhoods. Even the casual visitor to the city is impressed with their diversity and number, their highly creative and eclectic architecture, and typically, the pride and care with which the residents maintain them. One has only to travel the proverbial twenty minutes in Los Angeles to experience the beach architecture of Venice, the Spanish Colonial Revival architecture of Carthay Circle or the distinctive Craftsman bungalows within Vinegar Hill in San Pedro. The city's tapestry of homes and neighborhoods, both grand and modest, is one of its most important legacies and a major economic asset for the homeowner and the city.

Incentives for the Preservation and Rehabilitation of Historic Homes in the City of Los Angeles was developed to assist homeowners and prospective owners of older homes in the City of Los Angeles in identifying financial, tax, and regulatory incentives that can be used to benefit the owners of older residential property. This guidebook can help property owners learn whether they might be eligible for such incentives and understand how to gain access to them.

Incentives for the Preservation and Rehabilitation of Historic Homes in the City of Los Angeles is intended as a comprehensive guide to the range of available incentives, rather than as the definitive source on legal and eligibility requirements.

The Getty Conservation Institute is publishing this guidebook as part of our research project, the Los Angeles Historic Resource Survey Project. The Getty Conservation Institute (GCI) is working in collaboration with a diverse group of agencies and organizations to develop a comprehensive, citywide historic resource survey, a process by which Los Angeles's historic properties might be identified and incorporated into the community's conservation and revitalization goals. The GCI serves as an information resource to this effort, contributing research, convening professional expertise, and publishing the results of our work. Further information concerning this project is available on the Getty's Web site: www.getty.edu/conservation/field_projects/lasurvey/.

The GCI wishes to acknowledge the important contributions many individuals and organizations made to this project. GCI convened a focus group of public officials, owners of historic homes, and representatives of organizations such as the Los Angeles Conservancy, the Historic Preservation Overlay Zone Alliance, and the Urban Land Institute to develop the scope of the project and to share their experiences with existing incentives. We especially want to thank the local, state, and municipal agencies and organizations interviewed for information on incentives programs and for their comments on program summaries. In particular, we want to thank the individuals who participated as part of a peer review advisory committee for their thoughtful assistance and comments in reading the document prior to publication. We have listed the names and affiliations of these individuals in the guidebook.

Getty staff members Kathryn Welch Howe and Chris Seki served as project coordinators for the guidebook and skillfully shaped its purpose, as well as its content and production. Gail Ostergren, a 2002–03 Getty Graduate Intern and a PhD candidate in United States history at the University of California, Los Angeles, conducted most of the research and writing of the document and did a wonderful job synthesizing volumes of material and interviews. James Carberry, Carberry Communications, provided a substantial amount of the text and case studies, and with his journalistic background made the material much easier to read. Economic Research Associates prepared preliminary research. Frank Gilbert of the National Trust for Historic Preservation provided valuable insights on the use of incentives as part of historic preservation and community development. I want to recognize the dedicated work of this project team in producing a useful, readable resource for the Los Angeles community.

This guidebook illustrates the important and useful incentives that are currently available in Los Angeles and that contribute to the pride and benefit of historic home ownership. Cities across the United States have created incentives through government sponsorship, foundation initiatives, and local organizations to provide regulatory relief, funding, and technical assistance for owners of properties that are identified as historic or culturally significant. Being identified as historic is seen as a much-desired status and the community benefits from the sustained investment in historic properties through neighborhood and community preservation, business retention, and cultural tourism.

We encourage your careful review of this guidebook and hope that it may provide assistance and inspiration for the continued investment in the historic homes and neighborhoods of Los Angeles.

TIMOTHY P. WHALEN
Director, The Getty Conservation Institute

Introduction

It's a familiar story: a developer builds a housing subdivision, people move there, and the area grows into a thriving neighborhood.

Only it happened nearly 120 years ago.

In 1886, two enterprising developers founded Angelino Heights as a suburb for the emerging Victorian middle class of Los Angeles. Today Angelino Heights, located about a mile from downtown, is one of the oldest historic districts in Los Angeles. The neighborhood is a treasure trove of late nineteenth- and early twentieth-century architectural styles, with ornate Victorian homes lining Carroll Avenue and fine examples of the Craftsman and Mission Revival styles on surrounding streets. By the 1920s, however, the city's well-to-do families were moving westward to new residential districts, and Angelino Heights entered a long period of decline. Its magnificent architecture was "rediscovered" in the 1970s and since then the area has undergone a renaissance. Angelino Heights residents have worked together to foster the revitalization of the neighborhood and the restoration of its homes to their former glory. In 1983, Angelino Heights became the city's first Historic Preservation Overlay Zone (HPOZ)—the term Los Angeles uses for a city-designated historic district—and with its designation, owners of homes in the area are assured that the neighborhood's attractive setting and its distinguished architectural characteristics will be preserved.

The story of Angelino Heights is not unique. The pattern of subdividing and developing new neighborhoods in the latest architectural styles was repeated time and again over the decades as Los Angeles expanded in size from 28 square miles to its present 465 square miles. Like Angelino Heights, many of these neighborhoods have gone through a period of decline and rebirth; others have held their own over time. From the large and gracious Craftsman houses of the West Adams District, to the more modest bungalows in Highland Park, to the Spanish Colonial Revival and other exotic historical-revival styles of the Miracle Mile area, to the San Fernando Valley's postwar subdivisions of California Ranch Houses, the city is rich with distinctive neighborhoods.

Los Angeles has a well-deserved reputation for architectural innovation and excellence. Throughout the years, high-quality homes have been built in the fashionable styles of the day. Whether they stand by themselves or are part of a neighborhood ensemble, the wealth of historic homes in Los Angeles is worthy of preservation and rehabilitation. Yet many visitors to the city, and even some longtime residents, are unaware of the large number of historic neighborhoods and homes in the city. To raise public awareness of this rich heritage, various public and private organizations have been working to educate homeowners, prospective buyers, brokers, lenders, and visitors about Los Angeles's historic homes and neighborhoods, and their value to the community. Efforts to preserve, maintain, and rehabilitate historic homes are increasing. Among the indicators: the Cultural Heritage Commission of the City of Los Angeles Department of Cultural Affairs has designated over 750 Historic-Cultural Monuments; half of the city's seventeen HPOZs have been designated in just the past three years; the Los Angeles Conservancy, formed in 1978, is now the largest membership-based local historic preservation organization in the country; and numerous local preservation organizations and associations have been formed, such as the West Adams Heritage Association and Highland Park Heritage Trust. Some of the important preservation-related agencies and organizations are outlined in Appendix A.

Historic preservation is attracting growing interest and support in Los Angeles and across the country. What began as a movement to preserve architectural masterpieces and sites where important events occurred has broadened and now encompasses a wider range of historically, architecturally, and culturally significant homes and neighborhoods.

Today the preservation and rehabilitation of historic homes is integral to the mainstream housing market. More people are buying historic homes, more neighborhoods are forming preservation associations, and more cities and states are developing incentives to support preservation. The value of preservation to economic development, employment, tourism, neighborhood stability, property values, and preservation of the local housing stock has been well documented and is widely accepted. Increasing numbers of homeowners and homebuyers are discovering the pleasure, and the benefits, of owning and caring for a historic home.

Note: *In this guidebook, we use* historic *to refer to both designated and undesignated historic properties. In instances where information pertains only to officially designated homes, we'll make it clear by using the term* designated *historic home. Many of the programs described here are available to owners of older homes regardless of whether they have been designated as historic resources.*

What *Is* a Historic Home?

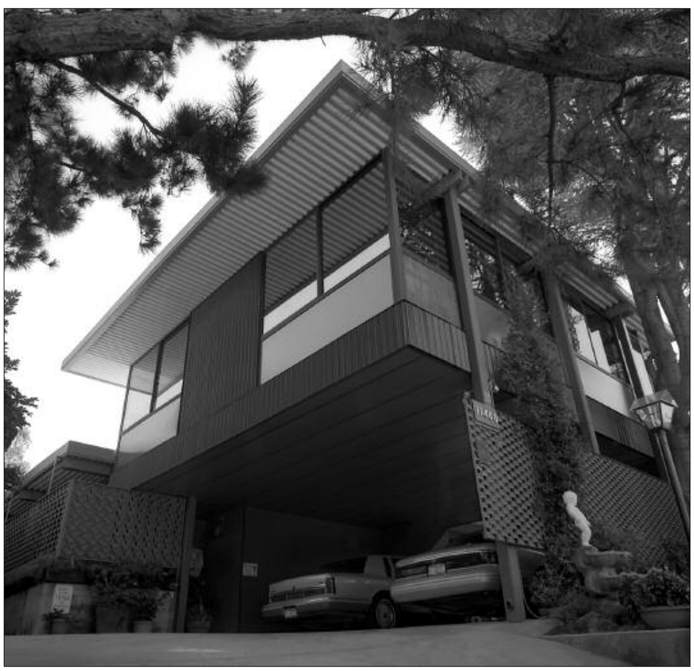
By some definitions, a historic home is one that has been individually designated as a landmark or is located within an official historic district. A home may be recognized as a historic resource at the local, state, or national level based upon its architectural qualities or its association with an important person or event. Likewise, entire districts that characterize a particular architectural style or period of time may be designated as local, state, or national historic districts. In Los Angeles, many individual homes and neighborhoods have been designated as historic resources. The specific requirements for a district's designation as an HPOZ, a home's designation as a Los Angeles Historic-Cultural Monument, or a district's or home's placement in the California Register of Historical Resources or the National Register of Historic Places are discussed in Appendix B of this guidebook. Appendix C contains a list of the city's designated and proposed HPOZs.

But what about older homes that have not been officially designated? Aren't they historic as well? Well, yes and no. Certainly, many older homes and neighborhoods that retain their original architectural character and features have historical value, regardless of whether they've been designated. However, designated properties have been formally recognized as possessing a high level of architectural and historic integrity, and they are eligible for specific historic preservation protections and incentives.

***Note:** This guidebook is intended as a general guide to point you in the right direction. Further specific information should be sought from program administrators, legal counsel, and accounting professionals.*

Owners of contributing structures in HPOZs or properties individually designated as Historic-Cultural Monuments may qualify for specific preservation incentives such as property tax relief.

A view of the Angelino Heights HPOZ, adopted in 1983. Most requests for Historic-Cultural Monument and HPOZ designation are initiated by property owners who want to ensure that the historic character of their homes and neighborhoods is preserved. HPOZ residents help to devise HPOZ preservation plans that include design guidelines and create reasonable expectations for project design and review. Photograph by John C. Lewis.



The single-family homes that have been designated as Los Angeles Historic-Cultural Monuments represent a wide variety of architectural styles and historical periods. Top: This house in Granada Hills was built in the late nineteenth century and was declared a Historic-Cultural Monument in 1996. Above: This Studio City home, built in 1964, was declared a Historic-Cultural Monument in 1997. As Historic-Cultural Monuments, both of these homes may qualify for historic preservation incentives. Photographs by John C. Lewis.

Why Own a Historic Home?

Historic homes have great appeal for many reasons, including their meticulous craftsmanship, superior construction and materials, unique architectural details, and aesthetic character. Adding to their attractiveness, many historic homes are located in mature, well-established neighborhoods that have a strong sense of community. Owners and other residents may work together on preservation and other common issues—most of the city's designated historic districts were launched as a result of grassroots efforts by neighborhood residents. Furthermore, many historic homes are located in relatively affordable parts of Los Angeles.

Owners of historic homes often take great satisfaction in rehabilitating their properties, and preservation may increase the property's value. The Los Angeles Conservancy has recently begun an economic analysis of the effects of preservation on property values in Los Angeles's designated historic districts. Studies of other cities have found that homes in designated historic neighborhoods appreciate in value faster than similar homes in undesignated areas.

In addition, in many cases it is actually less expensive to rehabilitate historic fabric rather than replace it with modern materials. For example, if 30 percent of a home's original wood windows are in poor condition, it would be less expensive to rehab them than it would be to remove all of the wood windows and replace them with vinyl. In a case like this, the homeowner could save money, preserve the home's character-defining historic features (and potentially increase its market value), and help the environment by reducing the amount of waste that enters the city's landfills.

HOW TO FIND MORE INFORMATION

Information to help you find, select, purchase, or rehabilitate a historic home is available from a variety of sources. Here are a few to get you started. (Additional details about resources for homeowners and buyers are included throughout this guidebook.)

The Cultural Heritage Commission of the City of Los Angeles Department of Cultural Affairs is responsible for the Los Angeles Historic-Cultural Monuments program and for the administration of the Mills Act Historical Property Contract program. Call (213) 473-7720 or visit the Web site at http://www.culturela.org for further information.

The City of Los Angeles Department of City Planning oversees the designation and administration of the city's Historic Preservation Overlay Zones. Go to http://cityplanning.lacity.org or call (213) 482-7077.

The Los Angeles Conservancy provides a wide range of information about historic homes. See http://www.laconservancy.org or call (213) 623-2489.

The American Institute of Architects, Los Angeles Chapter, can help you learn how to hire and work with an architect. See http://www.aialosangeles.org/ or call (213) 639-0777.

Current owners of historic homes will often share their experiences in buying and rehabilitating homes.

Real estate agents who specialize in historic homes are valuable sources of information.

Publications like the National Trust for Historic Preservation's *Buyer's Guide to Older and Historic Homes* are available on the trust's Web site at http://www.preservationbooks.org/index.asp.

The Western Regional Office of the National Trust for Historic Preservation is a good resource for general information about historic homes and preservation incentives. Call them at (415) 956-0610 or send an email to wro@nthp.org.

Popular magazines like *Old House Journal*, *Period Homes*, *American Bungalow*, and *Traditional Building* feature articles and resources for owners of historic homes. Their Web sites are also valuable information sources:

http://www.oldhousejournal.com/index.shtml
http://www.period-homes.com
http://www.ambungalow.com/AmBungalow/home.htm
http://www.traditional-building.com

The National Park Service offers an "electronic rehabilitation" course at http://www2.cr.nps.gov/e-rehab/welcome_index.htm.

The National Park Service's Technical Preservation Services for Historic Buildings section supplies technical information to help homeowners preserve, rehabilitate and restore their historic properties. See http://www2.cr.nps.gov/tps/index.htm.

The University of Southern California School of Architecture offers introductory courses on a wide variety of historic preservation topics. Go to http://www.usc.edu/dept/architecture for more information.

A view of the Melrose Hill HPOZ, adopted in 1988. If you are considering buying or rehabilitating a historic home, there are many information sources covering a variety of historic preservation topics, including incentives. Photograph by John C. Lewis.

An Overview of Incentives, Loan Programs, and Grants for Buying and Rehabilitating Historic Homes

If you're the owner of a historic home in the city of Los Angeles or are planning to buy such a home, there are various tax, regulatory, and financial incentives available to assist you with its rehabilitation and preservation. This guidebook is intended to help you learn about these incentives and how to utilize them to maximum value. The following is a brief summary of these incentives and where to find more information about them in this guidebook:

Tax Incentives

In Los Angeles, two programs—the Mills Act Historical Property Contract and the Historic Resource Conservation Easement—are specifically designed to help owners of designated historic homes offset the expense of rehabilitating and maintaining their properties. A historical property contract offers potential property tax relief to owners of locally designated properties. It can be a strong marketing tool for owners when they decide to sell their properties and a strong incentive for buyers to acquire such properties. A discussion of the City of Los Angeles's historical property contract program, its benefits and requirements, and examples of its use begins on page 3.

Through Conservation Easements, owners of properties listed in the National Register may be eligible for federal income tax deductions, and they can protect the architectural and historical qualities of their properties in perpetuity. See page 10 for more information.

Regulatory Relief

The California Historical Building Code gives owners the flexibility to use historic construction materials and methods as an alternative to those that would be required under the California Building Code. Go to page 12 to read about this valuable and underutilized historic preservation incentive.

Under the city's zoning code, designated homes may qualify for a conditional use permit that would allow the owner to operate a bed-and-breakfast, run a restaurant, or conduct other kinds of businesses in the home. See page 14.

Film Location

Historic homes, whether they are designated or not, may be of special interest to entertainment companies looking for film locations. Find out more on page 15.

Loans and Mortgages

A decade or so ago, owners sometimes had difficulty obtaining financing to buy and rehabilitate historic homes. Today financing of such homes is widely available, but buyers and owners may not be aware of all the

A view of the Miracle Mile North HPOZ, adopted in 1990. In some instances, restoring and repairing a home's historic fabric is less expensive than replacing it with modern materials. Photograph by John C. Lewis.

financing opportunities in the marketplace. In addition to conventional home equity loan and mortgage products, there are programs that have not been specifically designed for historic preservation purposes but can be used to accomplish these ends. For more information, go to page 18.

Home Renovation Loans

Home renovation loans are not specifically aimed at, but can be used by, buyers and owners of historic homes. Such loans particularly benefit buyers who need financing not only to purchase a distressed property but also to complete a major rehabilitation of it, which makes it nearly impossible to secure conventional financing. See page 21 for more information.

Reverse Mortgages for Seniors

Although not designed for historic preservation purposes, older homeowners may be able to obtain funds for home rehabilitations through a reverse mortgage, which enables borrowers to convert the equity built up in their homes into cash. See page 24.

Affordable Mortgage Products

A number of public sector programs are available to help low- to moderate-income buyers and first-time buyers acquire and rehabilitate homes. These programs are not specifically designed for historic preservation purposes, but they tend to target older urban neighborhoods where property values are lower and many of the homes are historic. For details, go to page 28.

Municipal Programs for Low- and Moderate-Income Homebuyers and Homeowners in Los Angeles

The City of Los Angeles Housing Department has a variety of loan and grant programs, including some that target individual homebuyers and homeowners. These were not intended specifically for historic preservation purposes, but because much of the city's affordable housing stock is located in older neighborhoods, the department's programs may be used to purchase and/or renovate a historic home. Likewise, the Los Angeles Community Redevelopment Agency has few programs targeted specifically at historic preservation; however, some may be used to buy and renovate historic homes. See page 31.

A view of the Western Heights HPOZ, adopted in 2001. Property owners can use many types of financing, including home renovation loans, to restore and maintain their historic homes. Photograph by John C. Lewis.

State of California Department of Insurance Earthquake Grant Program

This program helps low- to moderate-income homeowners retrofit their single-story residential properties to prevent damage from earthquakes. See page 37.

Preservation Incentives in Other Locales

In cities and states around the country, incentives have been created to encourage the preservation of historic homes. See page 39 for a sampling of these incentives.

In the following sections, we take a closer look at historic designation and the incentives available for designated historic homes, as well as those available to all homeowners and homebuyers.

You can use various tax, regulatory, and financial incentives when buying and rehabilitating a historic home. People who use a combination of incentives can realize the greatest benefit.

INCENTIVES AVAILABLE BY LEVEL OF HISTORIC DESIGNATION

This guidebook contains information that will help you identify programs that can be used to acquire or rehabilitate an older home. A few are available only for designated properties, though many more are offered regardless of whether a home has been officially recognized as historic. These incentives and their corresponding designation requirements are indicated below.

	National Register of Historic Places or contributing structure in a National Register Historic District	California Register of Historical Resources	Los Angeles Historic-Cultural Monument or contributing structure in an HPOZ	Historic home without an official designation
Mills Act Historical Property Contract			●	
Conservation Easement	●			
California Historical Building Code *If the property has been officially determined eligible for listing at the national, state, or local level	●	●	●	●*
Zoning incentives	●	●	●	
Film location	●	●	●	●
Renovation loans and mortgages	●	●	●	●
Reverse mortgages for seniors	●	●	●	●
Affordable mortgage products	●	●	●	●
Los Angeles Housing Department programs	●	●	●	●
Los Angeles Community Redevelopment Agency programs	●	●	●	●
State of California Department of Insurance Earthquake Grant Program	●	●	●	●

The Los Angeles Historic Resource Survey will help to identify homes and neighborhoods that may qualify for preservation incentives. This neighborhood of postwar homes in Panorama City has been formally determined eligible for National Register designation. Photograph by John C. Lewis.

Historic Preservation Incentive Programs for Homes Designated at the Local, State, or Federal Level

Tax Incentives

Regulatory Relief

Your Home as a Film Location

Tax Incentives

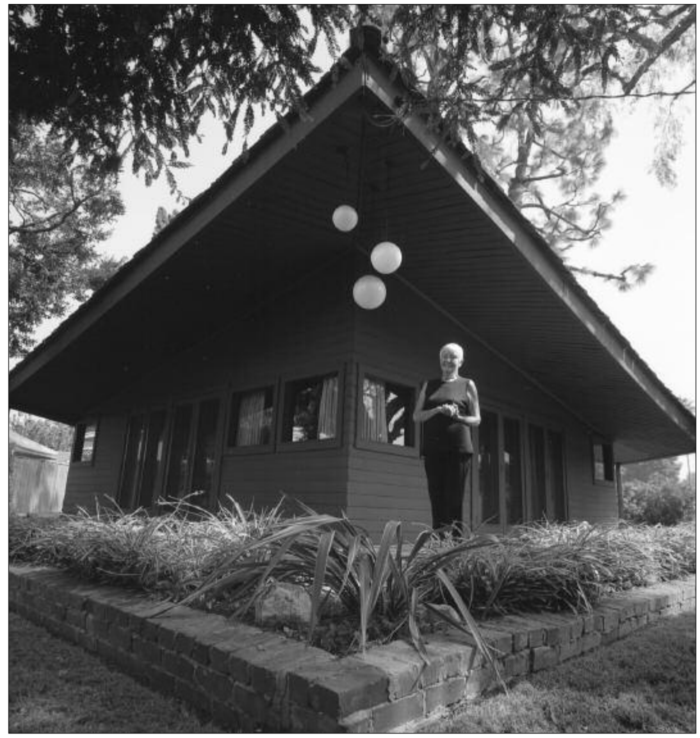
Owners of designated historic homes in Los Angeles may be eligible to take advantage of two tax incentive programs that have been designed to encourage and assist in the preservation, rehabilitation, and maintenance of historic properties.

The Mills Act Historical Property Contract program provides a potential property tax reduction for Historic-Cultural Monuments (HCMs) and for contributing structures in the city's Historic Preservation Overlay Zones (HPOZs).

The Historic Resource Conservation Easement program is available to owners of properties listed in the National Register of Historic Places. A Conservation Easement provides a one-time income tax deduction to property owners who enter into a legal agreement that stipulates that future modifications to the structure, in perpetuity, will meet historic preservation standards.

If a property is listed at both the local and national levels, it may qualify for both the Mills Act and the Conservation Easement programs. These tax incentive programs have been created to foster the sensitive preservation and restoration of our precious architectural and historical heritage. They are best suited for use by property owners who are committed to restoring and maintaining their historic homes.

Local, state, and national designation programs are described in Appendix B.



Properties that have been designated as Historic-Cultural Monuments or have been recognized as contributing structures within Historic Preservation Overlay Zones are eligible for the same types of incentives, including the Mills Act Historical Property Contract program. This house in Reseda, designed by Lloyd Wright and constructed by the owner in 1939, was declared a Historic-Cultural Monument in 1996. Photograph by John C. Lewis.

This 1929 Spanish Colonial Revival–style home was declared a Los Angeles Historic-Cultural Monument in 1989. It is also a contributor to the Miracle Mile North HPOZ. The city has designated more than 750 residential, commercial, and public buildings as Historic-Cultural Monuments. Photograph by John C. Lewis.

Mills Act Historical Property Contract Program

- Protects HCMS and HPOZ contributing properties from inappropriate alterations
- Allows a potential property tax reduction of 5 to 50 percent or more
- Provides a direct economic benefit for at least ten years
- Remains in effect when property is sold, providing new owner with a tax benefit

A Mills Act Historical Property Contract is an agreement between the City of Los Angeles and the owner of a building that has been designated as an HCM or is a contributing structure in an HPOZ. Eligible properties *may* qualify for an annual property tax reduction ranging from 5 percent to more than 50 percent. The amount of the tax reduction depends on a variety of factors including the date that the property was purchased, its value, and the current property tax assessment.

This is a direct economic benefit that continues for the duration of the contract. Should you wish to sell your home after executing a Mills Act contract, it may prove an attractive incentive to potential buyers. The contract remains in effect when the property is sold, and the home will not be reassessed at the current market value for property tax purposes. Thus the new owner will enjoy the preexisting property tax rate as directed by state law. In return for this economic incentive, the property owner agrees to comply with certain preservation restrictions and to use the property tax reduction for the preservation, rehabilitation, and maintenance of the historic resource in accordance with the contract.

The California legislature passed the Mills Act in 1976, enabling cities to offer property tax relief in exchange for the continued preservation of historic properties. The Mills Act was enacted in Los Angeles in 1996 to provide an incentive to the owners of HCMS and contributing structures in HPOZS to "preserve their properties, thereby providing a cultural benefit to the citizens of Los Angeles."[1] Between 1996 and the end of 2002, contracts were approved on eighty-six single-family homes; an additional sixty-three contracts have been approved for multifamily and commercial buildings. While these numbers are significant, the program's capacity has hardly been touched; as of September 2002, only $80,000 annually or an estimated 8 percent of the city's $1 million annual cap on its revenue loss from Mills Act contracts had been expended.

Locally designated properties may qualify for an annual property tax reduction ranging from 5 percent to more than 50 percent under the Mills Act Historical Property Contract program.

A house in the Spaulding Square HPOZ, adopted in 1993. A historical property contract provides a tax benefit in exchange for the owners' promise to rehabilitate and maintain the property. Photograph by John C. Lewis.

Eligible Properties

To qualify for tax relief under the City of Los Angeles's historical property contract program, a property must be designated as an HCM or must be recognized as a contributing structure in one of the city's HPOZs. A single-family residence must have a precontract property tax assessed valuation of $500,000 or less to qualify, although the Cultural Heritage Commission has the authority to grant exemptions to this assessment limit. Properties located in the Downtown Historic Core, the Greater Downtown Los Angeles Area (as defined in the Adaptive Reuse Ordinance), and the National Register Hollywood Boulevard Commercial and Entertainment District are automatically exempt from the property value assessment limits. Very few residential properties are located in these districts; if you think yours is, the historical property contract program of the Department of Cultural Affairs can help you verify this.

Given current real estate market conditions and property values in Los Angeles, even relatively modest homes can easily exceed the $500,000 ceiling. Owners of properties valued above this amount that would otherwise qualify under the historical property contract program may request an assessment exemption if their property meets the following criteria:

- It is a particularly significant HCM or contributing structure in an HPOZ.
- The exemption will assist in the preservation of a structure that would otherwise be in danger of demolition, substantial alteration, or relocation.
- The exemption would not cause the city's annual revenue loss from Mills Act contracts to exceed $1 million.

Of the city's eighty-six historical property contracts on single-family homes, thirteen have requested and been granted exceptions to the $500,000 property value maximum. The forms necessary to request an exemption are included in the city's Mills Act application materials.

Mills Act Historical Property Contract Terms

The contract provides a property tax reduction in exchange for the owner's agreement to rehabilitate and maintain the property's historically significant fabric and characteristics during the term of the contract. Maintenance and rehabilitation work on the property must conform to the Secretary of the Interior's Standards for the Rehabilitation of Historic Buildings (see Appendix D), the California Historical Building Code, and the city's seven property maintenance standards (see Appendix E). The property must be well maintained and kept in compliance with all current building and zoning codes. The historical property contract requires that the owner agree to a periodic inspection of the property to ensure that it is being adequately maintained.

The historical property contract has an initial term of ten years, but it can continue in perpetuity if no action is taken to cancel it. The contract automatically renews each year on its anniversary date, thereby creating a new ten-year agreement unless a notice of nonrenewal is filed. To terminate the contract, either the city or the property owner may submit a notice of nonrenewal that will terminate the contract ten years *after* the date of the notice.

Calculating the Tax Benefit

The Los Angeles County Assessor calculates the property tax savings by reassessing the property using the capitalization of income method that is outlined in the California Taxation and Revenue Code, Section 439.21, to arrive at the Mills Act appraised value. Under this method, the actual or potential rental income for the property, less certain expenses, is divided by a capitalization rate (the rate of return a property would be expected to produce on the owner's investment) to determine the assessed value of the property. For owner-occupied homes, the estimated rental income is based on rents for comparable properties in the area. If sufficient rental information is not available, the figure is estimated based on the amount of income that the property could reasonably be expected to generate. The Mills Act appraised value is compared to two other appraisals: the current property tax assessment as determined under Proposition 13 and the estimated current fair market value as calculated under

A view of the Carthay Circle HPOZ, adopted in 1998. A historical property contract works to the advantage of both the buyer and the seller of a property, as it remains in effect when the title is transferred. The County Assessor will continue to calculate property taxes based on the Mills Act value rather than the generally higher market value. Photograph by John C. Lewis.

Proposition 8 (see Appendix F for a description of these propositions). The homeowner's general levy property taxes are calculated based on the lowest of the three assessments. The extent of the tax reduction varies, and the Mills Act does not guarantee a tax reduction.

California Proposition 13 requires that properties be assessed for tax purposes based on their purchase price, and assessment values cannot increase more than 2 percent annually. They are reassessed only when they are sold or transferred. This means that properties that have been acquired relatively recently have higher assessed values and are more likely to qualify for a substantial tax reduction under the Mills Act. Experience has shown that properties that were purchased after 2000 are the most likely to receive tax reductions of approximately 50 percent. Those that were purchased between 1979 and 1999 may realize a 5 to 25 percent reduction. Properties purchased before the passage of Proposition 13 in 1978 are unlikely to receive a reduction, as they are already determined to be at baseline threshold values under the taxation and revenue code.

Even if the property does not qualify for a tax reduction, it may be worthwhile to enter into a historical property contract, as it can substantially enhance the marketability of the property. The contract remains in effect when the property is sold or transferred. This means that the property will not be reassessed based on the new market value, and the new owners will benefit from the preexisting lower taxation rate.

Los Angeles's Historic-Cultural Monuments and Historic Preservation Overlay Zones represent a wide range of architectural styles, historical periods, and types of neighborhoods.

TWO CASE STUDIES: MILLS ACT

The two following case studies, which illustrate the effects of the Mills Act on property taxes, are based on actual properties that are covered by Mills Act contracts.

Case Study No. 1

This 1913 California Craftsman bungalow, located in Echo Park, is a contributing structure in the Angelino Heights HPOZ. The 1,599-square-foot, two-bedroom, one-bath house is located on a 6,752-square-foot lot.

In 2002, the Los Angeles County Assessor appraised this property at the following values:

Base year value (with CPI trend)	$ 239,291
Current market value	$ 240,000
Mills Act value	$ 116,100

Due to the recent transfer of the property, its base year value is fairly close to the actual market value, and the Mills Act value, which is calculated based on the property's income-generating ability rather than its market value, is significantly lower.

Future property taxes will be based on the Mills Act value of $116,100, which results in a 51 percent reduction in taxes—a fairly typical reduction for properties purchased after 2000. In real dollars, this equals a $1,232 annual tax savings, calculated as follows (figures are rounded):

Annual tax at base year value (1 percent of $239,291)	$ 2,393
Annual tax at Mills Act value (1 percent of $116,100)	-1,161
Annual property tax savings	$ 1,232

Many owners of historic homes, such as this contributor to the Angelino Heights HPOZ, have realized a significant property tax reduction after entering into a historical property contract. Photograph by John C. Lewis.

Case Study No. 2

Located in Los Feliz, this English Tudor Revival home, designed by Gerard Colcord, was constructed in 1936. It is a large home—4,500 square feet, containing five bedrooms and five baths—and is located on a 23,000-square-foot lot. In 2001, it was declared an HCM. The current owner purchased the property in 1975, so its property taxes are already determined under the limits established by Proposition 13.

The Los Angeles County Assessor appraised this property in 2002 at the following values:

Base year value (with CPI trend)	$ 251,246
Current market value	$1,300,000
Mills Act value	$ 396,100

In this case study the Mills Act value is higher than the current base year value, upon which the property owners' taxes are based. Furthermore, there has been a spectacular increase in the appraised market value of the property. The Mills Act requires the assessor to apply the *lowest* value of the three previously described appraisals. Therefore, Mills Act properties are not penalized with higher taxes when the Mills Act valuation is higher than the base value. The owner's property taxes will remain at base year levels.

In this case study, the property owner enacted a historical property contract with the knowledge that he would not receive a tax reduction benefit. This is because the property is already protected under Proposition 13, whereby its established 1975 base value will increase in value by a maximum of 2 percent annually. However, the owner still decided to participate in the program because of the distinct advantages the Mills Act has when a property transfers ownership. **The Mills Act provides a transferable incentive, which works to the advantage of both the buyer and seller of the property.** When the property is sold, it is not reassessed at the current market value but is instead assessed at the Mills Act value, thereby resulting in a lower property tax bill for the new owner. This gives the buyer an incentive to purchase the property. In addition, it also confers a distinctive selling advantage to the current owner. The owner of a Mills Act property sells with the knowledge that when a buyer takes possession, he or she will enjoy the previously existing reduced tax assessment; therefore, the seller generally can hold firm in the asking price. If the above property sold in 2002 for the amount indicated by the current market value ($1,300,000 or higher), its assessed Mills Act value would remain at $396,100. This would result in a 70 percent reduction in taxes, or a savings of $9,039 annually, for the new owner, calculated as follows:

Annual property tax at market value assessment (1 percent of $1,300,000)	$	13,000
Annual property tax at Mills Act assessment (1 percent of $396,100)		-3,961
Annual property tax savings	$	9,039

This Tudor Revival–style home in the Los Feliz area was declared a Los Angeles Historic-Cultural Monument in 2001, and the owner entered into a Mills Act Historical Property Contract later the same year. Photograph by John C. Lewis.

Getting Started with the Mills Act Historical Property Contract Program

If you're interested in executing a historical property contract with the city and your home is not a contributing structure in an HPOZ or an HCM, call the City of Los Angeles Department of Cultural Affairs Preservation Office at (213) 473-7720, or visit the Web site at http://www.culturela.org to determine if your property may qualify as an HCM. If your home is already an HCM or a contributing structure, start by contacting the Mills Act Historical Property Contract program. Do so early in the calendar year, so that you'll have plenty of time to complete the application process before the annual deadline, which usually falls near the end of June. It will be approximately eighteen months from the time you file your application before the Los Angeles County Assessor officially notifies you of the amount of your property tax assessment under the Mills Act, although you will complete a property tax estimate using a similar formula as part of the application process. Application packets and additional information can be obtained from the Department of Cultural Affairs at (213) 473-7737 or on the Web at http://www.culturela.org.

MILLS ACT HISTORICAL PROPERTY CONTRACT PROCESSING SCHEDULE

Year One:	
January to June	Applications distributed to interested property owners
Early July	Application deadline
May to August	Precontract inspection period
August to December	City approval process
End of December	Deadline to file with Los Angeles County Recorder
Year Two:	
January to June	Los Angeles County Assessor reappraises properties
October	First reassessed property tax bill issued
Year Three:	
March to August	First compliance inspection period

A house in Wilmington's Banning Park HPOZ, adopted in 2001. Incentives can encourage homeowners to recognize and maintain the special qualities of their historic homes and neighborhoods. Photograph by John C. Lewis.

A LOVE OF HISTORIC HOMES BRINGS HOMEBUYERS TO WEST ADAMS

In 1987, after years in an anonymous suburb, a homeowning couple yearned for city life. They decided to move to Los Angeles, and they knew where they wanted to live: in an older neighborhood and in a Craftsman home. One Sunday afternoon, while they were touring the West Adams area, a broker showed them a 1910 transitional Tudor Craftsman. It was love at first sight, and in March 1988 they bought the home.

The West Adams area, where the house is located, had been decimated in the early 1960s by the construction of the Santa Monica Freeway. The project split the area, and property values plunged, homeowners fled, and absentee landlords took control. But not even a freeway could depress the area forever. In the 1980s, West Adams began to make a comeback. People moved there, drawn by the opportunity to acquire older homes at affordable prices in an area close to downtown. “Homes were very competitively priced,” said one of the owners, “and we could live in a neighborhood of great character, charm, and beauty.” The couple paid about $175,000 for their house, financing the purchase with equity from the sale of their suburban home.

In 1989—the year after they bought the property—the house was placed in the National Register of Historic Places as one of eleven contributing structures in the Van Buren Place Historic District, a block of historic homes south of Adams Boulevard between Normandie and Vermont avenues. In 2000, Van Buren Place became part of the Adams-Normandie HPOZ and the house was recognized as a contributing structure in the district. The house was also declared a Los Angeles Historic-Cultural Monument in 2000. In addition, the owners have entered into a historical property contract agreement with the City of Los Angeles, which has reduced their property taxes by about $1,000 a year.

After buying the house, they invested about $175,000 in rehabilitating and restoring the property, with the costs financed from the remaining equity from the sale of their former home and borrowed capital. They hired a contractor to replace the plumbing and electrical systems, remove asbestos from the ducts, and do other rehab work. Since they completed rehabilitation work, property values on South Van Buren have appreciated to the point that if the couple were to sell the house today—though they have absolutely no intention of doing so—they could recover their investment in buying and rehabilitating the property. “That wouldn’t have been true ten years ago,” noted one of the owners.

The types of incentives available are determined by a property’s level of designation. This home was declared a Los Angeles Historic-Cultural Monument in 2000 and is also a contributing property in the Adams-Normandie HPOZ and a contributor to the Van Buren Place National Register Historic District. Photograph by John C. Lewis.

Because of the care of generations of owners, the house today looks much the same as when it was built nearly one hundred years ago—the original maple flooring has been preserved, as have most of the original light fixtures. Van Buren Place and the surrounding West Adams area have evolved from a quiet suburb in the early 1900s to an inner-city community of stately historic homes that reflects the ethnic diversity of Los Angeles.

Historic Resource Conservation Easement

- Provides owners of National Register properties with a one-time charitable deduction on their federal and state income taxes
- Protects the home's historic and architectural features in perpetuity
- Potentially reduces annual property tax

A Conservation Easement is a private legal agreement between a property owner and a qualified nonprofit historic preservation organization or government agency in which the owner agrees that future modifications to certain portions of the property—typically the facade—will meet historic preservation standards. In Los Angeles, property owners make arrangements for Conservation Easements by negotiating with the Los Angeles Conservancy. An easement covers those areas of the property that are considered architecturally or historically significant, whether exterior or interior; the extent of the easement is entirely dependent upon the agreement reached between the building owner and the Conservancy.

A Conservation Easement is considered a charitable donation for income tax purposes. Donors may claim the value of the easement—up to 30 percent of the taxpayer's adjusted gross income—as a deduction on their federal income taxes in the year the donation is made. Any excess value may be carried forward for up to five years. Easement donations may also be deductible from California income taxes. Additional financial benefits include a potential reduction of estate or gift taxes, owing to the fact that the property must be valued at its restricted value for the purposes of calculating these taxes. Local property taxes may also be reduced; the homeowner must contact the Los Angeles County Assessor and request that the property be reassessed after the easement restrictions are in place.

A Conservation Easement protects a building's architectural and historic qualities in perpetuity by restricting the right to alter its appearance. **Because a Conservation Easement is recorded on the property deed, it remains in effect even when the property changes ownership, making it a powerful historic preservation tool available to homeowners who seek assurances that their historically or architecturally significant homes will be preserved for future generations.** Experience has shown that the impact on resale values has been positive or negligible.

The Los Angeles Conservancy currently holds easements on eight residential properties in Los Angeles County, ranging from such well-known buildings as the 1926 Lloyd Wright–designed Sowden House in the Los Feliz area to lesser-known homes like the Victorian-style Innes and Haskins houses on Carroll Avenue in Angelino Heights. It also holds easements on nine commercial properties, including the Spanish Colonial Revival–style El Capitan Theatre on Hollywood Boulevard and the Classical Moderne Stock Exchange Building. The Conservancy is currently expanding this program and is actively accepting new easement donations. This incentive provides direct, enduring preservation protection and attractive tax advantages for the easement donor.

Eligible Properties

To be eligible, a property must be individually listed in the National Register of Historic Places or be certified as a contributing structure in a National Register Historic District. Owners of historic homes that are not included in the National Register can contact the Los Angeles Conservancy for assistance in determining whether their property may qualify for listing.

Calculating the Easement Value

Since easement restrictions limit the owner's ability to alter the property, the value of the easement depends upon the property's development potential. The easement's value is based on the difference between the fair market value of the property prior to the donation of the easement and its value with the easement restrictions in place. Generally easements equal 10 to 15 percent of the property value, though in instances where the property's zoning would allow higher and more intensive uses the percentage may be higher. A professional appraiser makes the actual determination of the easement value. The Los Angeles Conservancy can provide a list of appraisers who have experience in evaluating historic properties.

The architectural and historical features of this National Register property, which is also a contributor to the Angelino Heights HPOZ, have been protected through the donation of a Conservation Easement. This also provides the owners with tax benefits. The easement was donated in 2002. Photograph by John C. Lewis.

CASE STUDY: CONSERVATION EASEMENT

The owner of a 3,000-square-foot Eastlake Victorian house in Angelino Heights donated a Conservation Easement to ensure the preservation of his home's defining characteristics in perpetuity. The house, built in 1887, is listed in the National Register of Historic Places and is also an HCM. The real estate appraiser estimated the property's fair market value at $800,000 and valued the easement, which covers the exterior and selected interior elements of the home's public rooms, at $92,000. The amount of the easement equals 11.5 percent of the property's fair market value, which is fairly typical for a single-family home located in a residential district.

In this case, the homeowner is eligible to take a $92,000 income tax deduction, which he can carry forward for up to five years. The maximum that can be deducted annually is 30 percent of the taxpayer's adjusted gross income. For the sake of simplicity, let's assume that in 2002 this taxpayer had an adjusted gross income of $90,000 and did not claim any other deductions. He takes a deduction of $30,000, reducing his adjusted gross income to $60,000. The remaining easement value of $62,000 is carried forward and can be deducted from future income taxes in the same manner for up to five years.

A Conservation Easement is a powerful preservation tool available to the owner of a National Register property and provides a tax deduction as well.

Getting Started with the Historic Resource Conservation Easement Program

If you are considering donating a Conservation Easement on your National Register home or a home that you believe is eligible for the National Register, contact the Los Angeles Conservancy. Remember, it can take several months to process an easement application, so be sure to start the process well before the end of the calendar year in which you'd like to take the income tax deduction. You can reach the Los Angeles Conservancy at (213) 623-2489 or on the Web at http://www.laconservancy.org.

Regulatory Relief

The California Historical Building Code and the Los Angeles Zoning Code provide owners of designated historic homes with alternatives to certain regulatory provisions. For information on historic designation, see Appendix B.

California Historical Building Code

- Can be utilized on buildings that are designated at the local, state, or national level, and on buildings that have been determined eligible for designation
- Provides regulatory relief to preserve historic features and materials when alterations or repairs are necessary
- Allows alternate construction methods that are compatible with historic structures, providing life-safety requirements are met
- May result in significant savings over the cost of using current codes

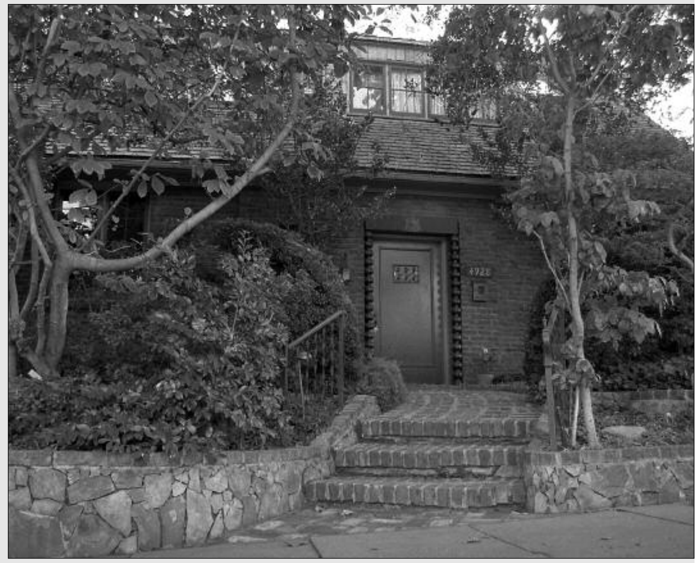
The California Historical Building Code (CHBC) is one of the most valuable and least understood historic preservation incentives available. The CHBC recognizes that historic construction methods and building materials differ considerably from those used in contemporary structures, and that traditional construction methods have inherent safety features. In order to preserve the historic and architectural integrity of these buildings, the CHBC offers an alternative to the general California Building Code, which regulates new construction and the alteration of all buildings. The CHBC is designed to provide the flexibility needed to renovate, rehabilitate, or relocate a historic structure, or adapt it to a new use without destroying its historic qualities. It is in part a performance-based code, which means that as long as the proposed alterations make reasonable provisions for fire and life safety, alternate methods can and should be used. The use of any alternative method or standard is allowed on a case-by-case and item-by-item basis, when reviewed and approved by the City of Los Angeles Department of Building and Safety.

The CHBC does not release a building owner from responsibility for occupant safety or for disabled accessibility, but allows him or her to seek solutions that preserve the historic fabric and character of the building, while also providing "a cost-effective approach to preservation."[2] By utilizing the CHBC, a property owner may realize a significant savings while maintaining the building's historic character. Any structure that is listed in the National Register of Historic Places or the California Register; has been designated a Los Angeles Historic-Cultural Monument; is a contributing structure in an HPOZ; has been determined eligible for designation at the federal, state, or local level; or has been recognized as historically or architecturally significant on a certified local survey inventory is eligible to employ the CHBC. (In addition to HPOZ surveys, many of the surveys conducted in Los Angeles for environmental review purposes under CEQA and Section 106 qualify as adopted surveys; the Los Angeles Historic Resource Survey will address the need for a certified citywide survey.) Every city, county, or state agency must apply its provisions; however it cannot be forced upon a property owner. Use of the CHBC is at the property owner's discretion.

To avoid unnecessary delays, it is recommended that you work with someone, such as an architect, engineer, or contractor, who is experienced with historic rehabilitation projects. Approval of a project that employs the CHBC will require the property owner or representative to demonstrate that the proposed alternative methods provide a reasonable level of safety from fire, seismic forces, or other hazards, as well as reasonable disabled access, but the benefits are worth the effort.

CASE STUDY: CALIFORNIA HISTORICAL BUILDING CODE

An architect owns a 1923 period-revival home that is a contributing structure in the Melrose Hill HPOZ. The home's elaborate chimney, which is more than thirty feet tall and includes three flues and two fireplaces, was cracked as the result of an earthquake. The city was adamant that the fireplace should be taken down to the foundation. The architect wanted to save the elaborate fireplaces and wooden moldings, but according to the city's recommendations they would have to be replaced. Using the CHBC, he submitted a plan that took the chimney down to the base of the crack, leaving the firebox and fireplaces intact, as well as two of the three flues. With this plan, he was able to keep these historic features, and he saved an estimated $10,000 in replacement costs as well.



This house, built in 1923, is a contributing structure in the Melrose Hill HPOZ. When he rehabilitated his home, the owner was able to save historic features because of the California Historical Building Code. Photograph by John C. Lewis.

Getting Started with the California Historical Building Code

If you are planning to renovate your designated historic home and the scope of the work may involve code issues, it is wise to work with an architect, engineer, or contractor who specializes in historic properties and has experience with the CHBC. The Los Angeles Department of Building and Safety reviews building permit applications on all projects, including those that employ the CHBC. It can be reached at (888) 524-2845 or (213) 482-0000; its Web site address is http://www.lacity.org/ LADBS/index.htm. You can also get information about the CHBC from the State Historical Building Safety Board at http://www.dsa.dgs.ca.gov/ StateHistoricalBuildingSafety Board/default.htm.

Under the California Historical Building Code, property owners may use alternative methods and materials to those found in the California Building Code in order to preserve a building's historic integrity, and they may realize substantial savings in the process.

A Los Angeles Historic-Cultural Monument in South Los Angeles, built in 1913, designated in 1991. Owners of designated homes may be able to run certain types of small businesses in a residential district. Photograph by John C. Lewis.

Zoning Incentives

- Can be utilized on buildings that are designated at the local, state, or national level
- May allow limited commercial uses in residential zones
- May allow relaxed off-street parking requirements

Owners of historic homes that are listed in the National Register of Historic Places or the California Register, or are designated as Los Angeles Historic-Cultural Monuments or Historic Preservation Overlay Zone contributing structures, can apply to the Zoning Administrator of the Los Angeles Department of City Planning for limited commercial use of their property. If you own a designated historic property in an agricultural or residential district, you may be able to operate a bed-and-breakfast facility in your home or, if you are engaged in certain occupations—such as those in the fields of accounting, architecture, art, computer software, multimedia, consulting, engineering, design, insurance, law, and real estate—you may be able to establish joint live/work quarters. In addition to the above, if you own a home that is located in an area that is zoned for multiple-family housing, you may be able to operate a small restaurant or retail sales establishment within it.

The Los Angeles Municipal Code also provides that properties listed in the National Register or the California Register or designated as Los Angeles Historic Cultural Monuments do not have to provide additional parking spaces in connection with a change of use, such as operating a small business out of a single-family home. Owners of contributing structures in HPOZs may request relaxed parking requirements through the city's Zoning Administrator in the Department of City Planning.[3]

Getting Started with Zoning Incentives

Call the Department of City Planning for at (213) 482-7077 or visit their Web site at http://cityplanning.lacity.org for further information.

Your Home as a Film Location

You may want to think creatively about what constitutes a preservation incentive. Whether or not your historic home or neighborhood is designated, there may be a role for it in the entertainment business. Location scouts are constantly seeking new and interesting sites that can be used as settings for films, commercials, and television shows, generating rental income that can be used to restore and maintain historic homes and neighborhoods.

Location managers and scouts are the liaisons between the film industry and the real world. It's their job to find locations and make necessary logistical arrangements to facilitate filming in your home or community. Finding locations requires extensive research and study, and scouts use a variety of resources to find properties. They may know of a home or neighborhood that looks just right and contact property owners directly, or they may go through a location marketing service or location agency that can help them find available properties.

Location fees are tailored to each project and are determined by the film budget and the extent of property use required. There are no set rates; cost and ease of filming are the key factors in determining where a film is shot. Location fees for shooting the interior and exterior of a house or institution can range from a few hundred dollars to a few thousand dollars per day. Shots of exteriors are often compensated at half of the standard rates. Days of preparation and restoration usually earn 15 to 50 percent of the shooting rate. Reduced fees for multiple days of preparation and shooting are often negotiated. Lower fees are paid for still photography shoots and for small projects. If you rent out your primary residence for less than fifteen days in a tax year, the Internal Revenue Service will not require you to claim rental income on your personal income taxes.

It's also important to remember that filming can be hard on historic building materials and property features. Discuss this matter with the production company or location scout before renting your home for filming. Be sure to reach an agreement on the treatment of your property and ask to see proof of the production company's insurance.

The film industry is an economic resource for the community. When film companies shoot on location, their budgets create a ripple effect upon hundreds of small business and independent contractors. Property owners, neighborhood associations, and business councils can increase visibility and potential filming income by organizing and advertising that their neighborhoods are friendly and affordable for filming.

A view of the Miracle Mile North HPOZ. Film location scouts are always seeking interesting historic homes and neighborhoods for use in location filming. In addition to the prestige associated with having their homes used as film locations, property owners may receive location fees. Photograph by John C. Lewis.

Getting Started Using Your Home as a Film Location

A number of agencies and organizations are involved in the oversight and management of location filming. We'll provide you with information about a few here. The California Film Commission works primarily with the film industry, but it can provide interested property owners with information about filming and with mailing lists of location scouts. The commission can be reached by telephone at (323) 860-2960 or (800) 858-4749, or on the web at http://www.film.ca.gov.

The California Film Commission also works cooperatively with Film Liaisons in California Statewide (FLICS), a network of film offices and commissions that work to retain, attract, and facilitate film production in California. The FLICS office for the City of Los Angeles and for unincorporated parts of Los Angeles County is the Entertainment Industry Development Corporation (EIDC). EIDC has produced a guide for property owners, *Make Your Property a Star*, that discusses how to negotiate and what to expect should you want to make your home available for filming. This booklet is available on the EIDC Web site at http://www.eidc.com or call (323) 957-1000.

If you decide that you wish to offer your home for filming, you will find links to location agencies, marketing firms, and other information on the Web at http://www.filmbridge.org.

Commercial Loan Programs for Homeownership and Home Renovation

Commercial Lenders and the Public Sector

Home Renovation Loans

Reverse Mortgages for Seniors

Loans and Mortgages

- Conventional lenders are the primary source of financing for the purchase and rehabilitation of historic homes.
- Loan programs such as home renovation loans are not targeted specifically at buying and rehabilitating historic homes but can be used for this purpose.
- Older homeowners may be able to obtain funds for home renovations through a reverse mortgage.

Loans and mortgages are the primary sources of funding available for the acquisition and rehabilitation of historic homes. **Many homebuyers and homeowners are not aware that in addition to conventional home equity loan and mortgage products, there are programs that can be used for historic preservation even though they aren't specifically designed for this purpose.** Commercial lenders, such as banks, savings and loans, and mortgage companies offer these products, some of which are designed and regulated by the public sector.

We have divided this discussion into three subsections. First we will give you an introduction to the major players, then we'll focus on two categories of loan and mortgage products: home renovation loans and reverse mortgages for seniors. Special programs for low- to moderate-income borrowers and homeowners that are offered by the California Housing Finance Agency, the Los Angeles Housing Department, the Community Redevelopment Agency, and other lenders are discussed in the next chapter.

A house in the Carthay Circle HPOZ. Conventional lenders, like banks, savings and loans, and mortgage companies, are the most common source of financing for the purchase and rehabilitation of historic homes. Photograph by John C. Lewis.

Commercial Lenders and the Public Sector

Commercial Lenders

Banks, savings and loans, and mortgage companies play the primary role in almost all of these home loan and mortgage programs. Whether you're applying for a conventional mortgage loan or are applying for a product that is regulated and insured by a public sector agency, it is likely that a commercial lender will process your loan application and, once approved, actually lend you the funds. Each public sector agency discussed below has preapproved a number of lenders that they work with. You'll find the names of many familiar banks and savings and loans among them. Lists of approved lenders are available from the agencies.

United States Department of Housing and Urban Development

The United States Department of Housing and Urban Development (HUD) is the federal agency charged with developing national policies and programs that address the country's housing needs and foster improvements in American communities. HUD does not lend funds directly to homeowners. Funds from HUD's Community Development Block Grant (CDBG), HOME Investment Partnerships, Federal Housing Administration Mortgage Insurance, and other programs are available to consumers through government agencies, such as the Los Angeles Housing Department and the Community Redevelopment Agency, and through approved commercial lenders. Although HUD's programs are not specifically designed for historic preservation purposes, some of them can be utilized in the acquisition and/or rehabilitation of historic properties.

The HUD-approved lender list is available on the HUD Web site at http://www.hud.gov/ll/code/llslcrit.html. You may also get information about HUD programs by contacting the Santa Ana HUD Homeownership Center at (888) 827-5605.

A house in the Miracle Mile North HPOZ. Though not specifically designed for historic preservation projects, many commercially available loan products can be successfully used for these purposes. Photograph by John C. Lewis.

Government-Sponsored Enterprises—Fannie Mae and Freddie Mac

The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are congressionally chartered, private, shareholder-owned companies whose programs are regulated by HUD. These Government-Sponsored Enterprises (GSES) were created to keep low-cost capital flowing into the mortgage market so that low- to moderate-income buyers can obtain home financing from commercial lenders.

Borrowers do not need to contact the GSES to apply for one of their mortgage products. Applications are processed and inquiries are answered by approved lenders, who can also help you determine which program best meets your needs. Both of the GSES do provide wide-ranging resources on their Web sites to assist current and potential homeowners in determining their needs, budgets, and mortgage eligibility and to familiarize them with the range of mortgage products offered by lenders. You can visit Fannie Mae's Web site at http://www.fanniemae.com or phone their Consumer Resource Center at (800) 732-6643. Freddie Mac's Web site address is http://www.freddiemac.com/homeownership or call customer service at (800) 373-3343.

A Word on Loan Limits

Mortgage loan programs that are insured and regulated by HUD and the GSES are subject to limits that are adjusted annually. As of January 2003, the HUD first mortgage limit for single-family homes in Los Angeles County is $275,000. HUD loan limits have not kept up with the Southern California housing market—this restricts their usability in Los Angeles, where housing prices have soared in recent years. Still, it is not impossible to find a historic home that falls within HUD's limits, particularly in some of the city's older neighborhoods.

The maximum limit on Fannie Mae and Freddie Mac loans is set annually and is based upon the single-family home price survey conducted by the Federal Housing Finance Board. Loans that fall below this limit are referred to in the mortgage industry as *conforming loans.* As of January 2003, the conforming loan limit for a first mortgage on a single-family home is $322,700. The lenders, not the GSES, determine the interest rates on all loans.

Loan limits are adjusted annually. We have provided these figures as a frame of reference. An approved lender, HUD, or one of the GSES can give you information on current loan limits.

A house in the Gregory Ain Mar Vista Tract HPOZ, adopted in 2003. The Department of Housing and Urban Development and Government Sponsored Enterprises—Fannie Mae and Freddie Mac—make their mortgage programs available to borrowers through preapproved commercial lenders. Photograph by John C. Lewis.

Home Renovation Loans

Though not specifically designed for historic preservation purposes, home renovation loans are important sources of funding for preservation and restoration projects. There are a variety of renovation loans available that are suited to individual circumstances. They fall into two broad categories, mortgages that can be used to finance the purchase and renovation of a home with a single loan and home improvement loans.

Frequently, homeowners cover the costs of rehabilitating and restoring their historic properties by refinancing an existing mortgage and drawing upon their home equity to finance the work. In many cases this is the best option, especially when interest rates are low. The process of refinancing a mortgage is less complicated and less time consuming than applying for a renovation loan, and the homeowner has complete flexibility in the nature and extent of renovations. But refinancing is not always an option. Perhaps a homeowner has not built sufficient home equity, or perhaps a homebuyer has located a house that needs a substantial amount of work that requires financing. In such cases, a renovation mortgage or a home improvement loan may be the solution.

HUD and the GSEs have both created renovation loan and mortgage programs that are offered by approved commercial lenders; a number of commercial lenders also offer their own renovation loan products. Several of these programs are described below. These programs are but a sampling of alternatives to traditional cash-out mortgage refinancing or home equity loans. Consumers should compare the offerings of at least three lenders before deciding on a particular mortgage product.

Renovation loans combine the mortgage and rehabilitation costs in one loan, making them an excellent vehicle for historic preservation projects.

Commercial Renovation Mortgages and Construction Loans

Many commercial lenders offer some type of home renovation mortgage, which may be referred to as a *renovation loan* or a *construction loan.* **A renovation loan can be particularly beneficial to a prospective homeowner who wants to purchase a distressed property and carry out a major renovation on it, a situation that makes it nearly impossible to secure conventional financing.** Most lenders will not close on a loan and release mortgage proceeds unless the condition and the value of the property provide adequate security. If extensive rehabilitation work is necessary, the lender typically requires that all improvements be made before a long-term mortgage is approved. This means that the homebuyer must obtain short-term financing to buy the house and a construction loan to finance the rehabilitation. Once renovations are completed, the homeowner must then secure a permanent mortgage in order to retire the short-term loans. With a renovation mortgage, a single loan covers both permanent financing on the property and the cost of rehabilitation work.

By combining the costs of purchasing and renovating into one loan, the borrower may enjoy lower payments than would be possible with separate loans, as the costs of renovations are spread out over the life of the loan. Furthermore, the borrower may realize increased tax savings because interest on the cost of renovations is included in the mortgage. Since the borrower completes a single loan application, he or she pays only one set of fees and closing costs and makes a single monthly payment. Renovation mortgages can also be used to refinance an existing home loan in order to obtain funds for renovations.

Renovation mortgage interest rates are lower than the home equity or second mortgage rates that are typically associated with construction loans and home improvement financing; generally, interest rates on renovation loans are only .5 to .75 percent higher than conventional first mortgage loan rates. Funds can be used for virtually any type of renovations or repairs. For owner-occupied homes, up to six months worth of mortgage payments can be financed to cover nonoccupancy costs during the construction period. Funds borrowed to finance improvements are placed into an interest-bearing rehabilitation escrow account by the lender, who oversees progress on the project and pays the contractor directly from this account. This provides the homeowner with an extra level of protection against unscrupulous contractors and helps to ensure that the work is carried out in accordance with the contract terms.

Both of the GSEs have created renovation loan programs and these loans are widely available. In a high-cost area like Los Angeles, though, it can be a challenge to find a home that falls below the GSEs' conforming loan limit, which must cover the cost of renovations as well as the purchase price of the property. Some lenders have developed creative solutions to this problem. We will use Wells Fargo Bank's Purchase and Renovate Loan program to illustrate this approach. However, we recommend that you contact several lenders before deciding upon a particular financing option. There are numerous mortgage products on the market from many other lenders; a qualified lender can help you to assess your options.

Wells Fargo Bank has adapted Freddie Mac's Renovation Mortgage product to meet its customers' credit needs by helping them obtain loans that exceed conforming loan limits. The Purchase and Renovate Loan packages a Freddie Mac renovation loan together with a second loan to reach a higher limit. The first loan is confined to the conforming loan limit. The balance needed to meet the cost of purchase plus renovations is structured as a second loan for up to $500,000 over the conforming loan limit. The maximum combined loan equals the purchase price plus the cost of renovation or the estimated after-renovation appraised value, whichever is lower.

Many lenders also offer renovation mortgages that can be used to refinance an existing mortgage and include projected renovation costs. You can obtain information on renovation mortgages by calling the lender.

CASE STUDY: RENOVATION LOAN

Renovation loans can be an important vehicle for the preservation and restoration of historic homes, as evidenced by the story of a 1923 Craftsman home that was featured in the *Los Angeles Times* real estate section in April 2003. This dilapidated three-bedroom home in the View Park area was acquired by a first-time homebuyer who qualified for a $347,000 Wells Fargo Purchase and Renovate Loan. The purchase price of the house was $240,000 and closing costs were $7,000. The remaining $100,000 was applied to renovation expenses, which included updating all the plumbing and electrical systems, redoing bathrooms and the kitchen, and stripping and preserving wood cabinetry, moldings, and floors.[4] This once rundown and overgrown property is again an attractive part of the neighborhood.

HUD 203(k) Rehabilitation Mortgage Insurance

The 203(k) Rehabilitation Mortgage program, established as part of HUD's effort to stimulate community revitalization, can be used to advantage to finance historic properties. A 203(k) loan allows a homebuyer to obtain just one loan for the purchase and renovation of a home, which is not possible with conventional financing. In order to obtain 203(k) financing, the property must be a one- to four-family dwelling that is at least one year old and must require a minimum of $5,000 in eligible improvements. Interest rates are generally lower than on construction loans and 203(k) funds can also be used to refinance existing indebtedness on a property in order to finance its rehabilitation. HUD insures and regulates the 203(k) program while a commercial lender processes the application and makes the loan. HUD and the lender guide borrowers through the application and renovation process, which ensures that the work is carried out according to plan.

In practice, the 203(k) program has not been widely used in Los Angeles. HUD's maximum loan limits restrict its viability in the current housing market. Despite these limitations, it is not impossible to find a home that qualifies for 203(k) financing, particularly in some of the city's older neighborhoods, where there are many older homes that are in need of renovation. Applying for a 203(k) mortgage is a more complicated process than applying for a conventional mortgage and involves more people, but if the borrower is well informed and takes all of the proper steps, the process can flow smoothly and may be completed within sixty days.

Lending institutions approved by the Federal Housing Administration (FHA) include many banks, savings and loan associations, and mortgage companies. Lenders must be specifically approved to participate in the 203(k) mortgage insurance program. An approved lender can be located through the HUD Web site or by contacting the local HUD Homeownership Center.

Property Improvement Loan Insurance (Title I)

HUD's Property Improvement Loan Insurance program insures loans for rehabilitation and improvements to existing homes that are at least one year old. Homeowners may borrow up to $25,000, at market interest rates, for the rehabilitation of a single-family home. For multifamily structures the maximum is $12,000 per unit, with an absolute maximum of $60,000. In the past, property improvement loans were among HUD's most popular programs; however, at this writing mortgage interest rates have reached an all-time low. Many homeowners are taking advantage of these rates by refinancing their homes and drawing upon their equity to finance renovations. **Title I loans are still a valuable source of renovation financing for homeowners who cannot or do not wish to refinance their homes.** They are likely to regain popularity as a means of financing renovations when mortgage interest rates rise.

Title I loans can be used to finance permanent property improvements that protect or improve the basic livability or utility of the property, including historic preservation projects. If the renovations are being made to a structure that is listed in the National Register of Historic Places or has been found to be eligible for the National Register by the Secretary of the Interior or the State Historic Preservation Officer (SHPO), the borrower must obtain the SHPO s approval of the renovation plans before applying for a Title I loan. The lender must approve a recent itemized estimate of the cost of the work and materials to be used in the rehabilitation as part of the application process. Loan proceeds are paid directly to the borrower, who has the responsibility of ensuring that the work is completed. The bank inspects the property after six months to verify that the funds were used for legitimate expenses.

The HUD Web site offers a searchable list of approved Title I lenders. The local HUD Homeownership Center can also assist you with locating a lender.

Getting Started with Home Renovation Loans

The most important thing to remember about applying for a mortgage or home loan is that there are countless options available. We have mentioned only a few here. Your real estate agent or mortgage lender should be able to help you assess your options. If you want to buy or refinance a historic home that is in need of renovations, be sure to inquire about available renovation loans. Not all lenders use the term renovation loan, but they may offer loans under other names that can be used for these purposes; be prepared to explain to the lender that you want to buy and renovate, or refinance and renovate, and see what they suggest. Contact several lenders to learn about the range of products available before selecting one.

A house in the Miracle Mile North HPOZ. Homeowners can make use of multiple incentives and programs, including commercially available home renovation or property improvement loans, to assist in their property maintenance and rehabilitation work. Photograph by John C. Lewis.

Reverse Mortgages for Seniors

Although reverse mortgages are not designed for historic preservation purposes, older homeowners of historic properties may be able to use them to obtain funds for home renovations. These loans, which enable borrowers to convert the equity built up in their homes into cash, provide either a regular stream of tax-free income or a source of ready cash. Generally, reverse mortgages are available to homeowners sixty-two years of age or older and can be used for any purpose, including home renovations and repairs. Homes need to meet basic FHA property maintenance standards to qualify. If they don't, homeowners are required to make necessary repairs. No payments are due until the home is sold or the title is transferred. There are three types of reverse mortgages on the market: the HUD Home Equity Conversion Mortgage (HECM), Fannie Mae's Home Keeper Mortgage, and the Financial Freedom Cash Account, a proprietary product offered by Financial Freedom Senior Funding Corporation, a subsidiary of Lehman Brothers Bank.

Reverse mortgages allow older homeowners to convert home equity to cash and require no payments until the home is sold.

A house in the Angelino Heights HPOZ. Older owners of historic properties may be able to use reverse mortgages to obtain renovation funds. Photograph by John C. Lewis.

Getting Started with Reverse Mortgages for Seniors

If you are at least sixty-two years of age, have substantial equity in your home, and are interested in learning more about obtaining funds for home renovations from a reverse mortgage, you might want to start by calling your own bank. If they don't offer a reverse mortgage, you can get information by contacting one of the organizations discussed above. Detailed information about both the HECM and Home Keeper Mortgages is available from HUD and from Fannie Mae. For information on Financial Freedom Cash Accounts, visit the Web site at http://www.financialfreedom.com or call (888) 738-3773.

A number of organizations can provide you with general information about home equity conversion options and other programs for seniors, including the AARP Home Equity Information Center, (202) 434-6042, http://www.aarp.org; the National Center for Home Equity Conversion, http://www.reverse.org; the National Reverse Lenders Mortgage Association, (202) 939-1760, http://www.reversemortgage.org; and the National Association of Area Agencies on Aging, (202) 296-8130, http://www.n4a.org.

CASE STUDY: REVERSE MORTGAGE

A sixty-seven-year-old single woman owns a house in Los Angeles that is worth $170,000. Her current mortgage is $35,000. When she applied for a reverse mortgage through Financial Freedom, the inspector determined that the property needed plumbing and roofing repairs, and it had a minor termite problem. She qualified for a $70,000 reverse mortgage and used $5,000 to make the repairs needed to bring the home up to FHA standards. She used an additional $20,000 to make renovations like remodeling the kitchen, refinishing floors, and painting inside and out. These renovations have increased the home's value and made it more enjoyable to live in. She still has $45,000 available through the reverse mortgage that she can access at any time.

Programs for Low- and Moderate-Income Homebuyers and Homeowners

Affordable Mortgage Products

Municipal Programs for Low- and Moderate-Income Homebuyers and Homeowners

State of California Department of Insurance Earthquake Grant Program

Low- to Moderate-Income Homeowner and Homebuyer Programs

- Designated lenders offer affordable products regulated and insured by public agencies. These include loans with low cash reserve or down payment requirements, or with relaxed credit standards.
- Los Angeles city agencies offer various loans and grant programs to encourage homeownership by low- to moderate-income residents. These programs can be used to buy and rehabilitate historic homes as well as newer homes.
- Assistance with earthquake retrofitting may be available from the California Department of Insurance.

A number of programs are available to help make homeownership a reality for low- to moderate-income families and individuals, and for first-time homebuyers. The programs discussed below are not specifically designed for historic preservation purposes, but they tend to target older urban neighborhoods where property values are lower and many of the homes are historic. People whose incomes fall within the established qualifying range may be able to obtain loans and/or grants that will enable them to purchase and/or rehabilitate a home.

There are also programs available to help low-income homeowners make needed renovations to their homes. These programs are designed and regulated by the public sector; the applicant may interact with a public agency, such as the City of Los Angeles Housing Department (LAHD), or a commercial lender to access these funds. The definition of low or moderate income varies from agency to agency, and in some cases from program to program. Generally income limits are based upon the United States Department of Housing and Urban Development (HUD) annual area median income estimates. References to program income limits are current as of this writing and are included to provide you with a baseline. Because these limits fluctuate, you should check directly with the agency or lending institution to verify current income requirements.

Some of these programs have been created to fulfill the requirements of the Community Reinvestment Act. Enacted by Congress in 1977 and revised in 1995, the Community Reinvestment Act requires federally insured commercial banks and savings and loan associations to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods. This has spurred the revitalization of historic neighborhoods around the country and has increased homeownership opportunities for a wide range of people. From the perspective of historic preservation, the Community Reinvestment Act increases the availability of credit for homeowners who are seeking financial help for the renovation and rehabilitation of their properties.

Low- to moderate-income homeowners and homebuyers may be able to obtain low-cost loans or grants to help them buy or rehabilitate a historic home.

Several terms that you may not be familiar with are used in this section, so we'll define them first:

First-time homebuyer: The definition varies slightly from program to program. Generally a first-time homebuyer is someone who has not had an ownership interest in a principal residence during the past three years.

Soft second loan: A soft second is a loan in addition to the mortgage. They are called "soft" because there are *no* monthly payments. The loan is repaid when the property is sold or refinanced, when the title is transferred, or in a balloon payment after thirty years, whichever comes first. They are designed to provide funds for rehabilitating the property or to provide gap financing.

Balloon payment: A balloon payment is a large, lump sum, principal payment that is due at the end of some loan terms.

Gap financing: Financing that covers the gap between the purchase price of a property, including closing costs, and the amount of the buyer's first mortgage and down payment.

Affordability gap: The gap between the purchase price of a property, including closing costs, and the amount of the buyer's first mortgage and down payment.

Homebuyer education seminar: A seminar that provides information about purchasing and owning a home. Attendance at a seminar may be required to participate in some of the Los Angeles Housing Department's programs. A list of qualifying homebuyer education seminars is available from the department.

Debt-to-income ratio: The percentage of the borrower's income that is used to make mortgage payments and pay other debts.

Target area: Target areas are zones of the city that have been identified for concentrated redevelopment efforts. The selection of target areas is based on socioeconomic factors; they are frequently located in some of the oldest parts of the city. Target areas may correspond to census tracts, may be Community Redevelopment Agency project areas, or may be based on other data. Some programs allow higher home purchase price or income limits, or require lower down payments, from participants who are buying a home that is located in a target area. Your lender or the appropriate agency can help you determine if a property is located in a target area.

A view of the Western Heights HPOZ. Some programs for low- to moderate-income homeowners and homebuyers target certain neighborhoods, but many are available citywide. Photograph by John C. Lewis.

Affordable Mortgage Products

Most lenders offer a variety of affordable mortgage products that are designed to help homebuyers overcome two of the primary obstacles to purchasing a home: the lack of down payment funds and insufficient qualifying income. These loans offer features such as low cash reserve requirements, down payments ranging from 3 to 5 percent, an increased debt-to-income ratio, and relaxed credit standards. Affordable mortgage programs have also been designed for borrowers who have good credit but do not have savings for a down payment. These loans require a zero to 3 percent down payment and allow the borrower to use gifts or grants, or loans secured by a marketable asset such as a certificate of deposit or 401(k) as a source of down payment funds. Additional programs assist borrowers who have past credit difficulties and are unable to qualify for a conventional mortgage. All of these programs can be used to purchase a one-unit, single-family home, condominium, or townhouse, providing that it will be the borrower's primary residence.

Lenders make mortgages available to low- to moderate-income borrowers because the Government-Sponsored Enterprises—Fannie Mae and Freddie Mac—regulate and purchase these loans. For this reason, affordable mortgage loans must fall within the conforming loan limits and must be processed according to requirements established by Fannie Mae and Freddie Mac. Many of the homes in Los Angeles that are priced beneath this loan maximum are located in older neighborhoods that are filled with historic homes.

HUD's Federal Housing Administration Loans

The Federal Housing Administration (FHA) provides mortgage insurance on loans that are used to purchase or refinance a principal residence. Loans, which are subject to the limits mentioned above, are funded by a lending institution and insured by HUD, which provides lenders with the security they need in order to make loans to borrowers who might be ineligible for conventional loans due to their income levels or credit histories. To qualify, the borrower must meet standard FHA credit qualifications, which are more lenient than the standards for conventional loans. FHA-insured loans require low down payments, generally 3 percent. Closing costs and fees can be included in the mortgage. You can get further information about FHA loans from HUD or from a HUD-approved lender.

Nonprofit Organizations Working for Affordable Housing

Various nonprofit organizations work within communities to increase the quality and supply of housing for low- to moderate-income residents and to stimulate neighborhood revitalization and economic development. Many of them operate as developers, constructing or renovating rental housing units. Others work with low- to moderate-income individuals and families to help them make the transition to homeownership by offering homebuyer education programs and related services.

Los Angeles Neighborhood Housing Services (LANHS) is one such community-based organization. LANHS works to strengthen neighborhoods and communities in a variety of ways, including the promotion of homeownership. Any low- to moderate-income homeowner or homebuyer in Los Angeles County may utilize LANHS services; the organization has not set an income threshold. Clients can access a full range of services to assist them in purchasing or renovating a home. Participants in homeowner training courses learn about financial planning and management, mortgages, shopping for a home, and the purchase process. Working in partnership with local lenders and agencies, the full-cycle lending program matches homebuyers with affordable mortgages, as well as with down payment and closing cost assistance programs if they are eligible. Clients may use LANHS real estate services or they can select an outside agent. Homebuyers are encouraged to look in LANHS target neighborhoods but are free to search for a home in any part of the city they wish. LANHS also provides construction services, which include inspections and repair assessments, technical assistance, and construction management on rehabilitation projects.

LANHS has homeownership centers in Los Angeles, Pacoima, and San Pedro. It can be reached at (888) 895-2647 in Los Angeles, (818) 834-7858 in Pacoima, or (310) 514-9444 in San Pedro. You can also visit its Web site at http://www.lanhs.org. Other housing nonprofits that operate in Los Angeles include Access Community Housing, (213) 747-6002 or http://www.accesshousing.org, and Acorn Housing Corporation, (213) 748-1345 or http://www.acornhousing.org. You can get a listing of organizations that offer homebuyer education programs from the Southern California Association of Non-Profit Housing at http://www.scanph.org.

CASE STUDY: AFFORDABLE MORTGAGE PRODUCTS

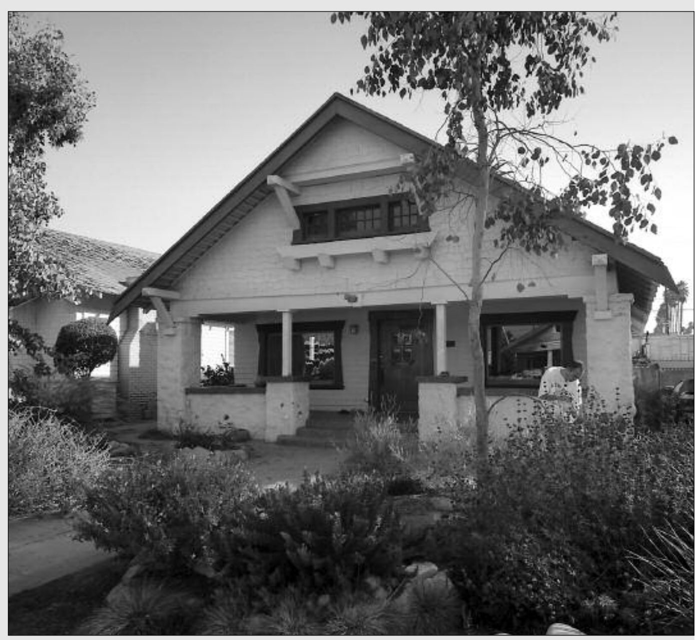
Three years ago, a young couple was driving through the Jefferson Park neighborhood, looking for a home that fit their budget, when they noticed HUD "For Sale" signs in front of some houses. For more information, they were directed to a realty service that sells HUD-owned homes nationwide through HUD-approved brokers. HUD buys the homes from lenders who have foreclosed on the properties and sells them through a bidding process that is handled by private contractors. These homes can be a bargain because HUD considers the fact that the buyer will have to invest in improvements.

After inspecting some of the HUD properties in Jefferson Park, the buyers decided to bid on a 1909 Craftsman home. They submitted a bid of $163,500, which HUD accepted.

The couple worked with Los Angeles Neighborhood Housing Services (LANHS) to secure financing. Although LANHS was able to assemble a 100 percent financing package, the buyers opted to make a 20 percent down payment and finance the balance with an LANHS-brokered mortgage in order to reduce their monthly payments.

Since they moved in, the owners have been busy restoring and rehabilitating their home. Although they hired contractors to help with certain work, such as replacing and upgrading the plumbing and electrical wiring, they are doing much of the work themselves, as time and budget permits. They have learned restoration as they've gone along, reading books on rehabilitating historic homes and asking helpful neighbors for advice, noting that "the neighborhood has experts on everything from stripping paint to repairing sash cords." By the time they've finished the work, they estimate their restoration costs will equal about one-third of what they paid for their home. For their efforts, they will own a beautifully restored Craftsman home in what someday could be a city-designated historic district—Jefferson Park is among the neighborhoods in Los Angeles that have been proposed for designation as Historic Preservation Overlay Zones.

Nonprofit housing organizations can help first-time homebuyers, like the owners of this 1909 Craftsman house in Jefferson Park, obtain affordable mortgage products. Photograph by John C. Lewis.



California Housing Finance Agency

The California Housing Finance Agency (CalHFA) was chartered as the state's affordable housing bank to make below market rate mortgage loans for low- to moderate-income borrowers through the sale of tax-exempt bonds. It is a self-supporting state agency that operates through approved lenders and does not lend money directly. CalHFA offers a variety of thirty-year, fixed-rate mortgages that feature low interest rates, 3 to 5 percent down payments, and low origination and processing fees. These loans can be attractive to buyers of historic homes, especially since CalHFA's purchase price limits are slightly higher than those established by HUD. As of April 2003, the limit is $298,071 for an existing single-family home in Los Angeles County; if the home is located in a federally designated target area, the maximum increases to $364,309. There are a number of target areas throughout Los Angeles; a list of these areas is available on the CalHFA Web site. CalHFA also offers three down payment assistance programs—the CalHFA Housing Assistance Program, the California Homebuyer's Down-payment Assistance Program, and the Homeownership in Revitalization Areas Program—that provide first-time low- and moderate-income homebuyers with soft second loans for up to 3 percent of the purchase price or appraised value of a home.

CalHFA borrower income limits vary from program to program. At this writing, limits for a four-person household range from a low of $45,100 to a high of $70,420. For current income limits and other loan specifications, and to locate an approved lender, consult the CalHFA Web site at http://www.calhfa.ca.gov. You can also contact their Homeownership Programs at (916) 324-8088 or the Los Angeles office at (310) 342-1250.

Getting Started with Affordable Mortgages

If your income is in the low to moderate range and you are interested in buying a home, there are many affordable mortgage products available. You don't need to have a specific product in mind—your mortgage lender should be able to assess your needs and match you with an appropriate loan. You might locate a lender through your real estate agent, or you can select the lender search function on the Fannie Mae Web site at http://www.fanniemae.com, view the HUD lender list at http://www.hud.gov/ll/code/llplcrit.html, or check the lender listings on the homeownership section of the CalHFA Web site at http://www.calhfa.ca.gov/homeownership. Another good option is to engage the services of a community-based affordable housing nonprofit like Los Angeles Neighborhood Housing Services at (888) 895-2647 in Los Angeles, (818) 834-7858 in Pacoima, or (310) 514-9444 in San Pedro, or on the Web at http://www.lanhs.org.

Since 1999, more than 30 percent of CalHFA-funded loans to California homebuyers have been made in Los Angeles County.

A house in the Highland Park HPOZ, adopted in 1994. Affordable mortgage products can make homeownership possible for buyers in many older and historic parts of the city. Photograph by John C. Lewis.

Municipal Programs for Low- and Moderate-Income Homebuyers and Homeowners

LAHD is charged with creating safe and livable neighborhoods through the promotion, development, and preservation of decent, affordable housing. The department's responsibilities are broad and include monitoring the quality of rental housing, overseeing the city's Rent Stabilization Ordinance, creating new affordable housing, revitalizing neighborhoods, and promoting homeownership for low- to moderate-income families and individuals. These last two goals are addressed through a variety of loan and grant programs, including some that target individual homebuyers and homeowners. LAHD has not designed any programs specifically for historic preservation purposes, but because much of the city's affordable housing stock is located in older neighborhoods, the department's programs may be used to purchase and/or renovate a historic home.

To participate in these programs, a resident's income must fall under limits established by LAHD and be categorized as either low income or moderate income. The department also establishes purchase price limits that eligible properties cannot exceed. These limits are updated periodically. The figures provided below were current as of this writing; updated information on income and purchase price limits can be obtained through LAHD.

LAHD programs are financed with funds from HUD's Community Development Block Grant (CDBG) and HOME Investment Partnership programs as well as tax credits, the sale of municipal bonds, and other public sources. The CDBG program provides funds that can be used for a wide range of activities, providing they benefit low- to moderate-income people, aid in the prevention or elimination of urban blight, or meet another urgent community need. In fiscal year 2002, the City of Los Angeles received a CDBG allowance of $91,743,487, which was used to fund a variety of housing and urban development programs that were administered by several city agencies. HUD created HOME in 1990 to increase the supply of affordable housing and homeownership opportunities for low-income families. The city's $39,661,000 allocation of HOME funds for 2002 was administered by LAHD.

Although LAHD's funding allocations may appear quite large, they are not sufficient to meet the city's demands. Los Angeles's affordable housing programs are funded annually and limited amounts of money are available. For current information on the status of these programs, check the LAHD Web site, http://www.lacity.org/lahd, or call the LAHD Home Ownership Division at (213) 808-8584.

Programs for Low-Income Homeowners and Homebuyers

LAHD offers two programs for low-income, first-time homebuyers—the Purchase Assistance with Rehab program (HOME WORKS!) and the Purchase Assistance Program—and two programs to assist low-income homeowners make needed repairs to their properties—the Neighborhood Preservation Program and the Handyworker program.

As of June 2003, income limits for these programs were as follows:

One-person household	$31,600
Two-person household	$36,100
Three-person household	$40,600
Four-person household	$45,100
Five-person household	$48,750
Six-person household	$52,350
Seven-person household	$55,950
Eight-person household	$59,550

As of June 2003, the purchase price limit for existing homes utilizing either of the purchase assistance programs was $261,725.

A house in the Arlington Avenue National Register–eligible district. The City of Los Angeles offers purchase assistance and home improvement programs that can help low- to moderate-income homebuyers purchase or renovate a historic home. Photograph by John C. Lewis.

Purchase Assistance with Rehab Program

Purchase Assistance with Rehab (HOME WORKS!) is a soft second loan program that offers loans to first-time, low-income homebuyers who need help to purchase and rehabilitate a home. A homebuyer may borrow up to $75,000 from the HOME WORKS! program. A minimum of $5,000 must be used for rehabilitation of the property and a maximum of $60,000 can be used for gap financing. No monthly payments are required on these loans and no interest is charged. Like other soft second loans they are repaid when the home is sold or refinanced, the title is transferred, or after thirty years. The buyer is required to make a minimum down payment of 3 percent, although this can be reduced to 1 percent if the purchaser attends a homebuyer education seminar.

The cost of rehabilitation is based on the condition of the home being purchased, as determined through an LAHD inspection. The inspection examines roofing and electrical, plumbing, heating systems and looks for code violations and lead-based paint hazards. The city helps the owner select a licensed contractor, supervise repairs, and manage payments to the contractor.

Purchase Assistance Program

The Purchase Assistance program provides soft second loans of up to $60,000 to low-income homebuyers to help them meet the affordability gap. There is no interest charged on a soft second loan. You must make a down payment of at least 3 percent; the required down payment may be reduced to 1 percent if you attend an approved twelve-hour homebuyer education seminar. Eligible properties include single-family homes that have no lead-based paint hazards or code violations, or homes that have been newly rehabilitated by a developer working with the city, such as Enterprise Home Ownership Partners (EHOP).

The EHOP Soft Second program is a partnership between LAHD, HUD, and the Enterprise Home Ownership Partners program. EHOP is affiliated with the Enterprise Foundation, a national nonprofit organization that works with partners around the country to create affordable housing and safe neighborhoods. EHOP purchases homes foreclosed by HUD, renovates them, and puts them on the market to sell to low-income, first-time homebuyers. Most of the homes available through EHOP are located in South or East Los Angeles; occasionally EHOP acquires homes located in Highland Park, Pacoima, or Canoga Park. The EHOP Soft Second program did not run out of funding in 2002; however, the program is only moderately active as it is dependent upon the number of homes that EHOP is able to purchase and renovate.

Information on both of the purchase assistance programs can be obtained from LAHD's Home Ownership Division or on the EHOP Web site at http://www.ehop.info.

Neighborhood Preservation Program

The Neighborhood Preservation Program (NPP) provides low-interest home improvement loans to owners of single-family homes whose incomes are at or below 80 percent of the county median income. These loans are for repairs and upgrades to floors, roofing, paint, electrical wiring, and heating and plumbing systems; they can also be used to make homes accessible. Emphasis is placed on correcting code violations and structural problems, and on safety issues like lead-based paint removal. After that, LAHD will work with the owner's "wish list." Interest rates are determined by family size and income level, and range from zero percent to prime rate. The maximum loan is $35,000 for a single-unit home. You may borrow an additional $7,500 per unit for a two- to four-unit property. The maximum after-improvement value of an eligible one-unit home is $275,500. In order to qualify for a loan under the NPP, the property must have sufficient equity to cover the loan amount, property taxes and mortgage payments must be current, and the owner must have fire insurance.

In cases where the home is a designated historic resource, LAHD will work with a historic preservation consultant to devise a plan that addresses health, safety, and habitability issues, while also preserving the home's architectural and historic details. It is not unusual for projects on historic homes to exceed the agency's loan limit, and in these instances LAHD can make larger loans. For further information, call the NPP at (213) 808-8979 or visit the LAHD Web site.

The city's Neighborhood Preservation Program is providing funding and is overseeing the rehabilitation of these historic residences, which are contributing structures in the Arlington Avenue National Register–eligible district. Photograph by John C. Lewis.

CASE STUDY: NEIGHBORHOOD PRESERVATION PROGRAM

The owner of a 1914 Craftsman-style duplex and two single-family bungalows located on a corner lot in the Jefferson Park area received assistance from the Neighborhood Preservation Program (NPP) in renovating these units. The structures were determined to be eligible for listing in the National Register, so it was necessary for the NPP to work with the owner and her historic preservation consultant to devise a rehabilitation plan. The duplex contains two one-bedroom units. It has been completely renovated and is now occupied by moderate-income renters. The single-family houses to the rear of the property are being rehabilitated at this writing.

Quite a bit of craftsmanship was involved in this project, and the NPP worked with craftsmen who replicated the duplex's original doors and windows and reconstructed such features as the roof, front porch, and steps according to historic photographs of the building. The dining room featured an oak breakfront whose large bottom drawer opened to reveal a pullout trundle bed. This unique feature was also retained and restored. Costs for the rehabilitation of the four dwellings were higher than the NPP's standard loan limits, but the agency was able to put together financing to cover it. When the project is completed, four low- and moderate-income families will enjoy living in these beautifully rehabilitated historic homes.

Handyworker Program

The Handyworker program offers free minor home repairs to low- or moderate-income homeowners who are senior citizens (sixty-two or older) or are physically disabled. Emergency repairs that are health or safety hazards may be made for any low- to moderate-income homeowners. Services include improving accessibility, correcting safety hazards, painting the interior and exterior, instituting home security measures, repairing or replacing doors and windows, and replacing sinks, toilets, and tiles. Further information is available from the Handyworker program at (213) 808-8973 or (866) 557-7368 or on the LAHD Web site.

Getting Started with Los Angeles Housing Department Programs

LAHD's homeowner and homebuyer programs were created to increase homeownership and improve living conditions among the city's low-to moderate-income residents. If your income falls within levels established by LAHD, you may qualify for assistance in buying a home or to renovate a home that you already own. If you are interested in buying a home, contact the Home Ownership Division at (213) 808-8925. If you already own your home, the phone number for home improvement loans is (213) 808-8979.

Programs for Moderate-Income Homebuyers

LAHD offers three programs for moderate-income, first-time homebuyers—the Mortgage Credit Certificate program, the Mortgage Revenue Bond program, and Extra Credit Homes for Teachers. If you are purchasing a home that is located in a target area, the first-time homeowner requirement is waived.

As of June 2003, income limits for these programs were as follows:

One- to two-person household	$67,680
Three or more	$78,960

As of June 2003, purchase price limits for existing homes qualified for these programs were as follows:

Located in a non-target area	$302,616
Located in a target area	$369,864

Mortgage Credit Certificate Program

Mortgage Credit Certificates (MCC) allow first-time homebuyers to claim 15 percent of their annual mortgage interest as a federal income tax credit. Properties that are located in target areas of the city qualify for a 20 percent credit; LAHD or a participating lender can provide a list of these areas. The credit can be claimed every year that you have the original mortgage. An unused credit can be carried forward for up to three years.

An MCC saves you money by reducing the amount of your federal income tax. Unlike a tax deduction, which reduces your taxable income, the MCC is a tax credit that directly reduces your tax bill dollar for dollar. For example, if you have a 15 percent MCC and pay $10,000 a year in mortgage interest, the credit would equal $1,500. So if your total tax bill is $3,000, your tax bill after the MCC is applied would be $1,500. After claiming the MCC credit, you may still take an interest deduction on the remaining 85 percent of the interest paid.

You can apply for an MCC through any lender who participates in LAHD's HOME WORKS! or HomeBuy programs. A list of these lenders is available on their Web site. Just tell the lender that you're interested in an MCC and they will help you complete the application process. The city will determine your eligibility before your loan closes. The MCC can be used in conjunction with HOME WORKS! and HomeBuy Soft Second programs, but it cannot be combined with the Mortgage Revenue Bond program described in the next section. A participating lender may also submit an application for a stand-alone MCC on your behalf. The MCC program was among the few LAHD programs that did not run out of funding in 2002.

Mortgage Revenue Bond Program

The Mortgage Revenue Bond (MRB) program assists first-time homebuyers by providing below-market interest rate first mortgage loans. The borrower also receives a gift of 3 percent of the loan amount to apply toward the down payment, closing costs, or other prepaid items. The city does not make mortgage loans directly; the borrower applies for the MRB through a participating lender. The interest rate as of May 2003 is 5.25 percent fixed for thirty years. Funds for this program are limited and are available on a first come, first served basis.

Extra Credit Homes for Teachers

The Extra Credit Homes for Teachers program is designed to assist first-time homebuyers who are fully credentialed teachers working in low-performing schools. At this writing, the Extra Credit program features a 5.25 percent thirty-year fixed-interest rate, and provides $7,500 down payment and closing cost assistance in the form of a forgivable loan ($2,500 is forgiven for each year worked at a low-performing school). This program is state funded.

Los Angeles Community Redevelopment Agency

The Los Angeles Community Redevelopment Agency (CRA) is a public agency that was established to:

> Attract private investment into economically depressed communities; eliminate slums, abandoned or unsafe properties and blight throughout Los Angeles; revitalize older neighborhoods through historic preservation and new development; build housing for all income levels; encourage economic development; create and retain employment opportunities; support the best in urban design, architecture and the arts; and ensure the broadest possible citizen participation in its activities.[5]

As of June 2003, the CRA operates thirty-four redevelopment projects in neighborhoods throughout Los Angeles, encompassing approximately 11 to 12 percent of the city's total land area. Many of these project areas are in the oldest sections of the city, which contain large amounts of historic housing stock. The bulk of CRA funds come from a portion of the property taxes collected in each redevelopment project area after the date that the project is adopted. These are called incremental property taxes. By law, the first 20 percent of incremental property taxes must be deposited into a housing trust fund to be used to maintain and increase low- to moderate-income housing; the CRA has increased its contribution to 25 percent. Because funding levels are dependent upon total tax revenues, the availability of programs within each project area varies from year to year.

While few of the CRA's programs have been designed specifically for historic preservation purposes, some of them may be used in the purchase or rehabilitation of historic homes. When a new project area is designated, the CRA works closely with local citizens to write a redevelopment plan that identifies current conditions and redevelopment goals particular to that area. Many of the agency's resources are devoted to economic development and the provision of multifamily housing, but a number of redevelopment project areas also have programs that assist with the purchase and/or rehabilitation of single-family homes. If your home is in a CRA project area or you are considering buying a property in one of these areas, the agency may have a program to assist you. Below you will find a few examples of the types of assistance available from the CRA.

Residential Rehabilitation Loan Programs

A number of CRA project areas—including the Normandie 5, North Hollywood, Mid Cities, and Pico Union 1 and Pico Union 2 Redevelopment Project areas—have incorporated residential rehabilitation loan programs into their redevelopment plans. These programs allow eligible property owners to apply for low-interest loans to rehabilitate one- to four-unit homes; owners of historic homes who apply for rehabilitation loan funds must comply with preservation standards. As an additional incentive, borrowers under this loan program may also receive a "facade grant" of up to $7,500 to be used for exterior improvements and landscaping. Agency staff provides financial counseling and technical assistance to borrowers and monitors construction activity. Since one of the CRA's primary missions is to increase the city's stock of affordable housing, the agency may place restrictions on properties that are rehabilitated using its loan programs to ensure that they remain affordable. Borrowers who are using funds to renovate an owner-occupied home must meet HUD income guidelines; as of June 2003, the maximum allowable income for a family of four is $67,680; for a family of eight, it is $89,280.

Owners of historic homes located within Community Redevelopment Agency (CRA) project areas may benefit from programs established to address affordable housing and neighborhood renewal goals. The owners of these homes in San Pedro's Pacific Corridor Redevelopment Project Area might be eligible for the CRA's low-interest residential rehabilitation loan program. Photograph by John C. Lewis.

First-Time Homebuyer Programs

These programs are designed to increase the number of homeowners living within a redevelopment area. They have been instituted in a number of areas including the North Hollywood redevelopment area, where there is a substantial amount of older housing stock. Participants must attend free homebuyer seminars, which inform them about special programs and incentives that may be available for the purchase of a home. Under the first-time homebuyer program, participants may apply for a Fannie Mae mortgage that has a low down payment and can receive a $7,500 grant from the CRA to use to make exterior improvements. Between 1995 and 2000, some twenty-five hundred North Hollywood residents attended homebuyer seminars, and about twenty-five first-time homebuyers received grants. Property owners in the North Hollywood redevelopment area may also receive free paint and materials for the improvement of their homes' exteriors under the Paint Is Free program. Between 1997 and 2000, fifty-two single-family homes benefited from this program.[6]

Combined Purchase and Rehabilitation Loan Programs

Purchase and rehabilitation loans are among the CRA's most recent homeowner programs. One is being implemented in the Reseda–Canoga Park redevelopment area in an effort to increase homeownership opportunities and eliminate blight. This program has not been created with historic preservation as a goal, but it will be used in renovating some of the area's older housing stock. Under this program, the CRA works with Los Angeles Neighborhood Housing Services—a nonprofit affordable housing organization—to purchase and rehabilitate distressed properties and then sells them to low-income homebuyers. Purchasers must secure a conventional mortgage; the affordability gap can be bridged with a soft second loan from the CRA. At this writing, the agency is considering a similar program for the Adelante Eastside area.

The Move On Program

The CRA's Move On program relocates and restores architecturally significant homes that are threatened with demolition on their original sites. The CRA purchases such structures and moves them to appropriate sites within its redevelopment districts. This has been done in Adams-Normandie and Normandie 5. Once the homes are rehabilitated to the Secretary of the Interior's Standards for Rehabilitation (see Appendix D), they are sold to low- to moderate-income, first-time homebuyers. This program provides homeownership opportunities, increases the housing stock, preserves individual structures that contribute to a neighborhood's overall historic character, and spurs neighborhood revitalization. It is a small program—for instance, only four homes have been moved and rehabilitated in Adams-Normandie—but it is a creative approach to ameliorating several problems with a single program.[7]

Getting Started with Community Redevelopment Agency Programs

CRA notifies property owners of available home improvement and first-time homebuyer loan programs via annual mailings and through the placement of ads on cable television. If you own or are considering purchasing a property that is located within one of CRA's redevelopment project areas and have not received this type of information, contact your area project manager to determine what programs are available and to obtain application information. You can find a list of project areas and their managers on the CRA's Web site at http://www.lacity.org/cra/projects.html. The agency's general information telephone number is (213) 977-1600.

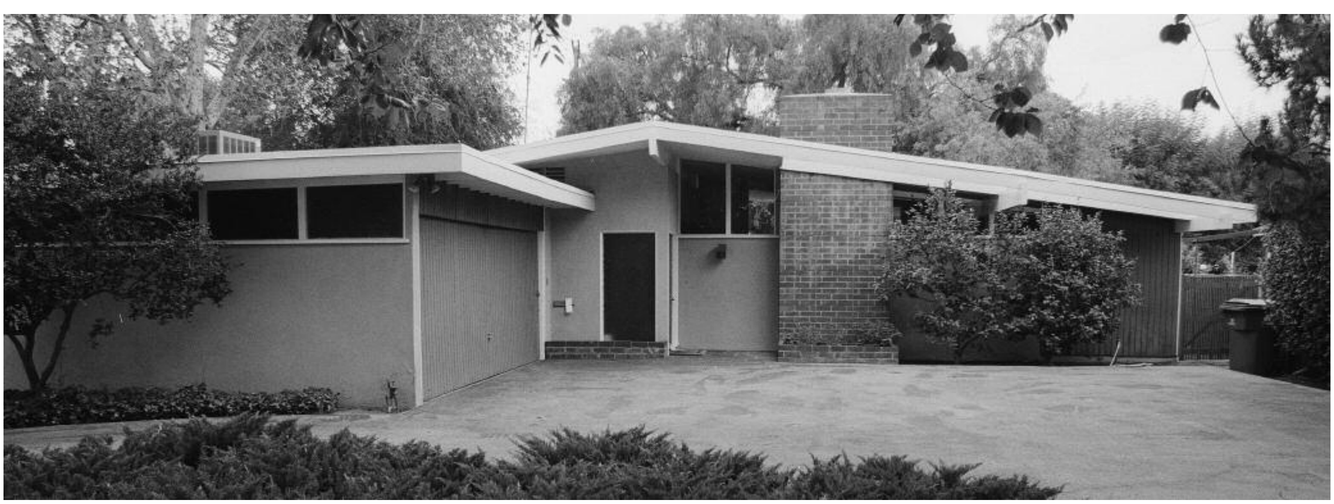
State of California Department of Insurance Earthquake Grant Program

The State of California Department of Insurance Earthquake Grant Program assists low- to moderate-income homeowners with retrofitting their single-story residential properties to prevent earthquake damage; funds cannot be used to repair existing earthquake damage. Grants of up to $8,000 ($30,000 if foundation repair or replacement is necessary) for site-built homes are made by competitive application; applicants are rated based on need and income; priority is given to permanently disabled or elderly applicants who are living on fixed incomes, and to those who are living at the lowest income levels. As of April 30, 2003, over 2,033 homes statewide have been earthquake retrofitted under this program. The Earthquake Grant Program was established in 1996 and is currently slated to end in December 2004. At this writing, the California legislature is considering extending its authorization, as well as appropriating additional funding, but the future is uncertain.

Getting Started with the Earthquake Grant Program

To learn more about earthquake retrofit grants, call the Department of Insurance at (800) 927-4357 or (213) 897-8921, or visit the Web site at http://www.insurance.ca.gov/CSD/Brochure/Residential/Earthquake.htm.

A house in the proposed Van Nuys HPOZ. Low- to moderate-income homeowners can apply for assistance in retrofitting their homes to prevent earthquake damage through the California Department of Insurance. Photograph by Gail Ostergren.



Historic Preservation Incentives in Other Cities and States

Permit Fee Waivers

Sales Tax Waivers

Revolving Funds and Loan Programs

Grants

Design Assistance and Technical Support

Historic Property Real Estate Programs

Packaging Incentives for Historic Homeownership

State Rehabilitation Tax Credits

Many local and state governments, nonprofit organizations and foundations, and neighborhood groups provide incentives to encourage private property owners to preserve or rehabilitate historic buildings. The availability of such incentives is a strong stimulus for preservation activities; however, the majority of preservation incentives in Los Angeles are directed at the acquisition and rehabilitation of income-producing properties. There are fewer incentives for owner-occupied residential properties. In Los Angeles, owners of historic homes have access to two programs—the Mills Act Historical Property Contract and the Historic Resource Conservation Easement —that are specifically designed to offset the expense of rehabilitating and maintaining their properties. A variety of incentive programs are available to homeowners in other communities. These fall into several categories: income tax credits; waivers of local taxes or fees; financial assistance, including grants, loans, and revolving funds; community education; and design and technical support. The most effective programs combine several of these incentive approaches. Below is a sampling of preservation incentives that exist in other cities.

Permit Fee Waivers

City governments can easily implement building permit fee waiver programs, providing a relatively low-cost and direct incentive to the owners of historic homes. In Chicago, for example, owners of a designated Chicago Landmark or a contributing structure in a Chicago Landmark District are eligible for a waiver of building permit fees on any project that requires the approval of the Commission on Chicago Landmarks.

Sales Tax Waivers

Local sales tax waivers on the cost of construction materials are another relatively low-cost and direct incentive that can be easily implemented by a municipality. The City of Boulder, Colorado, waives city sales tax for up to $12,500 worth of construction materials used for improvements on a designated landmark or a building located within a designated landmark district, provided at least 30 percent of the value of the materials is used on the building's exterior. At a sales tax rate of 8.25 percent—the current rate in Los Angeles—a property owner could realize a savings of $1,031.25 on a $12,500 purchase of materials.

Revolving Funds and Loan Programs

A revolving fund is a pool of capital created for a specific purpose, such as the acquisition and rehabilitation of threatened historic structures, with the condition that funds expended will be returned and reused on future projects. Generally revolving funds operate in one of two ways. Some purchase threatened properties and resell them to preservation-minded owners, placing a restrictive covenant on the property stipulating that it will be renovated and/or maintained according to preservation standards. Others operate by making loans to groups or individuals who engage in preservation activities. Funds may be administered by nonprofit organizations or by local governments and have proven to be an effective and sustainable method of preserving historic structures.[8]

The Historic Savannah Foundation Revolving Fund of Savannah, Georgia, was established in 1959 for the purpose of saving historic buildings from demolition. It is a traditional revolving fund that purchases endangered historic structures and holds them for resale to someone who promises to rehabilitate the property. Preservation and rehabilitation are ensured through the attachment of protective deed covenants. As properties are resold, the original funds are recovered and are used to purchase additional properties.

Heritage Housing Partners (HHP) operates in a slightly different fashion. HHP is a nonprofit organization, affiliated with Pasadena Heritage, that supports historic preservation as a way to revitalize neighborhoods and provide affordable housing. HHP purchases historic homes, renovates them in conformance with the Secretary of the Interior's Standards for Rehabilitation (See Appendix D), and sells them to qualified moderate-income buyers who are selected through a competitive process. HHP's principal funding sources are the cities of Pasadena and South Pasadena, the National Trust for Historic Preservation Community Partners Network, and Pasadena Heritage.

The Sacramento Housing and Redevelopment Agency's Fainted Ladies Home Improvement program is an example of a third type of revolving fund. Fainted Ladies provides owners of deteriorating and distressed historically significant homes that are located in the Central City area of Sacramento with low-interest renovation financing. These funds can be used to make renovations that will extend and improve the life of the home; they are available for homes that are ineligible for conventional construction financing due to their state of disrepair. Owner-occupants may receive a beautification grant of $2,500 in combination with loan rehabilitation funds.

Grants

Historic preservation grants are especially appealing to property owners. Whether or not they are directed at moderate-income homeowners, most are competitive and require that applicants submit a project proposal. Many local jurisdictions maximize their limited preservation dollars by structuring their grants as matching funds, requiring that the property owner make a financial contribution to the rehabilitation project. Local preservation grant programs have been funded out of general revenues, Community Development Block Grant funds, and by more creative means, such as special taxes or bond programs.

Owners of residential or commercial properties designated by Boulder County, Colorado, as individual landmarks or contributing structures in historic districts may take advantage of the Boulder County Historic Landmark Rehabilitation Grant Program, which provides matching grants of up to $10,000 for exterior restoration, stabilization, and preservation. The Board of County Commissioners appropriated $50,000 for this program in the 2003 county budget and expects to allocate a similar amount in future years.

Financed with proceeds from tax revenues generated by riverboat gambling, the City of Elgin, Illinois, established the Elgin Historic Architectural Rehabilitation Grant Program to support rehabilitation work on homes registered as Elgin landmarks or located in designated historic districts. Funds can be used for projects that enhance or restore a structure's architectural features but not to remedy code violations. Architectural rehabilitation grants require a matching contribution from the property owner and have a $10,000 maximum. Grants are awarded on a competitive basis; participants are selected based on the size and scope of the project, as well as the historic significance of the property.

The City of Elgin also funds the Elgin Exterior Paint Program to assist low- to moderate-income property owners with the cost of repainting a historic home's exterior. An initial grant of $2,500 can be awarded. The remaining cost will be reimbursed at 75 percent, up to a maximum of $10,000. Paint colors are subject to review to ensure that they are in accord with the structure's historic characteristics. Paint grants may be made in combination with the 75/25 program or may be made as stand-alone grants.

Many local jurisdictions stretch limited funds by offering homeowners matching grants that require applicants to contribute to the cost of rehabilitating their historic homes.

The City of Phoenix, Arizona, has created the Phoenix Exterior Rehabilitation/Conservation Easement Purchase Program to encourage the exterior rehabilitation of structures listed on the Phoenix Historic Property Register. Unlike Conservation Easement programs that accept donations of perpetual easements in exchange for an income tax credit, the City of Phoenix provides between $2,000 and $10,000 in matching funds for the rehabilitation project in exchange for the execution of a fifteen-year Conservation Easement. This program is funded by proceeds from the sale of capital improvement bonds that were approved by the city's voters in March 2001.

Design Assistance and Technical Support

Design assistance and technical support can be offered to encourage owners of historic homes to make renovations in an appropriate fashion. Technical support may also include activities such as assisting with the research and writing of landmark nominations or tax credit applications. Services of this type have been offered in other locales by state historic preservation offices, municipalities, and by nonprofit organizations. It is more common for public agencies to provide this type of assistance to the owners of commercial buildings than to residential, though property owners in both categories can benefit greatly.

The Cleveland Restoration Society (CRS) of Cleveland, Ohio, offers one such program. CRS provides technical assistance to anyone who requests it. Properties don't need to be designated to benefit, but they must be at least fifty years old and their historic architectural features must be relatively intact. Frequently they respond to inquiries by sending guidelines and technical briefs to people who need how-to instructions for rehabilitation projects, but they also provide on-site consultations for property owners. Color consultations are one of their most popular services; a CRS representative visits the property in order to determine historically appropriate color schemes. Field visits are also available to help property owners assess what types of renovations are necessary and appropriate. Referrals may be made to craftspeople who can replicate missing architectural features. Homeowners who borrow funds through CRS's Neighborhood Historic Preservation Loan program receive in-depth technical services, including assistance in writing project specifications, working with the contractor, and managing the project.

Historic Property Real Estate Programs

Training programs for real estate agents who specialize in historic properties can raise awareness of architectural and historic resources, which may lead to better stewardship of these properties. Agents who are knowledgeable about architectural styles, and are informed about preservation incentives and financing, have an edge in this niche market. They can help homebuyers who have the desire to purchase a historic home find ways to make that desire a reality.

The National Trust for Historic Preservation, in partnership with ERA Franchise Systems, offers a certification program for real estate agents who specialize in historic homes. The one-day course covers the history of American architectural styles and provides background on historic preservation and preservation incentives. Historic real estate certification courses are offered several times a year in different areas of the country. Individuals do not have to be affiliated with ERA to attend the training course.

Historic property certification programs that are offered at the local level can tailor course content to a specific location. For example, Preservation Dallas has created its Historic House Specialist Certification Program to assist realtors in marketing homes in Dallas's Intown neighborhoods. More than 250 people have completed this training, during which they learn about Dallas's historic neighborhoods. Participants also receive an introduction to Preservation Dallas's Intown Living Center, a resource center where real estate agents, homeowners, and homebuyers can learn more about preservation incentives and the 160 neighborhoods that make up the city's central area.

Packaging Incentives for Historic Homeownership

By creating a variety of incentives that can be used independently or jointly, and by working in partnership with other organizations, cities can leverage their resources to foster preservation activities. The Historic Chicago Bungalow Initiative was launched in September 2000 as a joint effort of the City of Chicago, the Historic Chicago Bungalow Association (HCBA), the Chicago Architecture Foundation, and a number of Chicago banks and real estate brokers. Its objectives are to foster the recognition of Chicago's historic bungalows as a good housing choice by providing financing and restoration resources to homeowners, establishing design guidelines, and strengthening bungalow neighborhoods through historic preservation. HCBA is a state-chartered nonprofit organization created to administer the initiative. Owners of bungalows that are certified by the HCBA are eligible for a variety of benefits. Among the benefits provided to HCBA members are a design guidelines manual, special loans and grants to purchase or rehabilitate a bungalow, and architectural assistance and expedited permit processing for owners involved in a restoration or rehabilitation project. HCBA sponsors workshops on various restoration techniques and produces briefs on such topics as working with contractors and architects. Certification requires an application and historic photos but is free of charge. HCBA recognizes the need to remodel bungalows for contemporary lifestyles and encourages owners and potential owners to explore ways to do so without compromising exterior historic integrity. HCBA is a one-stop resource for preservation incentives, financing, and information on techniques to assist Chicagoans in their efforts at remodeling and restoring the city's bungalow housing stock, providing a model for other communities.

Government agencies can leverage public resources by partnering with local organizations to create historic preservation incentives.

A house in the Carthay Circle HPOZ. A successful municipal historic preservation program provides incentives for a range of property owners and property types. Photograph by John C. Lewis.

State Rehabilitation Tax Credits

At least seventeen states support the preservation of historic homes by offering historic preservation income tax credit programs for residential properties, and several others are considering such programs; at this writing, California is not yet one of them. Twenty-two or more states offer some form of a property tax abatement program, such as California's Mills Act. In three states—Iowa, North Carolina, and Maryland—residential property owners can take advantage of a historic property tax abatement program and claim a state historic preservation income tax credit.

The most successful state tax credit programs offer incentives that are generous enough to motivate property owners to invest in the rehabilitation of their properties and encourage both small and large projects. Strong programs also provide technical assistance to help property owners economize while performing high-quality and appropriate renovation work. It is also important that programs be easy for homeowners to access and officials to administer. Finally, good coordination with other incentive programs will boost the usage of tax credits. Many states limit eligibility for state income tax credits to properties that are listed in the National Register or are located in National Register Historic Districts; those that encompass state and local landmarks and districts have a broader, positive impact on the preservation of historic resources. The Colorado and Maryland historic home tax rehabilitation credits are among the most generous programs.

The Colorado Historic Preservation Income Tax Credit allows owners of historic homes to deduct 20 percent of qualified rehabilitation costs directly from their state income tax liability. The credit can be carried forward for up to ten years. To claim the credit, the rehabilitation project must cost a minimum of $5,000, which would result in a $1,000 credit. The tax credit is capped at $50,000 per structure, which represents 20 percent of a $250,000 rehabilitation project expense. Eligible properties are those that are listed on the Colorado Register of Historic Places or are designated under local ordinances.

Maryland Rehabilitation Tax Credits are available for properties listed in the National Register as well as for state and locally designated properties. Homeowners can claim a 20 percent credit on rehabilitation projects that cost a minimum of $5,000. Should the tax credit exceed the property owner's tax liability, a refund can be claimed in the amount of the excess. Maryland homeowners may take advantage of both the rehabilitation tax credits and a property tax abatement program.

Some state tax incentive programs are more restrictive than those in Colorado and Maryland, limiting participation to owners of properties that are listed in the National Register—as is the case in Utah—or on a state register—as in Iowa and New Mexico. Many states set higher minimums; North Carolina, for instance, requires that at least $25,000 be expended on the rehabilitation to qualify for a tax credit, although residential structures that do qualify enjoy a 30 percent credit. Connecticut, North Carolina, and New Mexico have also set the minimum cost at $25,000. Other states have set the minimum at a percentage of the property value. For example, Iowa requires renovation expenditures of $25,000 or 25 percent of the fair market value of the property, less the value of the land, whichever is higher.

A view of the Miracle Mile North HPOZ. Whatever preservation programs are provided by cities and states, they should be easy for property owners to understand and officials to administer. Photograph by John C. Lewis.

Glossary

Adaptive reuse: The reuse of a building for a purpose different than its original use. Adaptive reuse usually involves structural or design changes that facilitate the new use while preserving the building's character-defining historic materials and appearance. Commercial buildings in downtown Los Angeles that are being adapted as live/work spaces are examples of adaptive reuse.
Adaptive Reuse Ordinance: The Los Angeles Adaptive Reuse Ordinance provides zoning and regulatory incentives to encourage the conversion of older commercial buildings to residential uses. Initially limited to buildings in downtown Los Angeles, the ordinance was amended, effective December 1, 2003, to allow adaptive reuse projects citywide.
Alteration: Any change or modification to a designated or contributing structure, including such actions as changing the exterior paint color, removing character-defining features, and making building additions.
Assessed property value: The value of a property as determined by the Los Angeles County Assessor, which is used in determining annual property taxes.
Character-defining features: Character refers to the visual aspects and physical features that make up a building's appearance. Character-defining features include the overall shape of the building, construction materials, craftsmanship, and architectural and decorative details, as well as the site and environment.
Contributing structure: A building or structure that has been identified as contributing to the historic significance of a designated historic district, which may or may not also be eligible for individual designation. A structure that has been altered can be identified as a contributing structure if it is determined that the alterations are reversible.
Cultural resource: See **Historic resource.**
Designation: Listing of a building, structure, district, site, or object on a local, state, or national register.
Distressed property: A property that is in poor physical or financial condition.
Economic benefit study: With respect to historic preservation, an economic benefit study is an analysis of the impact of preservation activities and historic designation upon a location's economy.
Fair market value: The highest price that a buyer would pay and the lowest a seller would accept in a real estate transaction.
Historic-Cultural Monument: A property designated under the Los Angeles Cultural Heritage Commission Ordinance. See **Historic landmark.**
Historic district: A geographically definable area with a concentration of buildings, structures, sites, or objects unified by past events, physical development, design, setting, materials, workmanship, sense of cohesiveness, or related historical and aesthetic associations. A district's significance may be recognized through listing in a local, state, or national historic register. The City of Los Angeles uses the term *Historic Preservation Overlay Zone* to describe a local historic district.
Historic integrity: The ability of a property or district to convey its historic significance through certain features and qualities, including location, design, setting, materials, workmanship, feelings, and associations.
Historic landmark: A building or district that has been designated under a local ordinance or other law as being worthy of preservation because of its historic, architectural, archaeological, or cultural significance. The City of Los Angeles uses the term *Historic-Cultural Monument* to describe a landmark.
Historic Preservation Overlay Zone (HPOZ): A historic district established under Los Angeles's HPOZ Ordinance. See **Historic district.**
Historic resource: A building, structure, district, site, object, or document that is historically, architecturally, culturally, or archaeologically significant.
Historic resource register: A listing of buildings, districts, sites, and objects designated for historical, architectural, or other special significance at the local, state, or national level. The list of Los Angeles Historic-Cultural Monuments is the city's local register. Buildings, districts, sites, and objects located in Los Angeles may also be listed on the California Register of Historical Resources or the National Register of Historic Places.

Historic resource survey: The process of systematically identifying, researching, photographing, and documenting historical resources within a defined geographic area. Surveys are used in identifying both individual historical resources and historic districts, as well as in land-use planning. This process produces a historic resource inventory.

Maintenance: Keeping a property in good order; preventing the deterioration of a property.

Preservation: The act or process of applying measures to sustain the existing form, integrity, and materials of a building or structure, and the existing form and vegetative cover on a site. It may include initial stabilization work, where necessary, as well as ongoing maintenance of historic building materials.

Preservation incentive: Programs that encourage the preservation, restoration, and rehabilitation of historic properties through honorific measures or economic, regulatory, or technical assistance.

Redevelopment: A comprehensive effort to eliminate blight and otherwise improve an area using public funds and actions. Redevelopment involves planning, development, redesign, reconstruction, or rehabilitation of all or part of an area. It entails such activities as improving and increasing the housing stock, improving public facilities, promoting employment opportunities, and encouraging private investment in revitalization efforts.

Regulatory relief: With respect to historic buildings, the term *regulatory relief* refers to the provision of regulatory alternatives that recognize historic structures' special characteristics. The California Historical Building Code and Los Angeles's Adaptive Reuse Ordinance are examples of programs that allow more flexibility in the treatment of historic resources.

Rehabilitation: The act or process of making repairs or alterations to a building in order to render it usable for contemporary functions while preserving those portions or features of the property that are historically, architecturally, or culturally significant.

Renovation: The modernization or remodeling of an old or historic building. Renovation is a less specific term than rehabilitation or restoration; a building renovation may be carried out in a historically sensitive fashion or it may result in inappropriate alterations or the elimination of important features and details. For the purposes of this guidebook, we use the term *renovation* to refer to work that preserves historic materials and character.

Restoration: The act or process of accurately recovering the form, features, and details of a property as it appeared at a particular period of time by means of the removal of later work or the replacement of missing earlier work.

Secretary of the Interior's Standards for the Rehabilitation of Historic Buildings: Standards used in evaluating the condition and guiding the rehabilitation of historic properties by the full range of agencies and organizations, including Los Angeles's HCM, HPOZ, and historical property contract programs. Most incentives programs require that work undertaken on historic buildings adhere to these standards.

Secretary of the Interior's Standards for the Treatment of Historic Properties: The standards are intended to promote responsible preservation practices. They are divided into four categories or types of treatment—preservation, rehabilitation, restoration, and reconstruction—and provide a philosophical framework for the treatment of resources. See also **Secretary of the Interior's Standards for the Rehabilitation of Historic Buildings**.

Seismic retrofit: Strengthening buildings to enable them to better withstand earthquakes.

Sense of place: The attributes of a locality, neighborhood, or property that give it a unique and distinctive character.

Significance: The importance of a property or district to the history, architecture, archaeology, engineering, or culture of a community, state, or the nation. Significance is assessed in relation to a property's association with important events or persons; its distinctive physical characteristics such as design, construction, or form; and its ability to convey the historic information.

Tax credit: A dollar-for-dollar reduction of taxes owed by an individual or corporation.

Tax deduction: A reduction in the amount of an individual's or corporation's taxable income.

Zoning code: A local government regulation governing the use of land and buildings and other aspects of land development. For example, Los Angeles's HPOZ Ordinance is part of the city's zoning code.

Agencies and Organizations Involved with Historic Preservation and Preservation Incentives in Los Angeles

There are a number of government agencies and nonprofit organizations that owners of historic properties may interact with as they purchase and/or renovate a historic home, apply for designation as a historic resource, or seek access to various preservation incentives. These include:

City of Los Angeles Department of Cultural Affairs

The Cultural Heritage Commission of the Department of Cultural Affairs administers several programs that are critical to historic preservation in the city. The Department of Cultural Affairs is directly responsible for the designation and oversight of the city's Historic-Cultural Monuments (HCMS). The Cultural Heritage Commission, a five-person body, is charged with determining whether individual properties meet the criteria for HCM status, reviewing changes to designated sites, and certifying HPOZ surveys. The Historical Property Contract program administers the Mills Act. For further information on the Department of Cultural Affairs, visit the Web site at http://www.culturela.org or call (213) 473-7720.

City of Los Angeles Department of City Planning

The Department of City Planning plays an important role in historic preservation in Los Angeles through the creation and oversight of the city's HPOZS, participation in the community planning process, and the administration of the Adaptive Reuse Ordinance. The department maintains the city's Geographic Information System, which includes the official database of properties designated as HCMS and contributing properties in HPOZS. You can find further information on the Web at http://cityplanning.lacity.org or call (213) 482-7077.

Los Angeles Conservancy

The Los Angeles Conservancy was established in 1978 to advocate for the preservation, recognition, and revitalization of the region's architectural and cultural heritage. It is now the largest membership-based local historic preservation organization in the United States. The Conservancy works with government agencies, neighborhood organizations, and individuals to foster the appreciation and protection of the city's historic resources. The Conservancy's Web site, http://www.laconservancy.org, is a valuable clearinghouse of information; it provides general information on historic preservation, preservation incentives, and links to other local, state, and national preservation organizations. You can also reach the Conservancy by telephone at (213) 623-2489.

State of California Office of Historic Preservation

The Office of Historic Preservation (OHP) is the governmental agency responsible for the administration of the state's historic preservation program. The OHP works in partnership with governmental agencies and with the residents of California to preserve and enhance the state's historic, cultural, and architectural heritage. Its responsibilities include identifying and evaluating properties for inclusion on the California Register of Historical Resources. The OHP also reviews applications for listing in the National Register of Historic Places; nomination of buildings to the National Register is the responsibility of the State Historic Preservation Officer, who is the head of the OHP. In addition, the OHP oversees compliance with federal and state historic preservation regulations and provides educational and technical services. For further information on the OHP, go to http://www.ohp.parks.ca.gov or call (916) 653-6624.

California Preservation Foundation

The California Preservation Foundation (CPF) is California's only statewide nonprofit historic preservation organization. CPF works for the identification, preservation, and appreciation of the state's historic resources through education and advocacy programs. As part of its educational efforts, the foundation produces publications, issues preservation awards, and sponsors workshops, conferences, and training programs. CPF supports preservation efforts throughout the state through advocacy and, when necessary, legal action. To learn more about CPF, visit the Web site at http://www.californiapreservation.org or call (415) 495-0349.

National Trust for Historic Preservation

The National Trust for Historic Preservation (NTHP) is a nationwide nonprofit historic preservation organization that "provides leadership, education and advocacy to save America's diverse historic places and revitalize our communities."[9] Among its many activities, the NTHP provides financial and technical assistance to state and local preservation organizations, works in partnership with local nonprofits to create affordable housing through preservation, maintains a nationwide collection of National Trust Historic Sites, works for the creation and enforcement of historic preservation legislation and policies, and disseminates information about historic preservation through its publications, Web site, and conferences. You'll find more information about the NTHP at http://www.nationaltrust.org/index.html or by calling (202) 588-6000.

Historic Designation: Benefits and Standards

Many homeowners who appreciate their property's architectural and historic characteristics seek its official designation as a historic resource. In Los Angeles, historic properties can be designated at the local, state, or national level and may carry more than one designation. Regardless of the designation level, a home's recognition as a historic resource is an indicator of its architectural quality and historical significance.

Municipal Level (City of Los Angeles)

Los Angeles Historic-Cultural Monuments

In 1962, the Los Angeles City Council enacted the Los Angeles Cultural Heritage Commission Ordinance, which established criteria for the designation of Historic-Cultural Monuments (HCM). The ordinance defines a monument as "any site (including significant trees or other plant life located thereon), building or structure of particular historic or cultural significance to the City of Los Angeles," the state, or the nation. HCMS can be recognized for historical associations, as distinguished examples of an architectural style or method of construction, or as the work of a master architect or builder. This broad definition has allowed the city to designate a wide range of residential, commercial, and public buildings—more than 750 since the ordinance was enacted—as HCMS. Fine examples of various architectural styles and historical periods can be found among the many single-family residences that have been designated as HCMS.

Benefits and Reviews

There are both benefits and reviews that come with a building's designation as an HCM. Buildings that are designated as such enjoy the enhanced status, potentially higher property values, zoning incentives, and eligibility to use the California Historical Building Code that structures designated at any level enjoy. In addition, HCMS may qualify for a property tax reduction under the city's historical property contract program, which is discussed below. The Los Angeles Department of Cultural Affairs has published *Landmark L.A.: Historic-Cultural Monuments of Los Angeles*, which includes brief descriptions and photos of the city's first seven hundred HCMS.

HCM status is conferred only upon buildings that retain a high degree of historical and architectural integrity. In order to ensure that the city's historic and cultural resources maintain their integrity, the Cultural Heritage Commission must review and approve plans for alterations, additions, or demolition of designated structures before building permits will be issued. Cultural Heritage Commission staff can quickly approve minor projects that are consistent with the Secretary of the Interior's Standards for the Rehabilitation of Historic Buildings; the commission must review major projects and those that do not conform to the standards.

Contributing Properties in Historic Preservation Overlay Zones

Historic Preservation Overlay Zone (HPOZ) is the term used by the City of Los Angeles to describe a designated historic district. The city passed its HPOZ Ordinance in 1979 in order to recognize and protect the architectural and historic character of the city's distinctive neighborhoods. These city-designated districts encompass groups of buildings that are related to one another architecturally, historically, and culturally. An area's eligibility for HPOZ status is determined by its overall architectural integrity, cohesiveness, and historic qualities. Not every building within an HPOZ will be of historic quality, but the majority must be. Most requests for HPOZ designations are initiated by property owners who decide to take steps to ensure the preservation of their neighborhood's historic character;
the City Planning Commission and the City Council must approve the HPOZ after a thorough study is completed. Early in the HPOZ application process, a historic resource survey is conducted that assesses the overall character of the neighborhood and the condition of each individual structure within it. Those buildings that date from the area's period of significance and are identified as contributing to the district's historic and architectural character will be listed as contributing structures.

Benefits and Reviews

Owners of contributing structures enjoy many of the same types of benefits as owners of HCMs, including eligibility to apply for a property tax reduction under a historical property contract and use of the California Historical Building Code. An economic benefits study is underway to examine the impact of designation on property values in HPOZs. Residents of HPOZs also stress the intangible benefits that come with living in an HPOZ, such as the friendships and the sense of community that arise from a shared interest in preserving and improving their historic neighborhood. As one longtime resident of the Adams-Normandie HPOZ says, the greatest incentive is "seeing the houses shine again."

At this writing, seventeen HPOZs have been established in Los Angeles and another fifteen have been proposed or are currently under consideration. They represent a variety of historical styles, from the Victorian- and Craftsman-style homes of Angelino Heights to the Spanish Colonial Revival structures in Carthay Circle to the modest post–World War II modernist houses in the Gregory Ain Mar Vista Tract. HPOZs also range widely in size. The smallest, San Pedro's Vinegar Hill, has just twenty-six contributing properties; the largest, Highland Park, contains about two thousand contributing properties. Altogether, there are about six thousand contributing properties within the city's HPOZs. See Appendix C for a list of designated and proposed HPOZs.

An HPOZ designation provides a review procedure for proposed exterior alterations or the demolition of contributing structures in order to protect the neighborhood's character, but it does not otherwise change the district's underlying zoning. Property owners are not required to renovate or restore their homes, but exterior alterations that are undertaken must comply with the Secretary of the Interior's Standards and with particular requirements that are set out in an adopted HPOZ Preservation Plan. The residents of each HPOZ community devise their own plan, which provides design guidelines, goals, and objectives, and aims to create a clear and predictable set of expectations for project design and review within the zone. While all HPOZ preservation plans have common elements, each is tailored to the specific historical and architectural characteristics of the individual HPOZs. The City of Los Angeles Department of City Planning, working with the HPOZs, has developed the *Historic Preservation Overlay Zone (*HPOZ*) Preservation Plan Workbook* to guide individual HPOZs in the development of their plans. Owners review proposed exterior changes with a locally established HPOZ board and, following the board's approval, the Department of City Planning issues a certificate of appropriateness for the work. Each HPOZ board must include an architect, a member with professional experience in real estate, and other members who have professional and/or personal experience rehabilitating historic buildings. The board can advise homeowners on historically appropriate renovation plans and often serves as an invaluable resource for residents of the HPOZ.

State Level

California Register of Historical Resources

The California Register of Historical Resources is the state's listing of its designated historical, architectural, cultural, and archaeological resources. It is maintained by the State Historical Resources Commission and administered by the State of California Office of Historic Preservation. The register program encourages public recognition and protection of these resources and helps to identify them for state and local planning purposes. Under the California Environmental Quality Act (CEQA), state or local agencies that approve, fund, license, or otherwise support projects that could affect California Register properties (or properties eligible for listing) must consider alternative approaches that would avoid or mitigate potential harm to the historic resource. Structures listed on the state register are eligible to employ the California Historical Building Code. Owners of homes that are listed on the California Register who wish to access tax incentives such as the Mills Act should pursue listing at the local or national level as well. The criteria and procedures for listing a property on the California Register are similar to those used at the national level—in fact properties listed in the National Register or formally determined eligible for listing are automatically placed on the California Register. For further information about the California Register, contact the Office of Historic Preservation at (916) 653-6624 or visit their Web site at http://www.ohp.parks.ca.gov.

Federal Level

National Register of Historic Places

The National Register of Historic Places is the nation's official list of cultural properties, sites, and districts that have architectural, historic, or cultural significance to the nation, the state, or the locality. It is part of the national effort to encourage and support the identification, evaluation, and preservation of historic and archaeological resources. Properties listed in the register include resources that are important to American history, architecture, archaeology, engineering, or culture. Historic districts can also be included in the National Register, in which case individual properties that contribute to the district's overall historic character are treated as listed properties. The National Park Service administers the National Register in each state through the State Historic Preservation Officer (SHPO). In California, the SHPO is responsible for the operation and management of the Office of Historic Preservation.

Properties can be nominated for inclusion in the National Register by an organization, individual, or government entity and are evaluated according to established criteria. Listing of privately owned homes in the National Register is primarily honorific; it provides an official form of recognition of a property's historic or cultural importance. Responsibility for conforming to regulations associated with National Register listing is imposed on federal agencies, not on private property owners—the owners of properties listed in the National Register are not subjected to additional federal regulations unless there is a federal action. Under Section 106 of the National Historic Preservation Act, federal agencies that approve, fund, license, or otherwise support projects that could impact National Register properties (or properties eligible for listing) must give the federal Advisory Council on Historic Preservation an opportunity to comment on the project and must consider alternative approaches that would avoid or mitigate potential harm to the historic property district.

Listing in the National Register indicates that a home possesses significant historical or architectural qualities; in communities where historic status is valued, this can lead to increased property values. In addition, owners of homes listed in the National Register may also qualify for a tax deduction through a Historic Resource Conservation Easement donation. This program is discussed in detail below. For further information in the National Register, visit the Web site at http://www.cr.nps.gov/nr/index.htm or call (202) 354-2213 or (202) 354-2210.

Designated and Proposed Historic Preservation Overlay Zones in Los Angeles

Designated HPOZS (Source: The Los Angeles Department of City Planning and The Getty Conservation Institute)

HPOZ name	Adoption date	Approximate no. of contributing structures	Approximate no. of non-contributing structures	Boundaries
Adams-Normandie (absorbed Van Buren Place)	7/5/2000	526	200	Vermont Avenue to the east, 10 Freeway to the north, Normandie Avenue to the west, and 29th Street to the south
Angelino Heights	9/29/1983	250	50	East Kensington Road to the east and north, West Kensington Road to the west, and Bellevue and Boston Avenues to the south
Banning Park	5/9/2001	68	11	Cary Avenue on the east, M Street on the north, Lakme Avenue on the west, and L Street on the south
Carthay Circle	7/24/1998	383	53	Fairfax Avenue to the east, Wilshire Boulevard to the north, Schumacher Drive to the west, and Olympic Boulevard to the south
Gregory Ain Mar Vista Tract	1/9/2003	49	3	Homes fronting Meier Street to the east, Palms Boulevard to the north, Beethoven Street to the west, and Marco Place to the south
Harvard Heights	8/2/2000	573	233	Normandie Avenue to the east, Pico Boulevard to the north, Western Avenue to the west, and 10 Freeway to the south
Highland Park	6/7/1994	2,000	500	110 Freeway to the east, York Boulevard to the north, Glenalbyn Drive to the west, and Avenue 35 to the south (irregular in shape)
La Fayette Square	7/26/2000	204	22	Crenshaw Avenue to the east, Venice Boulevard to the north, La Fayette Road to the west, and Washington Boulevard to the south
Melrose Hill	3/3/1988	43	2	North Hobart Boulevard to the east, area jogs up to the properties adjacent to Lemon Grove Avenue to the north, jogs back down to North Oxford Avenue to the west, and down to the parcels that have frontage on Marathon Street to the south (irregular in shape)
Miracle Mile North	5/17/1990	350	197	La Brea Avenue to the east, Beverly Boulevard to the north, Gardner to the west, and 3rd Street to the south
South Carthay	5/9/1984	359	331	Crescent Heights to the east, Olympic Boulevard to the north, La Cienega Boulevard to the west, and Pico Boulevard to the south
Spaulding Square	5/21/1993	146	14	Spaulding Avenue to the east, Sunset Boulevard to the north, North Orange Grove Avenue to the west, and Fountain Avenue to the south
University Park (a.k.a. West Adams)	3/22/2000	436	183	Figueroa Avenue to the east, 10 Freeway to the north, Vermont Avenue and Hoover Avenue to the west, and West Adams and West 24th Street to the south
Vinegar Hill	4/5/2001	26	17	Palos Verdes Street to the east, 9th Street on the north, Centre Street to the west, and 10th Street on the south
West Adams Terrace	12/2/2003	382	114	Western Avenue to the east, Santa Monica Freeway to the north, rear lot lines of the properties on the west side of 13th Avenue to the west, and Adams Boulevard to the south.
Western Heights	3/2/2001	127	48	Western Avenue to the east, Washington Boulevard to the north, Arlington Avenue to the west, and the 10 Freeway to the south
Whitley Heights	5/9/1992	147	19	Area jogs from Whitley Avenue to Cerritos Place to the east, Whitley Terrace to the north, Watsonia Terrace jogging down to Las Palmas Street to the west and down to the parcels that have frontage on Emmet Terrace to the south (irregular in shape)

Proposed HPOZS (Source: The Los Angeles Department of City Planning and The Getty Conservation Institute)

Angelino Heights Expansion and Restudy
Balboa Highlands
Country Club
Garvanza
Hancock Park
Jefferson Park
Larchmont Heights
Lincoln Heights
Los Feliz
Pico-Union
Van Nuys
Venice-Windward Circle
Victoria Park
Wellington Square and Upper Avenues
Windsor Square

The Secretary of the Interior's Standards for the Rehabilitation of Historic Buildings

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
8. Archaeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.
10. New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

APPENDIX E

Mills Act Property Maintenance Standards

All buildings, structures, yards and other improvements shall be maintained in a superior manner. All current building and zoning codes will be enforced. The following conditions are prohibited:

a. Dilapidated buildings or features such as fences, roofs, doors, walls and windows.
b. Abandoned or discarded objects, equipment or materials such as automobiles, automobile parts, furniture, appliances, containers, lumber or similar items stored outside but within property lines.
c. Stagnant water or open excavations.
d. Any device, decoration or structure, which is unsightly by reason of its height, condition or location.
e. Peeling exterior paint or unremoved/uncovered graffiti.
f. Overgrown landscaping, exposed bald areas within yards or grounds and broken hardscape features which could cause injury.
g. Other substandard conditions as cited by the Cultural Heritage Commission or the General Manager of the Cultural Affairs Department.

APPENDIX F

California Proposition 13 and Proposition 8

Proposition 13

In June 1978, California voters passed Proposition 13, which rolled back property taxes to 1976 levels and placed limits on future tax increases. Under Proposition 13:

- Property tax assessments are calculated based on the acquisition value (usually the purchase price) of the home.
- The taxation rate is limited to 1 percent of the assessed value.
- The annual increase to a property's assessed valuation is limited to the rate of inflation (Consumer Price Index or CPI trend) or 2 percent, whichever is less.
- Homeowners can estimate future tax liabilities.
- Homeowners are not subject to the large property tax increases that accompany a hot real estate market when tax assessments are tied to market values.
- The property is reassessed at market value only when it is sold or transferred.
- Since tax bills don't soar when property values do, homeowners aren't pressured to sell when home prices in their neighborhoods increase.

Proposition 8

Passed in November 1978, Proposition 8 is a state constitutional amendment that allows the assessor to lower the assessed value of properties that have suffered a decline in market value, whether due to a decline in the overall market, or due to such problems as deferred maintenance. Homeowners who believe that the value of their property has declined must apply for the Proposition 8 reassessment and property tax reductions.

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Endnotes

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9. National Trust for Historic Preservation: http://www.nthp.org/about_the_trust/

PHOTOS

Front cover: Top, a view of the Van Buren Place National Register Historic District, which is located within the Adams-Normandie HPOZ; Middle, a view of the Carthay Circle HPOZ; Bottom, a contributing structure in the Gregory Ain Mar Vista Tract HPOZ. Photographs by John C. Lewis.

Title page: A contributing structure in the Spaulding Square HPOZ. Photograph by John C. Lewis.

Page 1: A view of the Banning Park HPOZ. The camphor trees lining the street were declared a Los Angeles Historic-Cultural Monument in 1990. Photograph by John C. Lewis.

Page 17: A Los Angeles Historic-Cultural Monument in Reseda. Photograph by John C. Lewis.

Page 25: A Los Angeles Historic-Cultural Monument in South Los Angeles. Photograph by John C. Lewis.

Page 39: A contributing structure in the Gregory Ain Mar Vista Tract HPOZ. Photograph by John C. Lewis.

Back cover: A Los Angeles Historic-Cultural Monument in Los Feliz. Photograph by John C. Lewis.

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