

Rebuttal to the Independent Budget Analyst report entitled:***Response to Request for Analysis of Potential and Designated Historic Resource Review***

Generally, there appears to be a bias towards increasing building and against historic preservation throughout the summary and within the recommendations, putting goals for historic preservation as impediments to building affordable housing instead of recognition of the past building trends that have exacerbated the affordable housing crisis.

Historic preservation as a citywide goal may at times seem divergent from building new housing units on a site-by-site basis but this is inaccurate. There must be some recognition of zoning and character-defining features of the built environment of San Diego that were long established. If housing had not been hastily demolished for new units over the past twenty years, the current housing needs for low-cost units may have been provided by adaptive reuse providing more options at less cost.

Over the years, there has been a loss of historic buildings through the demolition of Single occupancy units ("SRO") and other older unit types replaced by multi-unit market rate housing. SROs and other units if adaptively reused or restored, had they been allowed to remain either as historic properties or not may have offered middle or low-cost housing options instead of removing the availability of them and replacing them with higher-cost market rate units. Market rate high-cost units expanded the number of units and increased the property value of the units but not the affordability of the units on the site. The developer community favors more units at higher prices for higher profit. The higher cost market rate projects pertain to their own profit incentive but have left the city with less affordable options. Yet there is no study of the effect of these decisions by the analysts.

There is no analysis of the loss of SRO units by the analyst or no analysis of unoccupied units by the analysis to show how housing availability has been affected by the demolition of sites (many of which were potentially historic but were not brought forward by the developer because they preferred to demolish them to build high-cost units) and for many years they were previously allowed to demolish them without going through historic designation. This was recognized by the planning department in the late 2010s and that is why there is now a 45-year review as part of the permitting process. There are also units that are built for vacation rentals that removed them as housing.

Keeping historic properties in-tact offers more affordable options - as the building already exists and if restored is less costly for the developer - thereby costing less for the homeowner or renter and there is no reference or analysis of the

incentives that could be added in the recommendations to retain buildings in need of rehabilitation. **There is a recommendation and case made for Adaptive Reuse in Recommendation 7 but it seeks existing historically designated properties instead of considering potential historic properties or older buildings that could benefit from restoration.**

Some recommendations make sense but others seem to sacrifice historic properties for any and all building projects without the context that there is a small amount of properties within city limits that will qualify as historic Less than 5% of all built structures are potentially available to be historically designated. Thus, the emphasis on removing protections for historic properties because of the need for more housing seems like cutting down the rare large beautiful tree that is in the path of a new road. easily avoided by drawing the road around it instead of tearing it down. **Redirecting the HRB or city to overturn historic designations is inappropriate and not the solution to improving affordable housing.** Recommendations made in many cases will be detrimental to the context and sense of our communities should they be implemented as proposed.

Thinking about the tract housing that was built in large quantities throughout the city provides buildable areas that will not require the removal of historic or potential sites. They are not in the oldest parts of San Diego but have infrastructure that is ample or available and there is a distinct difference that should be made before developers are allowed to demolish historic properties or alter historic sites. Allowing the developer to demolish all sites without acknowledgment of the benefit of the historic designation is akin to bulldozing that rare large tree in the path of the drawing for the roadway instead of simply going around it.

The benefit of a historic survey, though it would take years could be of assistance but tract areas are also easily identified and could be available more immediately for increased development without disturbing the historic resources that in context tell the story of the city. That is why the process takes more time to navigate.

Rebuttal to recommendations made by the Analysts by Recommendation number are as follows:

Recommendation 1 - Remove this recommendation to balance historic preservation with housing goals because there are other options to build out properties that are not deemed historic or potentially historic. This saves the city council which does not have expertise in historic resources or represents areas without historic resources from making fateful and poor decisions through this

process change. When council members are not responsible to constituents in historic areas and lack knowledge about historic areas, they are less likely to advocate for them acting with a bias towards increasing housing at all costs without adequate consideration of the overall impacts to the affected community.

Further, allowing the areas that are impacted by historic resources to be demolished has a quality cost beyond the quantification cost of the project. Instead, make a recommendation to include the Secretary of Interior Standards to adaptively reuse the historic site to maintain and highlight the historic resource so it is easier to pencil out for the developer

Recommendation 3 Agree that this could streamline the process. The model would be the City of New Orleans which has records needed for historic resource identification under one visit to their county records department. However, most San Diego property owners have a Mills Act agreement on their title report for any newly purchased property and that would be available to a newer owner. **Property Record information available from the county online** shows the property as an agricultural reserve for easy and fast identification (no cost online) and **photos from Google Maps** should be part of every permit process until a database is developed, just as a site plan is required. Neither would be excessively burdensome to the applicant as all information is available online.

Recommendation 4: Guidelines would make this process easier for everyone from the homeowner, developer, permit staff, and code compliance. An example of guidelines for the Mission Hills historic district <http://www.sohosandiego.org/resources/mhguidelines.pdf> that were accepted by homeowners and submitted to the city but not presented to the HRB by city staff (for an unknown reason after the staff required them), would fulfill this need and be an example for other districts.

Recommendation 5. - has multiple parts

Economic Cost/Benefit Analysis: Any Mills Act cost-benefit analysis of the Mills Act program is too limited when it does not include the benefits of the program. Since this is a report by the Independent Budget Analysts it is surprising that this was not already modeled. The analysis should be required to provide a holistic or full economic model to clarify and identify: 1. The impact of the program beyond the costs to city departments and the general fund to show the extent or payback to the City or community within a broader context 2. Show flow of economic benefits to local businesses that are expanded and 3. Show benefits and contributions to the community as well that return a benefit in cost reductions to the city (including police calls/crime statistics and other city services).

A holistic or total economic analysis or model that shows both the cost and benefits to the city and communities including items such as property sales tax generated as per the study by Andrew Norwald entitled Estimating the Value of the Historical Designation Externality (https://www.sohosandiego.org/resources/estimating_historic.pdf study*), sales taxes generated through property sales tax (income tax may also flow through the State to local districts) and the reallocation of funds by Mills Act participants through funds dedicated to property maintenance and the overall economic impact that expenditures cause as they circulate through the economy, benefiting local businesses, such as contractor repairs or sales taxes and including areas that are also impacted through tourism, as well as and including community benefits that all offset to the costs incurred by the city through quality of life improvements and community interactions that reduce costs for programs.

Fees and Appeals added to City fees: Only after the holistic economic analysis with the full economic benefits and flow, the city can fees be better assessed To do so before a full study is premature. Further, costs for the appeals process should be included and identified by city staff so that appellants pay the costs for the hearing process to the city council and that fee is transparent to all who wish to appeal a designation before they submit the paperwork to do so.

No change in the Mills Act priorities for multi-family housing: The Mills Act program requires historic designation. When a multi-family property or commercial industrial building is historically designated then they would qualify for the Mills Act. The Mills Act is an incentive related to historic properties, other programs incentivizing the construction of multi-family properties exist through the development regulations.

Recommendation 6:

The bias of this report against historic designation is clear in the manner in which this recommendation is worded, It implies that the staff and experts on the historic resources board are not qualified even though they have submitted qualifications that are vetted by staff and appointed to the board through the mayor's office. -(Is this a statement as to the representatives that are nominated by the mayor?) The HRB is provided with significant material that enables them to determine if the criterion is applicable in order to determine the designation potential of a site. If the example provided does not suit the analysts, then it could be reworded but otherwise, **this recommendation assumes that the HRB members do not have the qualifications to determine whether the designation criterion can be applied. Qualifications of board members should be clear so that to serve on the board, members would be required to have expertise on historic properties and landscapes since these are**

pertinent to the items that are covered by the HRB. and essential to the process.

Recommendation 7:

This recommendation falls short by **neglecting to include the reduction of demolition by incentivizing adaptive reuse** and focus upon incentives that should be applied to properties that are not currently designated but would be candidates for designation in order to reduce the land-fill waste and contribute to the housing stock by reuse of the resource.

Conclusion:

The Independent Budget Analysis did little to actually study the economic cost/benefits of the City of San Diego's historic preservation program.

Further, there is an apparent bias by the analyst towards building without considering the unique aspects and small percentage (less than 5%) of building stock that is historic or potential. Instead, historic preservation is framed within a silo completely out of the context of the entire buildable areas. If the analyst sought out more information about the program and program benefits, the loss of affordable housing over the past twenty years through prior demolitions of SRO's and other small-scale developments, then the report recommendations would likely be better thought through and more focused upon the problem of building more affordable housing within the city with less resistance toward development without impacting the historic designation process or Mills Act program. Affordable housing issues require the city to enforce better management by advancement for the benefit of citizens instead of demolition and sacrificing the historic properties of the city that ...” can create a connection between the public and the community’s heritage, enhance the cultural richness of the community, and strengthen community identity.” Something that has been a source of pride for many San Diegans.

Lastly, the process to obtain historic designation is cumbersome, The analyst could provide ways to streamline the process by working with HRB staff to determine which items would enable the process to function in a more streamlined manner to serve all potential applicants, saving the city and citizens time and money.

Historic Designation and Residential Property Values

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The State of California enacted the Mills Act in 1972. This act allows local municipalities the option of setting up a historic designation program. The main feature of the program is to allow the owners of historic buildings a reduction in their property taxes in return for an agreement to not alter the exterior façade of the designated building. This paper uses hedonic regression analysis to estimate the impact of the historic designation on the value of single-family residences in the City of San Diego. The results suggest that the designation creates a 16 percent increase in housing value. This is higher than the capitalization of the property tax savings would suggest, implying market value in the historic designation itself. The Mills Act represents an innovative approach to historic structure management and may provide guidance to governments elsewhere in the U.S. as well as internationally when designing historic preservation programs.

Keywords

Historic designation; housing values; hedonic model

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1. Introduction

In 1972 the State of California passed a law that since has become known as the Mills Act,¹ named after the author of the legislation, California State senator James R. Mills. Before becoming a state senator, James Mills had made his name in San Diego as a historian, author and preservationist. The primary purpose of the act was to provide incentives for property owners to preserve and rehabilitate historically significant structures. The Mills Act allows for cities and counties to create programs designed to aid in the historic preservation of structures. The program allows for a reduction in property taxes on historically designated properties in return for a commitment by the owners of the property to maintain the property without significantly altering its appearance.

The details of the Mills Act require a participating local government to enter into a contract with the owner of the historic building. This contract has several key features. The contract is valid for ten years, and is automatically renewed annually, unless notice to cancel is given by either party, in which case, the contract will lapse at the end of the ten years. Under the terms of the contract, the property owner agrees to maintain and rehabilitate, if necessary, the external façade of the structure. In return, the property tax for the structure is reduced.

In general, property taxes in California are calculated at approximately one percent of the tax basis of a property. Upon the sale of the property (or significant alteration), the tax basis is adjusted to full market value; however, Proposition 13 limits the annual increase in property taxes to a maximum of two percent in a year when the property is not sold. Under the Mills Act, the tax basis for the property is based either on the income produced by the building for rented structures, or the income producing potential for owner-occupied structures. This income stream is then converted into a value for the structure based on a capitalization rate set by the county assessor's office. This imputed value then becomes the tax basis for the purposes of property tax assessment. The City of San Diego examined the savings to homeowners due to Mills Act contracts in 2005. For each property covered by Mills Act contracts, the City estimated the difference between what the property owners were paying, and what they would have had to pay without the benefit of the Mills Act contract. The property tax savings from entering into a Mills Act contract for a historic house ranged from 40 to 80 percent, with an average savings of 49 percent.²

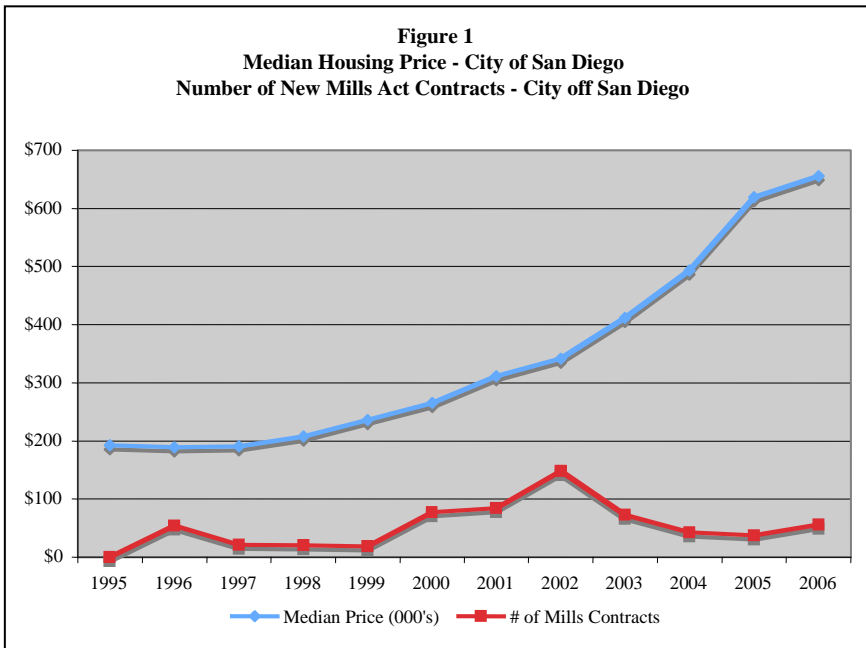
Although there are few exact numbers, a survey in 1995 found that 39 cities were writing Mills Act contracts with a total of 119 statewide. Currently there are an estimated 89 cities and 1,662 Mills Act contracts statewide according to the California Office of Historic Preservation. The number of contracts provided is the

¹ The actual legislation is contained in the California Revenue and Taxation Code, Article 1.9, Sections 439 – 439.4 and the California Government Code, Article 12, Sections 50280 – 50290.

² There is an extensive literature on how environmental issues (such as air quality, water quality and undesirable land uses) on housing values. For a survey of the literature, see Boyle and Kiel (2001).

lower bound of the actual number of contracts as there is no enforcement to insure that all contracts are recorded with the State of California. The City of San Diego has by far the largest number of Mills Act contracts with more than 650 structures covered. The City of Los Angeles is second with around 200 contracts. The City of Anaheim is third with approximately 125 contracts.

The City of San Diego’s experience is probably similar to that of most other cities and counties operating under the Mills Act. The City of San Diego did not start writing Mills Act contracts until 1995, though the Historical Resources Board has been assigning historic designations since 1967. Figure 1 shows the relationship between the number of Mills Act contracts written each year since 1995 as well as the median housing price for San Diego. Not surprisingly, the City of San Diego experienced a large upswing in the number of Mills Act contracts in the late 1990’s as housing prices started to soar. As with many cities, the City of San Diego has been experiencing financial difficulties since 2002. This has led to a backlog of over 100 structures waiting to be evaluated for historic significance.



This paper investigates the impact of historic designation on single-family housing values by estimating the price differential between houses covered by Mills Act contracts and those with comparable attributes but without the designation. The rest of the paper is organized as follows. The next section reviews the literature on historic designation and its effect on property values. The following two sections

discuss the methodology and data used in the analysis. Empirical results are then presented, followed the conclusion.

2. Literature Review

California's approach to historic preservation through tax benefits to specific properties through the Mills Act is very unusual. In other jurisdictions, the typical scenario is for a local historic resources board to identify a geographic area as a historic district. All buildings within that district then have the same level of protection, benefits and constraints. The issue then becomes whether the creation of a historic district with positive externalities arising from a consistent historic "look" outweigh the costs associated with limitations placed on remodeling and redevelopment of housing stock within the district. The previous literature on the value of historic designation has focused for the most part on analyzing this type of historic designation.

Asabere et al. (1989) provide one of the first studies of the effect of architecture and historic zoning on housing value. Looking at the town of Newburyport in northeastern Massachusetts, the authors estimate the impact of both type of architecture and historic zoning district on the value of 520 housing units over a three-year period. Using hedonic regression analysis, Asabere et al. identify eight possible functional forms for housing value. Their results suggest that architectural style does have a positive and significant effect on housing values, with buyers willing to pay premiums for older homes built in the colonial, federal, garrison and Victorian styles. However, location in the historic district does not seem to convey any added value to the housing price in and of itself. The results suggest that historic district location is positive and significant in only one of their eight specifications.

The effect of historic designation on property values is examined by Ford (1989) using data from Baltimore, Maryland. The City of Baltimore has approached historic designation by creating historic districts. A total of fifteen such districts were created between 1964 and 1985. By examining housing prices in both 1980 and 1985, Ford tests two major hypotheses. She finds that the prices of houses in areas that will eventually be designated historic districts are not significantly different from those in non-historic districts. However, her results suggest that houses within designated historic districts do command a premium. Furthermore, Ford tests whether the appreciation in housing prices were greater the longer the property had been in a historic district. Interestingly, Ford finds no evidence to dispute the hypothesis that the value of historic designation is capitalized into the price of the structure upon designation.

Coffin (1989) examines the issue of historic district valuation using Aurora and Elgin, Illinois: two western suburban cities of Chicago. Coffin's sample includes 120 sales of homes in Elgin, of which 47 are in the historic district, and 243 units in Aurora, 62 of which are in the historic district. Coffin asserts that location in the

historic district increases housing price by 6–7%. However, his results are at the extreme edge of typically accepted statistical significance. For Aurora, he modified his designation of historic significance to identify the historic district homes that are located in low-income Census tracts. This surely increased the significance of the historic district variable as historic designation in a low-income neighborhood sends an additional signal about housing stock quality.

Asabere and Huffman (1991) take an innovative approach by examining the effect that historic designation has on undeveloped land. Using data from Philadelphia, the authors identify 100 transactions involving vacant land sales over the years 1987 to 1989. Their use of Philadelphia as a case study is significant as Philadelphia has limited its ability to designate historic sites solely to specific structures. Therefore, all historic districts within Philadelphia are federally created. Under the federal framework, any development of vacant land need only meet local requirements. This implies that there are no additional constraints on development of vacant land in these historic districts. Not surprisingly, this lack of constraints leads to a much higher valuation of the land in these districts. The authors estimate that vacant land for residential purposes is valued 131% higher in historic districts. They also find no significant difference in the valuation of nonresidential properties.

Asabere and Huffman (1994) extend their work in Philadelphia to estimate the effect of historic district designation to developed residential property. The authors identify a sample of 120 houses that are sold over the period of 1986 to 1990. The authors find that houses sold in federally designated historic districts command a premium of approximately 26%. This benefit is not dependent on any investment tax credits that are typically associated with structures in federally designated historic district.

Clark and Herrin (1997) examine the effect of historic preservation districts in the city of Sacramento, California over the years 1990–1994. Sacramento has identified 20 historic preservation districts. Over the study period the authors identify 683 housing sales, of which 58 occurred in 6 of the districts. Using hedonic regression analysis, the authors find that houses within the districts sell for up to 17% more. From this, Clark and Herrin argue that the restrictions placed on housing redevelopment and rehabilitation in these districts is not particularly onerous.

Abilene, Texas serves as the case study for Coulson and Leichenko (2001). Abilene is somewhat unusual in that historic designation is conferred on individual properties rather than historic districts. The authors use this distinction to estimate the value of historic designation on a particular property. They find that historic designation has a positive and significant impact on the value of a property. They estimate that historic designation brings about an increase in house value of approximately 17%. The authors attempt to disentangle the tax effects and whether the property is listed on a national registry with little success. In addition, the authors provide evidence that suggests that there is a positive externality associated with historic designation. The results suggest that for each additional historically designated house within the census tract, the value of a house in that census tract increases by 0.14%.

One possible drawback from the majority of the previously cited studies is the reliance on valuing historic designation within a particular market. Leichenko et al. (2001) use data from nine Texas cities to try to rectify this shortcoming. The cities in their sample follow one of three historic designation strategies. Some cities identify individual historic structures, other cities use only historic districts, and one city uses both approaches. The authors find that the value of historic designation increases property values from between 5 and 20 percent. The results were mixed regarding the valuation of national historic designation, state and local designation. In two cities, national historic designation significantly increases property values, while in another city the effect was not statistically significant.

Two studies in Turkey indicate a growing international recognition of the importance of alternatives to state ownership of historically significant structures. Demet and Cengiz (2000) examine the options available to preserve and restore parts of the community of Bursa-Cumalikizik, Turkey. The authors recognize that the traditional approach of state directed rehabilitation and preservation is unlikely to succeed without active participation of the population within the district. Likewise, Akansel and Minez (2006) examine the same issues in the Kaleici region of Edirne, Turkey. Although the authors conclude that “funds providing financial support to the owners of these houses in the settlement should be set up in order to protect these houses” (p. 10), they do not propose a system to achieve that goal.

3. Methodology

This study uses the hedonic price model developed by Rosen (1974) to measure the effect of tax savings from the Mills Act historic designation on single-family home values. This methodology is well developed and accepted in real estate and housing economics research. For example, it has been used to assess the impact of numerous factors on housing values, such as environmental issues,³ school quality,⁴ and special land uses.⁵ In the hedonic model, housing is considered a bundle of attributes, including site, structural, quality, location and market characteristics. The number and type of attributes embodied in a house distinguish it from other properties and determine its value.

Because housing attributes are not traded individually, the value of an attribute can not be directly observed. In order to estimate the value of each housing characteristic, multiple regression analysis is utilized. Suppose there are i site and

³ There is an extensive literature on how environmental issues (such as air quality, water quality and undesirable land uses) on housing values. For a survey of the literature, see Boyle and Kiel (2001).

⁴ For example, see Mitchell (2000), and Clark and Herrin (2000).

⁵ For example, Colwell, Dehring and Lash (2000) investigate the impact of group homes on neighborhood property values; Carroll, Claretie and Jensen (1996) study the effects of neighborhood churches on residential property values; and Irwin (2002) examines the influence of open space on residential housing values.

structural attributes, j location characteristics, and k market factors in the hedonic model, the semi-log regression equation can be written as:

$$\ln(P) = \alpha + \sum_1^i \beta_i S_i + \sum_1^j \lambda_j L_j + \sum_1^k \mu_k M_k + \varepsilon \quad (1)$$

where P is the sales price of a house, β , λ and μ are coefficients, and ε is an error term. The coefficient of an attribute is interpreted as the percentage change in property value given one unit increase in the attribute. In this study, a dummy variable is used to identify houses that are covered by Mills Act contracts. The coefficient of this variable represents the effect of historic designation on the value of a house.

4. Data

Data were collected on sales of single-family detached housing in zip codes 92103 and 92104 in San Diego, California from January 1, 2000 through December 31, 2006. The two zip codes were selected for several reasons. They contain some of San Diego’s oldest neighborhoods and therefore have a relatively large proportion of historically designated homes. In fact, nearly 40% of the structures that are currently covered by Mills Act contracts in the City of San Diego are located in these two zip codes. The housing stock in the neighborhoods has sufficient variation in physical attributes to allow a meaningful hedonic analysis. Additionally, as these zip codes are contiguous, many of the neighborhood characteristics such as school quality, proximity to downtown and beaches, and crime rates do not vary greatly.

During the seven-year period, 2,045 transactions of single-family residences with valid property information are retrieved from DataQuick’s PropertyPro CDs.⁶ To ensure that the data reflects the housing market equilibrium and to prevent coding errors and non-arm’s-length transactions from unduly influencing the analysis, a set of data cleansing criteria are utilized.⁷ Approximately 4.5% of the observations are excluded, resulting in a final dataset with 1,953 valid observations. Of these houses, 25 had received historic designation by the City of San Diego and the owners had signed a Mills Act contract.⁸ Table 1 presents the descriptive statistics for the

⁶ Transactions with missing data (such as sales price, lot size, square footage of living area, number of bathrooms, number of bedrooms, and year built) are excluded.

⁷ An observation is removed if one of the following criteria is met: 1) the year of sale is earlier than the year built, 2) the lot size is greater than an acre or less than 500 square feet, and 3) the number of bedrooms is greater than 5. The price per square foot (p/sf) is also taken into account to prevent coding errors and exclude non-arm’s-length transactions. The average p/sf in the two zip codes during the study period is \$432 with a standard deviation of \$134. Observations with p/sf three standard deviations higher (\$834) or lower (\$30) than the average are also removed.

⁸ The 25 properties covered by the Mills Act contracts represent 1.28% of the sample, while historically designated single-family houses in the two zip codes (261 properties) represent 1.24% of the stock of single-family housing.

dataset, with Panel A showing the historically designated houses and Panel B the rest of the sample.

Table 1 Descriptive Statistics

<i>Panel A Historically Designated Houses (n=25)</i>				
Variable	Mean	Std. Dev.	Min.	Max.
Sales Price (000's)	833.2	365.3	333.0	1,850
No. of Bedrooms	2.87	0.74	2.00	4.00
No. of Bathrooms	1.70	0.64	1.00	3.50
Living Area (ft ²)	1,721.3	587.7	870	3,169
SQ FT of Lot	7,043.1	4,446.1	4,500	24,829
# Garage Spaces	1.14	0.65	0.00	2.00
Avail. of Pool	0.00	0.00	0.00	0.00
Age of Property	68.70	18.91	5.00	93.00

<i>Panel B Non-historically designated houses (n=1,928)</i>				
Variable	Mean	Std. Dev.	Min.	Max.
Sales Price (000's)	569.8	303.9	80.0	2,500
No. of Bedrooms	2.59	0.78	1.00	5.00
No. of Bathrooms	1.60	0.76	1.00	5.00
Living Area (ft ²)	1,367.1	655.1	405	5,790
SQ FT of Lot	5,467.0	3,176.2	649	37,461
# Garage Spaces	1.22	0.72	0.00	5.00
Avail. Pool	0.06	0.24	0.00	1.00
Age of Property	67.01	18.98	0.00	102.00

Somewhat surprisingly, the historically designated houses are not that much older than the other houses, with an average age of 68.7, compared to 67.0 for the rest of the sample. Overall, the historically designated houses are slightly larger (in terms of square footage, number of bedrooms/bathrooms, and lot size) and sell on average for \$263,000 more than those without historic designation.

5. Model and Results

The hedonic model (Equation 1) is estimated with the dataset to determine the implicit price of each housing attribute. In this study, site and structural attributes include the number of bedrooms, the number of bathrooms, the square footage of living area, size of lot, the number of garage spaces, availability of a swimming pool, and the age of the property. To control for neighborhood effects within the two zip codes, a set of 24 dummy variables are employed to represent the census tract in which a property is located. As the San Diego housing market experienced remarkable appreciation during the study period, a group of dummy variables that indicate the quarter in which a transaction occurred is also included to take into account the housing market trend. Additionally, a dummy variable is used to identify houses with historic designation. The value of the variable is one for houses that are covered by Mills Act contracts, and zero otherwise. The coefficient of this variable indicates the impact of historic designation on the value of a house, after other housing attributes have been controlled for.

Table 2 presents the estimation results of two hedonic models.⁹ Model 1 uses the log of sales price as the dependent variable. The model has a strong explanatory power with an adjusted R^2 of 83.2%. Most site and structural variables carry the expected sign and are statistically significant. For example, adding 100 square feet of living space increases the housing value by approximately 2.7%, and each additional bedroom adds 3.2% value to the house. The coefficient of property age is positive, suggesting that buyers in this market are willing to pay more for older houses; however, the difference is not statistically insignificant.

⁹ Due to the large number of variables, parameter estimates of the census tract and quarter dummy variables are not presented in the table, but are available from the authors.

Table 2 Estimation Results of Hedonic Model (n = 1,953)

Variable	Model 1: Semi-log Form	
	Coefficients	t value
Intercept	11.9277	77.92
No. of Bedrooms	0.0317	3.85
No. of Bathrooms	0.0181	1.75
SQ FT of Living Area (10^{-3})	0.2724	18.95
SQ FT of Lot (10^{-3})	0.0076	4.41
No. of Garage Spaces	0.0340	4.86
Availability of Pool	0.0851	4.27
Age of Property (10^{-3})	0.3214	1.11
Historic Designation	0.1484	3.44
Adjusted R ²	0.8322	

Variable	Model 2: Linear Form	
	Coefficients	t value
Intercept	154,431	1.49
No. of Bedrooms	567.70	0.10
No. of Bathrooms	26,669	3.80
SQ FT of Living Area (10^{-3})	220.12	22.64
SQ FT of Lot (10^{-3})	5.88	5.02
No. of Garage Spaces	11,036	2.33
Availability of Pool	82,538	6.12
Age of Property (10^{-3})	102.71	0.53
Historic Designation	120,985	4.15
Adjusted R ²	0.7995	

The variable of interest is the dummy variable for Mills Act historic designation. The variable has a coefficient of 0.1484 and a t-value of 3.44. This result reveals

that historic designation and the corresponding Mills Act contract increase the value of a single-family home by approximately 16.0%.¹⁰

A number of additional tests are performed to assess the robustness of the empirical results. The variance inflation factor (VIF) is used to ensure that the estimation results are not affected by multicollinearity. Several different model specifications (for example, log and quadratic forms for property age and lot size) are also considered. The magnitude and significance level of the Mills Act variable remains virtually unchanged. Additionally, a linear form regression (where the sales price is the dependent variable) is estimated. The coefficient of the Mills Act variable is again positive and highly significant (see Model 2 in Table 2). These tests confirm that with physical attributes, housing market trends, and neighborhood effects all controlled for, the historic designation significantly increases the value of a property.

6. Conclusion

The State of California enacted the Mills Act in 1972. This program provides owners of historic buildings a reduction in property taxes in return for an agreement to not alter the exterior façade of the designated building. This paper studies the impact of such historic designation on the value of single-family homes. Using hedonic regression analysis and housing transactions in San Diego between 2000 and 2006, the study estimates the price differential between houses with Mills Act historic designation and comparable houses without the designation. The empirical findings suggest that the historic designation results in a 16 percent increase in housing value.

Theory suggests that the value of any tax benefits should be capitalized into the price of the home. The degree to which this benefit is not fully capitalized represents a cost to the homeowner for agreeing not to alter the building; on the other hand, a price differential exceeding the capitalized tax benefit implies value in the historic designation itself. In San Diego the tax savings on houses that are covered by Mills Act contracts range from 40 to 80 percent, with an average of 49 percent. Given a one-percent property tax rate, the price differential identified in the empirical analysis is likely to be higher than the capitalization of property tax savings. Further research with more detailed data is necessary to investigate the sources of the additional value.

The importance of historic preservation has received growing international recognition and many countries have developed programs to provide tax incentives. Traditional approaches have consisted primarily of either public ownership of the structures or the creation of historic districts. California's approach to historic preservation through the Mills Act provides an alternative model. Communities

¹⁰ For a dummy variable, the percentage effect is equal to $(Exp(c)-1)$, where c is the parameter estimate of the dummy variable (see Halvorsen and Palmquist, 1980).

gain by making sure historically significant structures are preserved while the owners of those structures are compensated with tax savings and higher property values. The level of participation in the Mills Act program indicates that it has been successful in encouraging the owners of historically significant structures to preserve and maintain their buildings. The Mills Act can therefore serve as a template of how historic preservation may be achieved elsewhere in the United States as well as internationally.

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- Architecture is our most public art, and preservation enhances the public environment to be enjoyed by all residents. Preservation through adaptive reuse also naturally adheres to San Diego's General Plan's Urban Design Element principles.
- Preservation work improves the ratio of labor to materials, with higher labor rates than new construction. This is a win-win from the standpoint of minimizing the environmental impact of housing and benefiting small construction and home repair businesses. Unlike other cities in southern California, such as Pasadena and Santa Barbara, San Diego has not taken advantage of its historic assets in promoting architectural tourism.
- An important benefit that wasn't mentioned in the IBA Report is that as naturally occurring affordable housing (NOAH), existing historic homes provide affordability to new homebuyers by maintaining inventory of smaller starter homes and reducing property taxes through the Mills Act. Together these provide lower total monthly housing expenses for homeowners.
- The IBA Report fails to acknowledge data supporting that local historic districts provide strong economic value to communities by attracting not only residents, but restaurants, nightlife, specialty retail, and other small businesses. These areas incubate and sustain the local economy in ways that newer areas or poorly planned areas do not, which undoubtedly has a positive impact on the City's tax revenues.

Of the seven recommendations from the IBA Report, I agree with four of them, numbers 2, 3, 4, and 7. The three I do not agree with, numbers 1, 5, and 6, represent serious threats against San Diego's historic resources. These recommendations are repeated below along with the preservation community responses.

IBA Recommendation 1: Historical preservation decisions should be made with consideration of other citywide priorities, and costs and benefits of historical preservation should be considered when making decisions affecting future development opportunities of historical resources. The San Diego Municipal Code (SDMC) could be revised to allow the City Council to overturn historical designation decisions on a broader basis.

- Recommendation 1 conflates the designation of a historic resource with the decision of how the property should be used going forward (including preservation, adaptive reuse, relocation, or demolition). Because historic designation is separate from the land use decision, determination of whether a building is historic is based solely on the criteria for historic designation and should not factor in proposed future use.
- Recent community plan updates and other citywide zoning changes have not been accompanied by any proof that destruction of existing housing stock, particularly smaller homes combined with tax relief provided by the Mills Act, produces more affordable housing.
- Considerations of other priorities or cost benefits analysis are not relevant to determining whether a property is historic. The deliberation whether a property is historic is "siloe" for good reason: Introducing concepts like future development or other priorities into the determination injects politics into the process and creates more uncertainty as political whims change over time.
- The IBA Report does not identify how the SDMC should be revised to allow City Council to overturn a designation on bases other than those currently listed. The report suggests that

considerations of other priorities or costs and benefits should be considered on appeal. I disagree, allowing this type of review injects politics into the process, reduces certainty in decision making, and hands broad authority to councilmembers who are non-experts on issues of historical structures with little time to devote to understanding preservation programs.

- If the intent is to streamline processing and reduce costs, this measure is counterproductive.

IBA Recommendation 2: A robust historical survey and historical district program should be developed to provide greater certainty to future development and help streamline permit review process.

- I agree with recommendation 2, which would provide certainty to both developers and preservationists, as well as reduce staff workloads in the evaluation and permitting processes.
- A robust historical survey and historical district program would provide certainty to both developers and preservationists, as well as reduce staff workloads in the evaluation and permitting processes.
- If L.A. can survey all of its potential resources, which they did it in a short time, then surely San Diego, a much smaller area, can do the same.
- It is important to maintain perspective. It is estimated that less than 5% of lots in San Diego have resources that are potentially historic. Less than 1% would qualify for historic designation under San Diego's existing strict guidelines.

Recommendation 3: A public database for potential and designated historical resources could be developed to help ensure compliance with historical resources regulations through historical resource review.

- I agree with recommendation 3, which is complementary to the previous recommendation 2. Existing city databases are poorly designed and not easily queried to determine the historic potential for a given property.
- Further, the city's databases do not capture all the information for potential historic resources, particularly surveys that have been conducted by the preservation community.

IBA Recommendation 4: District specific standards consistent with the U.S. Secretary of Interior's Standards could be established to provide greater certainty and consistency to developers and property owners and provide clear public guidance on redevelopment of historical properties.

- I support recommendation 4. Design standards give developers guidance on how to create compatible new developments in neighborhoods where they haven't built before.
- Design standards are not just a key mechanism of managing change in historic districts, they provide benefits to all San Diego neighborhoods. This is why state laws governing infill residential housing, including ADUs, SB 9, and SB 10, have all included allowances for objective design standards. For example, the example of Sacramento cited in the IBA Report has been carried through to their proposed implementation of Missing Middle Housing. Properly implemented, design standards streamline projects and even reduce development costs.

IBA Recommendation 5: The full fiscal impact and cost recoverability of the Mills Act Program, and the potential to prioritize multifamily housing for property tax benefits, should be assessed.

- I agree that an objective examination of the Mills Act needs to go beyond the consideration of tax revenue and consider how the Mills Act can enable home ownership for first time homeowners.
- The Mills Act is San Diego's sole incentive that makes existing housing more affordable for middle- and low-income families. The city should be considering ways to expand historic districts to include communities that have previously been underrepresented in historic preservation.
- It is also important to not exaggerate the purported losses to the city. Despite concerns that led to the implementation of a yearly cap on new Mills Act designations, the yearly cap has never been breached.
- The reduction of tax revenues due to the Mills Act must be considered in the larger context of increased tax revenues generated by maintenance and adaptive re-use of historic properties and historic districts. Historic designation of properties raises surrounding property values; historic districts attract more residents, tourists, and businesses that generate more tax revenues than newer areas or areas with poor city planning; re-use generates more economic growth, which again increases tax revenues. Eliminating or reducing the incentive for maintaining historic properties (the Mills Act) could have the perverse effect of reducing tax revenues over time, as fewer people or developers will see the value in maintaining historic structures thereby eroding the historic areas of San Diego that cultivate economic growth.
- Good governance dictates that the cost of all public programs be routinely analyzed for cost efficiency and effectiveness. In analyzing cost, the city's popular Mills Act program was evaluated for direct benefits to property owners by Professor Andrew Narwold. He determined that designation raised the value of the resource by 8% and the Mills Act contract by an additional 8%. He also analyzed the indirect effect historic designation has on adjacent properties, whose market desirability also increased as a result of designation. He concluded each designation actually generated a 1.63% increase in property values within 500 feet of a designated property. This more than offset the cost of the Mills Act contract. This finding could be updated by current analysis by the Independent Budget Analyst.

See the Narwold reports

- Estimating the Value of the Historical Designation Externality
https://www.sohosandiego.org/resources/estimating_historic.pdf
- Historic Designation and Residential Property Values
<https://www.sohosandiego.org/resources/historicvalues.pdf>

IBA Recommendation 6: The City's historical designation criteria should be holistically evaluated to ensure that designation criteria are written with precision and apply to properties truly worth preserving.

- Recommendation 6 would restrict historic designation. San Diego's discretion to define historic designation criteria is limited. In particular, the city can provide more liberal criteria than state and national programs, but it cannot be more restrictive. As a result, the city could modify designation under Criterion A, but would be limited in the changes that it could make to other criteria.
- Historic preservation is also subject to CEQA, and the city cannot ignore the established criteria of the California Register standards without inviting litigation.

- The IBA Report recommends a “higher designation standard” so that only properties “truly worth preserving” are designated and recommends that the criteria be reassessed and re-written with precision. This recommendation would be without legal or factual support.
- First, the report acknowledges that the City’s criteria are not significantly different from those of other jurisdictions and fails to provide any evidence supporting that these criteria as written are overly broad or vague, such as legally binding precedent striking down similar language. Second, the report only analyzes criterion A as allegedly too subjective, allowing for properties to be designated under criterion A when they are not in fact historic. Yet, the report provides no examples of this outcome.
- The IBA Report incorrectly reports that criterion A is unique to San Diego, when in fact, the City of Redondo Beach’s ordinance contains substantially the same language: See RDCMC 10-4.201(a) (“It exemplifies or reflects special elements of the City’s cultural, social, economic, political, aesthetic, engineering, or architectural history.”)
- While it is certainly important that clear criteria are crucial to a successful preservation ordinance, the current language meets this standard and is not so vague or broad as to provide no basis to support a decision. In fact, California courts permit a certain amount of vagueness within local ordinances. *Novi v City of Pacifica*, 169 Cal App 3d 678 (1985).
- The IBA Report’s criticisms are legally and factually baseless and, thus, the recommendation appears to be motivated by a fear that properties that are not historic are being designated historic. A recommendation based on fear should be rejected. However, if any modifications are made, they should adhere to those designation criteria for the California Register of Historical Places or the National Register of Historic Places because those criteria are considered in CEQA and Section 106 evaluations.]

IBA Recommendation 7: The inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the City could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment.

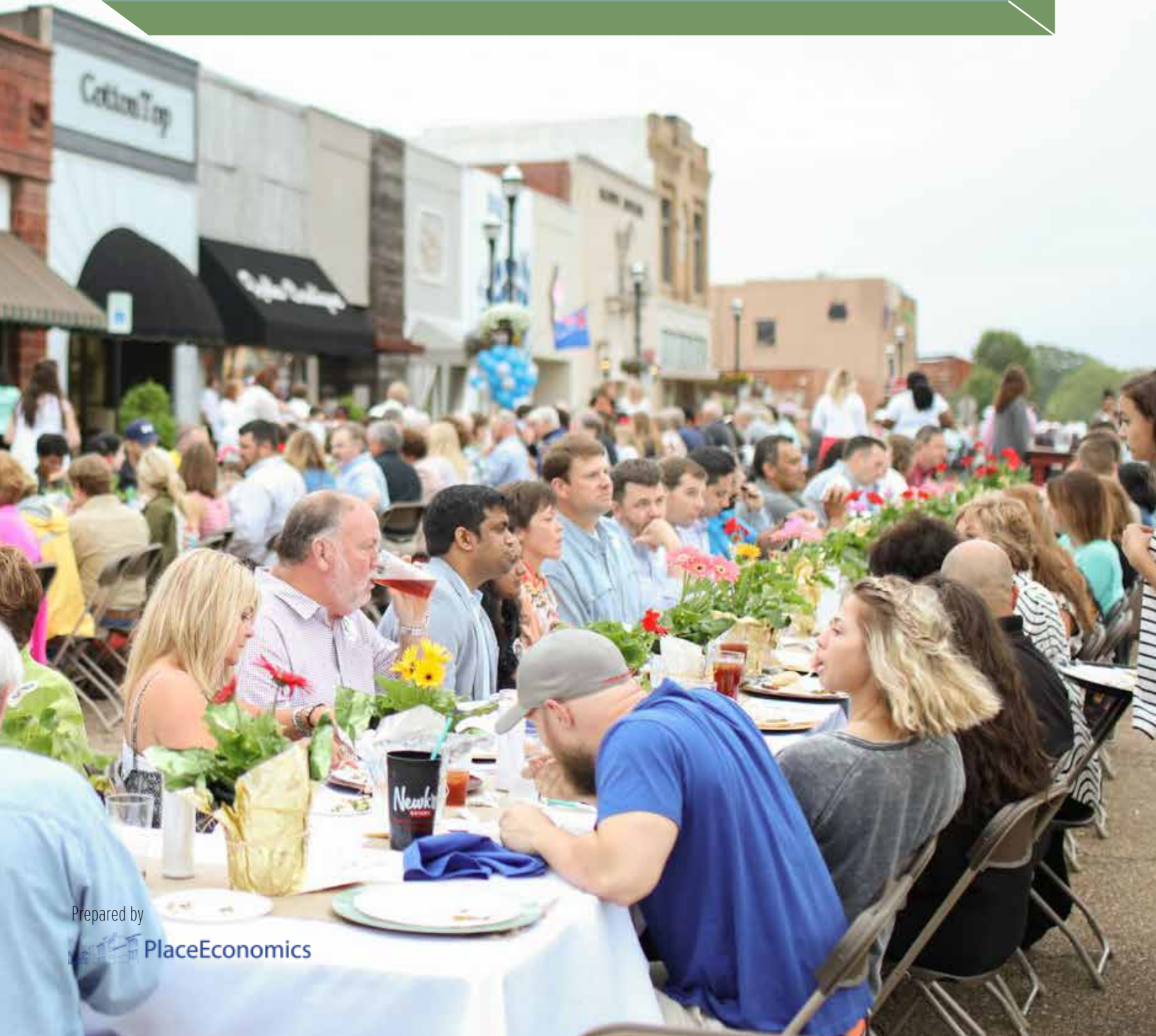
I wholeheartedly agree with Recommendation 7, that the inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the city could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment which can also be applied outside of historic districts.

- Adaptive reuse reduces demolition waste. The most environmentally sustainable building is one that is already built. Researching best practices in adaptive re-use ordinances and development of such an ordinance should be a priority for the city.
- Adaptive reuse is a natural mechanism for creating compatible infill development and should be leveraged as a mechanism for form-based code, as is being done in the example of Sacramento cited in the IBA Report.
- The City should be directed to model our re-use ordinance on the Los Angeles ordinance. See *Untapped Potential: Strategies for Revitalization and Reuse*, Oct 2017, National Trust for Historic Preservation, <https://www.sohosandiego.org/images/untappedpotentialgreenlabuli.pdf>
- Note that a new state law, SB 451, provides a statewide tax credit for historic rehabilitation, available to both developers and owner-occupied single-family residences—which will create jobs, enhances tax revenues, increases local revenues through increased property values,

sales tax, and heritage tourism. See CA Historic Rehabilitation Tax Credit, LA Conservancy, <https://www.sohosandiego.org/images/nthp862023affhousingclimatef.pdf>

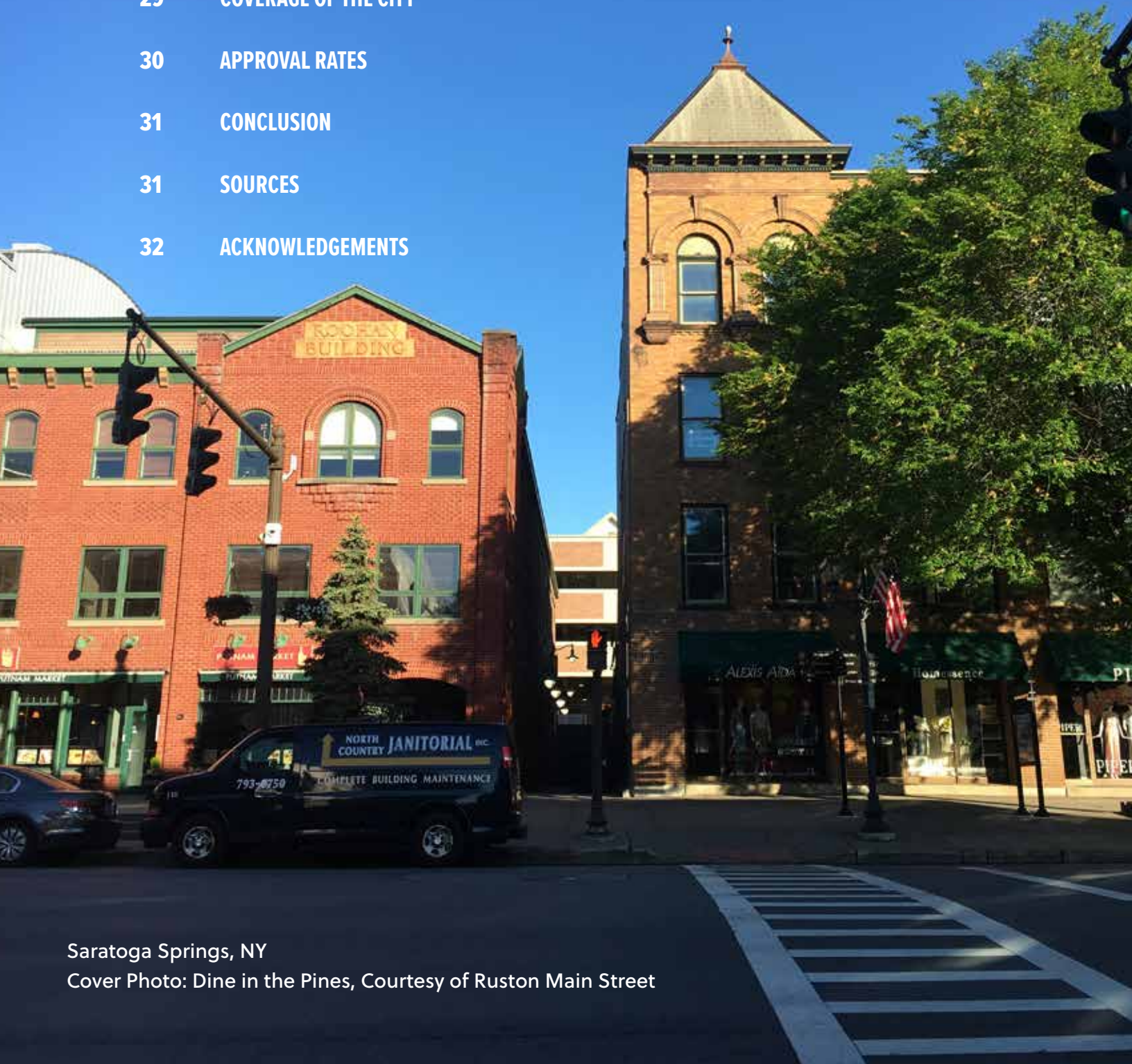
TWENTY-FOUR REASONS

HISTORIC PRESERVATION
IS GOOD FOR YOUR
COMMUNITY



CONTENTS

- 1 INTRODUCTION
- 2 TWENTY REASONS HISTORIC PRESERVATION IS GOOD FOR YOUR COMMUNITY
- 28 FOUR ADDITIONAL REASONS (FOR GOOD MEASURE)
- 29 COVERAGE OF THE CITY
- 30 APPROVAL RATES
- 31 CONCLUSION
- 31 SOURCES
- 32 ACKNOWLEDGEMENTS



Saratoga Springs, NY

Cover Photo: Dine in the Pines, Courtesy of Ruston Main Street

INTRODUCTION

Historic preservation is good for cities....no, not just good, historic preservation is great for cities. The reasons preservation is great for cities are multiple – aesthetic, symbolic, cultural, social, educational, economic, and others. In recent years these values have been well articulated, notably by Tom Mayes in *Why Old Places Matter*; Stephanie Meeks in *The Past and Future City: How Historic Preservation is Reviving America's Communities*; *Historic Preservation and the Livable City* by Eric W. Allison and Lauren Peters; *The Future of the Past: A Conservation Ethic for Architecture, Urbanism, and Historic Preservation* by Steven W. Semes; several books by Roberta Gratz, and others. Each makes a convincing case for the importance of historic preservation in American cities.

But in spite of the strength of their arguments, historic preservation is under attack in many places in the United States. Sometimes those attacks are made by well-meaning community activists, usually arguing with the vignette rather than substantive research, that historic preservation is the cause of gentrification, high rents, and is stopping needed densification.

In other instances, the attack is blatantly industry driven – usually by advocacy groups for real estate developers – who resent not being able to build their skyscrapers wherever they damn well please. But instead of making the candid admission that they just want to make more money, their opposition to historic preservation is couched in seemingly beneficent public policy goals using spurious arguments such as “small business can’t afford to be in historic districts” or “historic preservation is preventing affordable housing” or “we’re losing our competitive position to Singapore” or “if we can’t weaken historic preservation laws, we can’t get the density we need to grow.”

The third prong of the attack comes from the ideological right that argues any limitation on what can be done with my property is unpatriotic, un-American, unconstitutional, and an oppression of my freedoms. These voices are periodically supported by anti-regulatory think tanks such as the Charles Koch Institute. Among the most recent of the latter is an essay in *Forbes* entitled, “Historic Designations Are Ruining Cities”. That premise is not only wrong, but silly.

What these three groups have in common, besides their antipathy toward historic preservation, is that their evidence is scant to non-existent. At best their “proof” is the anecdote from an isolated example; at worst it is a blatant misrepresentation of reality.

At PlaceEconomics we acknowledge that the aesthetic, symbolic, cultural, etc. values of historic preservation are real, but are difficult if not impossible to quantify. In the long run, those values are more important than the values of historic preservation enumerated and quantified below. But as the great British economist John Maynard Keynes once wrote, “In the long run we are all dead.”

We measure the contributions of historic preservation that can be measured. Over the last five years PlaceEconomics has done analyses of the impacts of historic preservation in nearly a dozen cities of all sizes throughout the United States. From that research we’ve assembled the twenty-four reasons why historic preservation is good for your city.

TWENTY-FOUR REASONS

HISTORIC PRESERVATION IS GOOD FOR YOUR COMMUNITY

1. Jobs

Historic rehabilitation means jobs—generally well-paid jobs, particularly for those without advanced formal education. Rehabilitation tends to be more labor intensive than new construction, so work restoring historic buildings has a greater job creating impact per dollar spent than new construction. In **Savannah**, for example, one million dollars spent on the rehabilitation of a Savannah historic building will generate about 1.2 more jobs and \$62,000 more in income for Georgia citizens than the same amount spent on new construction.

In **New York City**, more than \$800 million is invested annually in New York's historic buildings, creating jobs for 9,000 New Yorkers and providing paychecks of over \$500 million each year.

In **Pittsburgh**, just the projects using the federal historic tax credit have added an average of 500 jobs and \$18 million in salaries and wages every year for the past 35 years.

But jobs don't just come from historic rehabilitation activities. Designated local historic districts are job magnets. In **Nashville**, while only 3% of jobs are located in historic districts, 11% of all job growth in the city has gone to historic districts. The author of the "Historic Designation is Ruining Cities" wrote, "Today, cities that are thriving are those that offer people plentiful dining, retail, and other entertainment options." In that he is correct. In Nashville designated historic districts also saw 24% of all job growth in accommodation and food service jobs, playing a key role in the tourism industry. In New York City, while 8% of all jobs are in designated historic districts, 12.7% of all food service and accommodations jobs are there. As anyone in the food

service industry knows, success depends not just on the quality of the food, but the atmosphere and character of the restaurant. That's why in **Rhode Island**, 14 of the 25 highest rated restaurants on Yelp are in historic districts. In **Raleigh** 9 of the top 20 Yelp rated restaurants are in historic districts. It's not just that cities providing dining are thriving, those restaurants are particularly thriving in designated historic districts.





Burlington, NC



Nashville, TN



New Orleans, LA

2. Downtown Revitalization

Thirty years ago, the conventional wisdom was that downtowns had been replaced by shopping centers, and if downtowns survived at all it would be exclusively because local government and financial institutions were located there. Of course, that was a prescription for a nine to five, five day a week economic, social, and cultural desert. Thankfully not everyone accepted that premise. In large cities and small towns, the most common and ultimately successful strategy was to identify, protect, reuse, and enhance the historic buildings that differentiated downtown from the mall. For those places wise and farsighted enough to reinvest and redevelop their historic structures rather than raze them, the payoff is clear.

In **Indianapolis**, while about 11% of downtown is made up of historic districts, they contribute a disproportionate amount of income generation, containing nearly 39,000 jobs, 26% of all of the jobs downtown. In Nashville commercial property values in downtown historic districts increased in value by 425% between 2007 and 2017, compared to the rest of downtown at 236%. Two-thirds of new businesses in downtown **Raleigh** chose historic and other older buildings for their location. In

Saratoga Springs, New York, the downtown Broadway Historic District is the cultural and economic hub of Saratoga Springs where 22% of all jobs in the city are located. In **Tybee Island, Georgia** (population 3,127) the concentrated efforts towards the Main Street Corridor commercial area creates a fertile environment for small businesses. Nearly 250 net new jobs have been created in the Tybee Island Main Street Corridor alone.

Main Street, is an economic revitalization program based on utilizing each downtown's historic buildings. There is no more cost-effective program of economic development of any kind in the United States today. Since 1980, Main Street districts in more than 2000 communities have seen cumulative investment of \$79 billion, 285,000 buildings rehabilitated, more than 640,000 net new jobs, and nearly 144,000 net new business. Many of these are small towns in rural America. This historic preservation-based program didn't ruin those towns; in many cases it literally saved them.

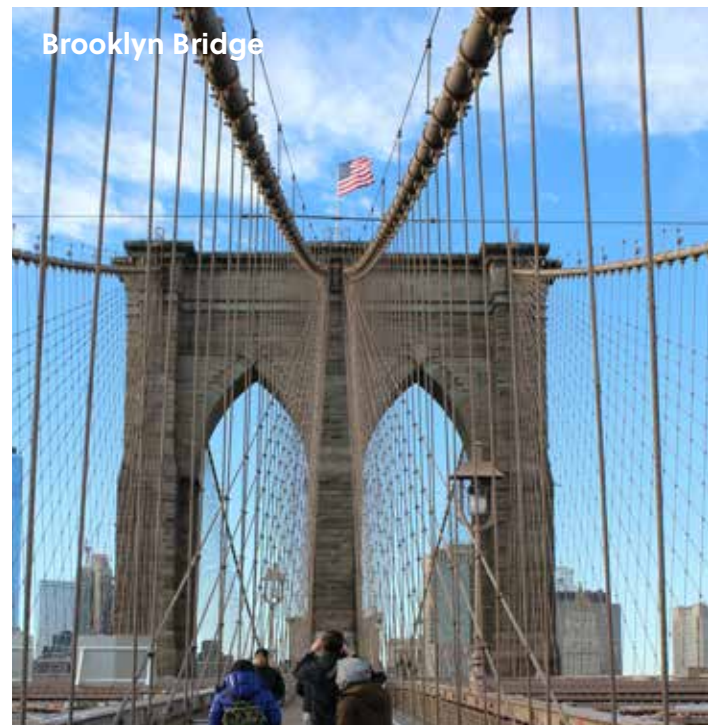
3. Heritage Tourism

Often when “economics” and “historic preservation” appear in the same sentence, the reaction is, “Oh, you must mean heritage tourism.” In fact, tourism is just one economic contributor of historic preservation, but it is an important one. Consistent findings in both the US and internationally indicate that heritage visitors stay longer, visit more places, and spend more per day than do tourists with no interest in historic resources.

New York City’s historic sites, places, and landmarks are a major draw for visitors. For domestic tourists who only come to the City for a day, nearly one-third (31.2%) fall into the “heritage visitor” category. The share is even larger for overnight visitors, with 4 in 10 putting a high priority on visiting historic places. While New York’s tourism industry has a huge impact on the City’s overall economy, just the domestic heritage tourism component represents direct spending of more than \$8 billion each year. Those expenditures mean jobs – nearly 135,000 jobs a year. Over 98,000 are jobs directly related to the heritage tourism industry and an additional 36,000 indirect and induced jobs are generated by heritage tourism. These heritage tourism jobs result in nearly \$6 billion in direct wages to New York City residents and \$738 million in local tax revenue. Each heritage visitor in New York City spends on average \$83 more during the trip than the non-heritage tourist.

In **Pittsburgh** 45.6% of overnight visitors and 44.8% of day visitors fall within the definition of heritage tourist. Tourism is a large and growing industry there, but just the heritage portion of that industry is responsible for nearly \$812 million annually in expenditures in the Pittsburgh area. What is particularly important about these visitors is that they spend more each day in Pittsburgh as compared to visitors with no interest in historic resources. This difference is the heritage premium. Pittsburgh sees nearly \$64 million per year in additional economic activity based on the additional amount heritage visitors spend each day compared to other tourists.

Just the heritage portion of Pittsburgh’s tourism industry is responsible for 12,300 direct jobs and an additional 4,500 indirect jobs. The salary and wages paid to workers meeting the needs of Pittsburgh’s heritage visitors is \$310 million per year with another \$223 million to indirect and induced jobs.



Nearly all expenditures of tourists fall into five categories: lodging; food and beverage; local transportation; retail purchases; and entertainment/admissions/amusements. In **San Antonio**, not only do heritage visitors spend more in total, they spend more in each of the five areas than do tourists with no interest in historic preservation. Those tourism expenditures create both jobs and paychecks. Over 14,000 food and beverage workers, nearly 12,000 retail employees, and 9,000 workers in hotels, motels, and B&Bs owe their jobs to San Antonio's heritage visitors. Those food and beverage workers take home over \$400 million in salary and wages, \$350 million for those in retail, and an additional \$317 million in paychecks for hotel and motel workers.

Travel experts understand the appeal of historic preservation – and far beyond just the occasional monument or mansion. The New York Times regularly runs a feature named, "36 hours in..." When **Raleigh**, North Carolina was covered 15 of the 22 recommended businesses to visit were located in designated historic districts. A similar article appeared in the Washington Post entitled, "What to do in Indianapolis", recommended sixteen places to go, eat, shop, stay, and explore. Eleven of them were in designated historic districts.

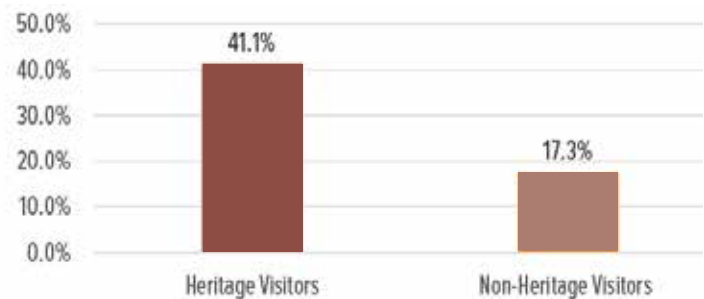


Ryman Auditorium

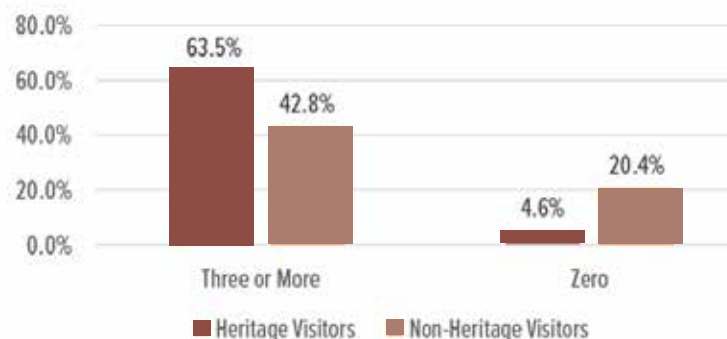
Nashville's Music Heritage

Nashville is rightfully known as Music City and a very large percentage of its visitors go to Nashville for the music. What is less understood, however, is that the intangible heritage of music in Nashville is intimately related to the built heritage of the designated historic buildings. Ten of the fifteen most popular bars for music are in historic buildings. Around a quarter of all visitors to Nashville fall into the heritage tourist category, but those visitors are more likely to be from out of state, more likely to be international visitors, and spend around 20% more than tourists who have no interest in historic preservation. Among heritage visitors, more than 82% said live music was a most important factor in visiting Nashville, compared to less than a third of non-heritage visitors. Arts and culture were important to 58% of heritage visitors compared to 6% of non-heritage visitors. Real estate developers may not understand the link between the built heritage and Nashville's music, but those who visit Nashville for the music certainly do.

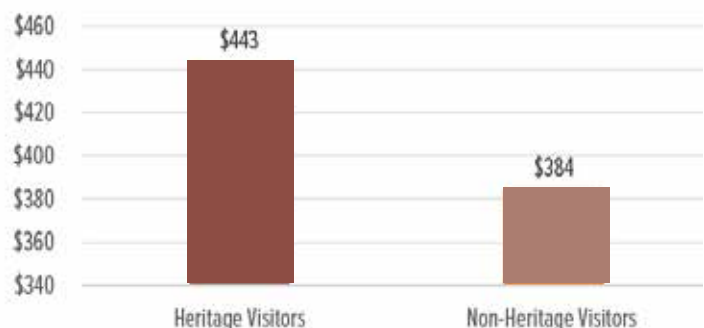
LIVE MUSIC IS THE SINGLE MOST IMPORTANT REASON WE DECIDED TO VISIT NASHVILLE



HOW MANY LIVE MUSIC VENUES HAVE YOU VISITED ON THIS TRIP?



NASHVILLE LOCAL EXPENDITURES





Saratoga Springs, NY

4. Property Values

There is no area of preservation economic analysis that has been done more often than measuring the impact of local historic districts on property values. Regardless of the researcher, the methodology, or the location of the study, the results of these analyses have been remarkably consistent: In nearly every instance properties in local historic districts have greater rates of appreciation than properties elsewhere in the same city. Thirty years ago, opponents to the creation of a local historic district usually claimed, "Historic districts mean one more layer of regulation. More regulation means, prima facie, lower property values." Of course, study after study has demonstrated the opposite has been true; the values of properties have significantly benefited from local district designation. Today the argument – often from the same people who opposed districts early - is more likely to be, "Those damn historic districts will mean my property value is going up, so I'll have to pay more property taxes."

In Indianapolis, between 2002 and 2016, a single-family house in a local historic district has on average increased in value 7.3% each year, compared with just under 3.5% for houses not in historic districts. This market preference also extends to the amount of activity. Historic districts, which only make up 5.5% of properties in the city, represented nearly 20% of all sales and almost 35% of the aggregate sale amount.

Between 2000 and 2008, single-family residential properties in **Raleigh** increased in value 49% on a per square foot basis. Over that same time period value increases in three local historic districts increased in value between 84% and 111%.

The square foot value for single family homes in **Pittsburgh** not in historic district increased 45% between 2001 and 2014. Every local historic district saw a value increase greater than the average of the rest of the city.

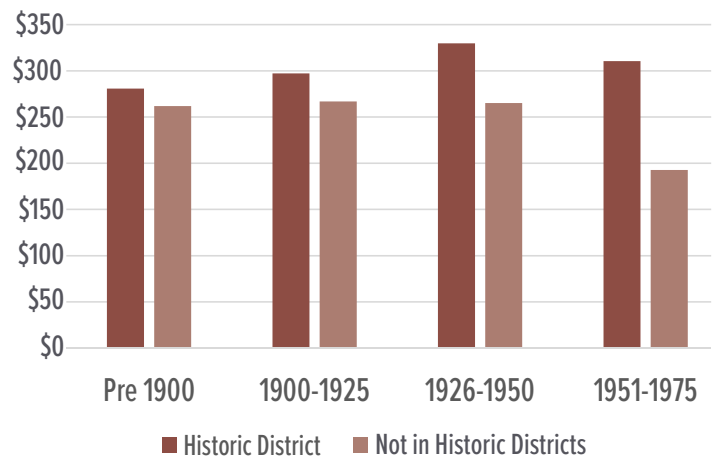
Saratoga Springs is fortunate to have a large inventory of older and historic houses, many of which are not located in one of the local historic districts. Some buyers are specifically attracted to these older properties. Comparisons were made for both median and mean by age, by style, by “typical house”, by total value, by value per square foot, and by rate of change in value over time. In every instance, properties in designated local historic districts outperformed comparable properties not within local districts.

It is true that higher values usually mean higher property taxes. And for those with modest resources or living on fixed incomes, that can create difficulties. Often led by preservation advocates, many cities have adopted taxation policies that mitigate those problems. But the reality is this – rising property values resulting in rising taxes may be a cash flow problem, but a wealth enhancement.

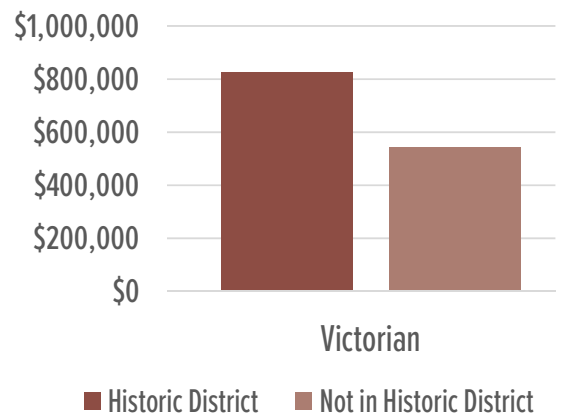
Around the United States, the effective property tax rate is typically between 1.5% and 2.5% of the value of the property each year. Thus, a property worth \$100,000 would have annual taxes of between \$1,500 and \$2,500. For example purposes only, assume the market as a whole goes up 3% per year while properties in the historic district go up 4% per year. Next year the non-historic house would have a value increase of \$3,000 and increased taxes of between \$45 (\$3,000 x 1.5%) and \$75 (\$3,000 x 2.5%) while the historic house would have a value increase of \$4,000 and increased taxes of between \$60 (\$4,000 x 1.5%) and \$100 (\$4,000 x 2.5%). So here is the effect on the owner of the historic house — she had to pay additional taxes of between \$15 and \$25 more than her neighbor, the owner of the non-historic house. But the value of her home increased \$1,000 more than did her neighbor. She would be hard pressed to find any investment on Wall Street where an additional \$15 to \$25 in outlay was rewarded with another \$1,000 in wealth.

That does not mean that rising property taxes which cause financial difficulties for some owners should not be addressed. But the short-term cash flow problem is offset 40 to 67 times by the increased wealth.

VALUE PER SQUARE FOOT BY AGE IN SARATOGA SPRINGS



PROPERTY VALUES BY STYLE (SARATOGA SPRINGS)



MEDIAN VALUE BY CONDITION (SARATOGA SPRINGS)



5. Foreclosure Patterns

December 2007 marked the beginning of what has come to be known as the Great Recession. Hardest hit in the recession was the real estate market. While the recession was officially designated as having ended in June, 2009, the real estate market in hundreds of cities didn't recover until three or four years later. In a few markets a decade after the real estate crash, values have still not reached their pre-recession levels.

Economists argue over the causes of the recession, but one thing is not in dispute – millions of Americans lost virtually all of their assets through the foreclosure of their homes. In the 10 years from the beginning of the recession 7.8 million homes were foreclosed on, and millions of additional families faced some type of foreclosure action during that time. Although most markets have recovered, the rate of home ownership in the United States is still five percentage points below its height of more than 69% reached in 2004. But even at the city level, the rate of foreclosure varied greatly from neighborhood to neighborhood. In more than 20 cities we've looked at, foreclosure rates in local historic districts were decidedly lower than the rest of the city.

Between 2008 and 2012, the foreclosure actions for single family homes in **Indianapolis** reached a staggering 26 percent. But those with homes in local historic and conservation districts—while also hit hard by the recession—fared much better with just 6% foreclosure rates.

Florida was especially hard hit in the real estate crash. Every local historic district in **Miami-Dade County** had a lower foreclosure rate than the 11.2% found in the rest of the county.

In designated historic districts, the foreclosure rate was less than a third of what was experienced in the rest of **Pittsburgh**.

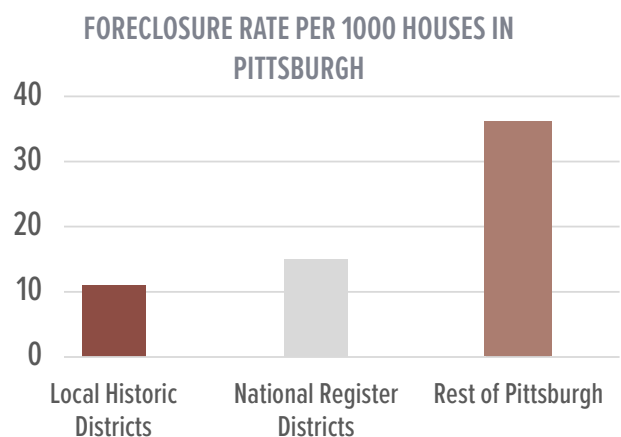
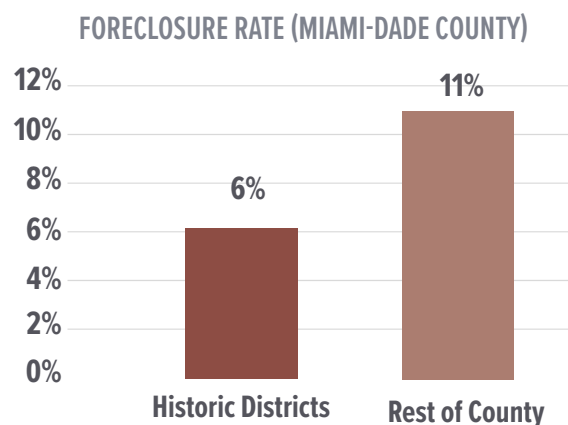
In **San Antonio** the rate of foreclosure of single-family houses was less than the citywide average in 10 of the 13 residential historic districts.

For **Raleigh** single family houses not in historic districts, for every 1000 houses, 100 faced foreclosure over the six-year period, January of 2008 through December of 2013. Local historic districts saw only 28.8 houses per thousand foreclosed upon. **Savannah** had its share of foreclosures with nearly one house in 8 facing foreclosure in the six-year period between 2008 and 2014. But every historic district in Savannah had lower rates of foreclosure than did the city as a whole. In Nashville, 54 out of every

1000 houses faced a foreclosure action between 2007 and 2018. In **Nashville's** historically designated districts the rate was less than half of that at 25.3 houses per thousand. Further, 16% of the foreclosures in historic districts were on new houses built as infill in the neighborhood.

One might prematurely conclude, "well, those historic neighborhoods are all rich, so those people could weather the recession." Simply not the case. In every one of those cities – Indianapolis, Miami/Dade County, Pittsburgh, San Antonio, Raleigh, Savannah, and Nashville – while there are some wealthy historic neighborhoods, there are also numerous neighborhoods that are the opposite of wealthy. In nearly every one of the less prosperous neighborhoods, the foreclosure rate was still less than the rest of the city.

It isn't that people who live in historic districts never get fired, or divorced, or run their credit card bills up too high. Rather there is a latent demand for homes in those neighborhoods even in market downturns. As a result, homeowners who find themselves in financial difficulties often find buyers for their homes before they reach the point of foreclosure.



6. Strength in Up and Down Markets

Related to the foreclosure findings is the pattern of value change in both up markets and down markets. As a general pattern, homes in historic districts do better when the market is moving up, fall later and less steeply when markets decline, and begin their value recovery sooner than other neighborhoods.

Between 2000 and 2008 – prior to the recession – single-family residential properties in **Raleigh** increased in value 49% on a per square foot basis. Over that same time period value increases in three local historic districts increased in value between 84% and 111%. Then the recession began and property sales declined both in historic districts and the city as a whole between 2008 and 2009. But before the recession was declared over the volume of property sales in historic districts began to recover and continued through the end of 2013. Home sales in the rest of the city continued to decline before picking up once that national recession ended. By 2013 the number of sales transactions in historic districts was nearly 10% above the 2008 level, sales in the rest of Raleigh still lagged their 2008 numbers by 10%.

In 2012 the city as a whole recorded a 13% increase in the number of home sales. **Raleigh's** local historic districts saw a 68% increase in number of sales between 2011 and 2012.

Between 2007 and 2010, new construction in New York City fell 30% and didn't recover to pre-recession levels of activity until 2012. Over that same time, activity in historic districts, while suffering a minor one-year decline, maintained a pre-recession level of activity.

An analysis of building permits in **Nashville** from 2006-2011 shows that historic districts weathered the recession well, accounting for 19% of all permit investment and over 18% of all projects during the recession.

In up years in the real estate market, **San Antonio's** local historic districts significantly outperformed the city as a whole. When the recession hit, there was a minor decline in historic district property values, but less severe than in the rest of the city. Then when the recession was finally over, recovery in the residential real estate sector began first in San Antonio's historic neighborhoods. The 15-year period between 1998 and 2013 covered three real estate cycles – rapid appreciation until 2007, real estate crash, and then market recovery. By 2013 the average square foot price of a single-family home outside of San Antonio's historic districts was up about 68% from its 1998 value. But San Antonio's historic districts homes were up 139% over their 1998 values.

This pattern of resilience in real estate recessions isn't limited to housing values or sales activity. Between 2007 and 2010, new construction in **New York City** fell 30% and didn't recover to pre-recession levels of activity until 2012. This collapse in the building industry meant that thousands of New York workers were suddenly without jobs or paychecks. Over that same time, however, activity in historic districts, while suffering a minor one-year decline, maintained a pre-recession level of activity. For rehabilitation work in historic districts, the decline began later, was much less deep, and recovery began sooner as compared to new construction in the City. If activity in New York's historic districts had declined as much as did new construction, more than 1,600 more New Yorkers would have been on the unemployment line each year between 2008 and 2012. The speculation inherent in new construction left the industry vulnerable to boom and bust, whereas reinvestment and rehabilitation of older buildings acted as a stabilizing force during the economic downturn.

Many cities today are developing "resiliency plans." But resiliency isn't limited to recovery after natural disasters. It is also necessary after financial crises. In city after city, it has been the local historic districts that have been the most resilient after a real estate crash.

7. Small Business



Little Rock, AR



Denham Springs, LA

While it's the companies of the Fortune 500 that get the headlines in the Wall Street Journal, it is small businesses who are the backbone of the American economy. 96% of all businesses employ fewer than 50 people; 89% fewer than 20. These small businesses employ 23 million more workers than do firms of 500 with more people on the payroll. Since the end of the recession, those small businesses have added 30% more jobs than have the big guys. Further, it is small businesses that offer the greatest entrepreneurial opportunity to women and minorities. So an economically dynamic city should be particularly concerned about creating an environment hospitable to small businesses. It is often historic districts that are the location of choice for small businesses.

Historic districts and buildings have a competitive advantage. They contain attractive buildings, spaces, and other attributes desirable to small businesses. Small businesses don't just provide convenience and local jobs; they are also the source of the commercial vitality of a neighborhood. These businesses value the unique character inherent in historic buildings and often the competitive rents in older structures. While historic districts account for 8% of all private jobs in **New York City**, these neighborhoods are the place of employment for nearly 10% of the City's jobs in small firms.

In **Saratoga Springs**, historic districts house 31% of all jobs at small firms (firms employing fewer than 20 people).

In **Savannah**, 30% of all jobs are in historic districts, but nearly half (48%) of the businesses that employ fewer than 20 people are located in these areas.

In **San Antonio**, while historic districts are home to only 4% of all jobs, fully 7% of small firm jobs have chosen to locate there.

Recent analysis of Dun and Bradstreet data show that while only 4.8% of the businesses in **Manhattan** are owned by minorities or women, 7.2% of businesses in historic districts meet that test. In fact, 12% of all women-owned businesses and 8% of minority owned businesses are located in historic districts.

Small businesses are important to a local economy, and historic districts make a great location for a disproportionate share of small businesses.



8. Start ups and Young Businesses

If small businesses are important, start-up and young businesses (less than 3 years old) are even more so. Almost all net new job creation comes from new businesses. Where do those businesses choose to locate? Often in local historic districts.

In **Miami-Dade County** 4.9% of all jobs are located in historic districts but 5.2% of job growth occurred in those areas. Just over 6% of jobs at start-up firms are located in historic districts. That might not seem significant, but more than one in four jobs at start-up firms were created in historic districts.

In **New York City**, historic districts are home to 8% of all private jobs, but 10.1% of jobs at start-up firms (in business for less than one year) and 10.9% of all jobs in young firms.

Raleigh, North Carolina is an economically vibrant and growing city. Of the new businesses in downtown Raleigh 46% of them chose a designated historic building to open their operation. Another 22% chose older buildings that were not yet historically designated.

A business' location is more than an address. Particularly new and small businesses want their physical location to be a reflection of the quality and character of the goods or services sold within. The quality and character a historic building is an appropriate choice for these entrepreneurs.

9. Jobs in Knowledge and Creative Class Sectors

Richard Florida may have overstated the case in *The Rise of the Creative Class* but urbanists, economists, and economic development experts note that the young, well educated, talented workers are essential for a local economy to grow and the city to be vibrant. So where are those knowledge and creative class workers choosing to live and work?

In **New York City** the three categories within which creative workers are employed are disproportionately represented in New York's historic districts. While 8% of all jobs are in historic districts, more than 10% of Professional, Scientific, and Technical Services jobs are in historic districts and more than 13% of jobs in the Information field. People can love or hate New York, but no one can argue that it is not one of the most creative cities in the world. And creatives gravitate toward neighborhoods with character. More than 20% of jobs in the Arts, Entertainment, and Recreation sector are located in historic districts in New York City.

Pittsburgh has seen an in-migration of young, educated workers which bodes well for the future of Pittsburgh's economic growth. But the location of the jobs held by those workers is not random. Pittsburgh's historic districts capture a disproportionate share. While around 19% of all workers in Pittsburgh hold a bachelors or advanced degree, more than 35% of workers in historic districts have reached that educational attainment. While historic districts contain slightly more than 37% of all jobs, those areas are home to 47% of the jobs in finance and insurance, 58% of the jobs in education and 44% of jobs in the information sector. These knowledge worker jobs are the growth areas in the US economy and are concentrated in historic districts in Pittsburgh.

In **San Antonio**, historic buildings and historic districts have a long history of incubating the arts. Arts related jobs in San Antonio are generally concentrated within or clustered around historic districts. This is also true of nonprofit organizations generally, 28% of which are located in San Antonio historic districts. While historic districts are home to just 4% of all jobs, there is a greater share of workers in arts and entertainment; information services; education; and professional, scientific, and technical services fields.

Firms employing "knowledge workers" are particularly attracted to historic areas. Although historic districts are home to 31% of all jobs in Savannah, 39% of

professional/scientific/technical services jobs, 57% of art/entertainment/recreation jobs, and 74% of educational services jobs are in historic districts.

New York and **Los Angeles** will always argue which is the more creative city. Creative class workers show a decided preference for local historic districts in New York and the same can be said for LA. Between 2005-2015 Los Angeles saw a 20% growth rate in arts related jobs, but local historic districts saw a 35% growth rate in arts related jobs.

While workers in the knowledge and creative fields will never be a large percentage of the entire workforce, they have a disproportionate impact on the economic vitality of a city. And employers of those workers are disproportionately choosing to locate in historic districts.

IN NYC, HISTORIC DISTRICTS CONTAIN:

8% of all Private Jobs

10.4% of all Professional, Scientific, and Technical Service Jobs

13.3% of all Information Jobs

20.3% of all Arts, Entertainment, and Recreation Jobs

10. Millennials and Housing

In 2019 the number of Millennials (those born between 1981 and 1996) in the United States surpassed the number of Baby Boomers. That means for the next generation, that age group will have an outsized impact on how and where cities grow. So a city planning for a prosperous future must consider the needs and preferences of Millennials. Many in this age cohort might not identify themselves as “preservationists” but the qualities they are looking for in cities are the qualities found in historic neighborhoods.

One of the fastest growing cities in the nation is **Nashville**, a city particularly attractive to Millennials. While that age group makes up 29% of the population in non-historic neighborhoods, they constitute 33% of historic district residents.

New residents in a neighborhood who are renters are from all age groups, but a sizable share are Millennials. In **Raleigh**, historic districts have seen an influx of new renters in recent years, reflecting increased interest in living in the historic downtown area. Just over 60% of renters moved in since 2005, compared to around 30% of citywide renters.

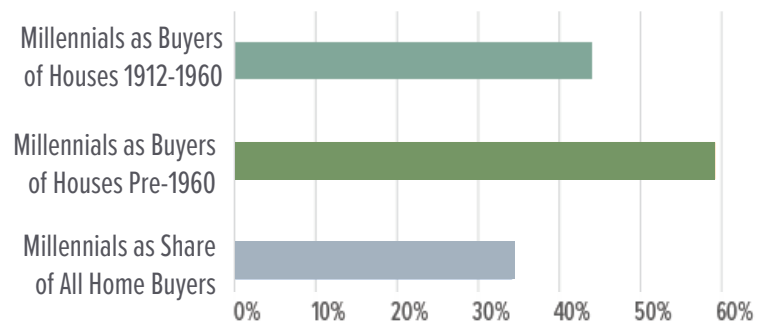
In **Los Angeles**, the number of millennial residents in historic districts grew by 9% since 2010, compared to 7% in the rest of the city. Despite making up only 1.8% of the land area, historic districts accounted for 4% of all new millennial residents between 2010 and 2016, meaning these areas punch above their weight in terms of attracting young adults.

A recent survey of the National Trust for Historic Preservation found that 44% of millennials surveyed wanted to live in historic, character rich neighborhoods. National home buying trends back this up. **Nationally**, despite making up only 34% of homebuyers, millennials account for 59% of all buyers of houses built before 1912 and 43% of buyers of houses built between 1912 and 1960.

Attracting and retaining Millennials needs to be an economic development priority for cities. Whether as renters or homeowners, Millennials have revealed a preference for historic neighborhoods.



MILLENNIALS AND HISTORIC HOUSES NATIONWIDE



11. Walkability/Bikeability

In 2007 Walk Score was released to the public. Since then urban planners, real estate professionals, public health workers, transportation experts, and others have stressed the importance of Walk Score; it has become a basic tool of urban analysis. But most neighborhoods in America are not very walkable. The American Journal of Preventive Medicine noted, "Neighborhoods built a half-century or more ago were designed with 'walkability' in mind. And living in them reduces an individual's risk of becoming overweight or obese." For multiple reasons people are prioritizing walkability in their choice of where to work and live. The Urban Land Institute reports that 50% of U.S. residents say that walkability is a top priority or a high priority when considering where to live.

What neighborhoods are walkable? Historic neighborhoods.

Nashville is notoriously unwalkable. Walk Score rated Nashville the 48th most walkable large city in the US, with a Walk Score of 28 and a Bike Score of 25. As a city, Nashville falls in the "Car Dependent" category. Yet historic districts are demonstrably more accessible earning a Walk Score of 63 and a Bike Score of 57. Nearly half of the historic districts have a Walk Score over 70, which is considered "very walkable."

In **Pittsburgh**, the Walk Score was calculated for every block in every historic district. Then the average scores for historic districts was compared with the city as a whole. The result? As Pittsburgh is a dense city, the overall Walk Score is a very respectable 60. However, the average block within historic districts in Pittsburgh achieves a Walk Score of 75. Historic neighborhoods are more walkable than in most of a quite walkable city.

As with the Walk Score, the Transit Score was calculated for every block in every historic district in Pittsburgh and then compared with the city. The results were the same. While the city of **Pittsburgh** had a Transit Score of 54, blocks in historic districts averaged a Transit Score of 66. Probably because of the number of hills and steep topography the Bike Score for the City of Pittsburgh is just under 40, while the Bike Score for Pittsburgh's historic neighborhoods is 63.

Raleigh's local historic districts represent some of the most walkable parts of the city. While the city of Raleigh has an average Walk Score of 29, meaning that most neighborhoods are car-dependent, Raleigh's historic districts average a 73 Walk Score.

Savannah, as a whole, rates a score of 41, putting it in the "Car-Dependent" category, while every local historic district scores higher ranging from "Somewhat walkable" to "Walker's Paradise."

Competitive cities need to be walkable, and walkability is found in historic neighborhoods.

The *Walk Score* categories are:

90–100 Walker's Paradise

Daily errands do not require a car.

70–89 Very Walkable

Most errands can be accomplished on foot.

50–69 Somewhat Walkable

Some errands can be accomplished on foot.

25–49 Car-Dependent

Most errands require a car.

0–24 Car-Dependent

Almost all errands require a car.



Indianapolis, IN (Photo Credit: Raina Regan)

12. Density at a Human Scale

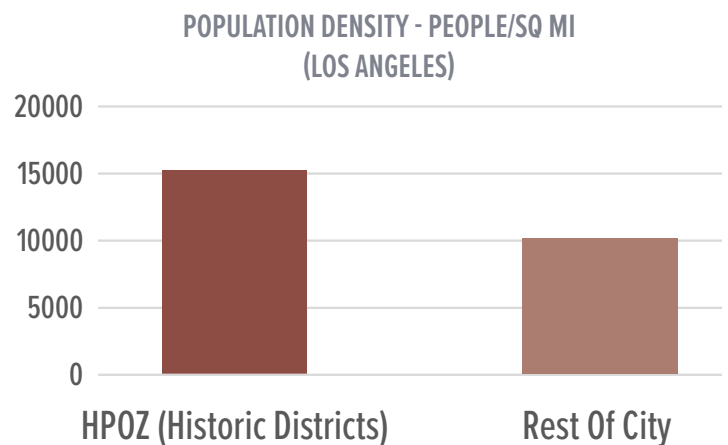
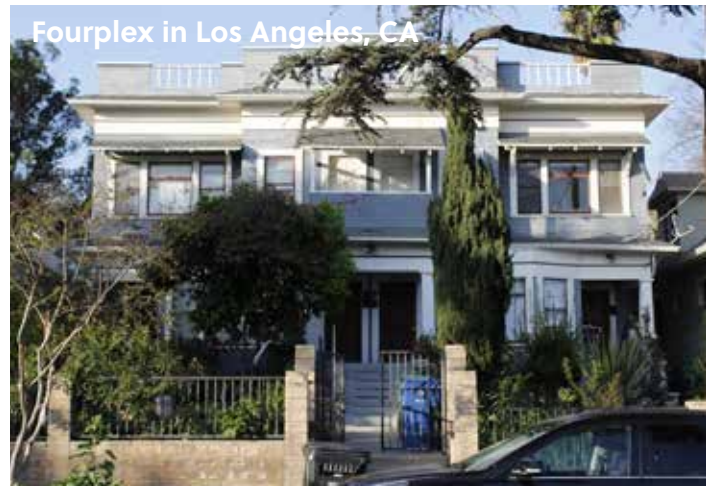
Density. The D word. Density has lots of proponents – transportation experts, infrastructure engineers, public works directors, urban planners. The argument goes like this: “We need to have density to efficiently provide public services. Everything from bus systems to school locations to fire protection to waterlines are more efficiently and cost-effectively provided if we have density.” And you know what – they are right. Cities need density. But here’s where the argument falters; density is seen as a synonym of high-rise construction. Wrong. Where is density being provided right now? In historic neighborhoods.

In **Miami-Dade County**, historic districts are some of the densest areas with population density 5 times the county as a whole and nearly 2 1/2 times the average density in the urban areas. Another argument for density is that there is much greater tax generation per acre. True, and in Miami/Dade County the historic districts represent nearly four times the assessed value per acre than the rest of the County.

A common criticism of historic preservation is that it prevents increased density, and critics claim that preservation is in opposition of new developments that would provide needed housing units. This claim is not true in **Nashville**. First, historic districts only cover 6% of the land area of Nashville, there is plenty of space elsewhere in the city beyond historic neighborhoods. Second, historic districts are disproportionately absorbing Nashville’s population growth. Third, historic districts are on average the densest parts of the city. In fact, these areas are home to 4,828 people per square mile, 1,600 more than residential neighborhoods in the rest of the city. Density is needed in Nashville and historic neighborhoods are providing it.

San Antonio is not a dense city overall, with a population of around 2,900 people per square mile. However, the average density for San Antonio historic districts is 5,369 persons per square mile. Individually almost every historic district has a density higher than the city-wide average.

But what is often missed by both proponents and opponents of density is that people will accept and even appreciate density if it is at a human scale. That’s what **Savannah’s** historic neighborhoods provide. As a whole Savannah is not a dense city, with just over 1,300 persons per square mile citywide. The local historic districts in Savannah are nearly five times as dense housing over 6,300 people per square mile. Importantly this is density



at a human scale. These are neighborhoods where people like to walk—not overpowered with 20-story condominiums—but lined with houses built in the close proximity envisioned by General James Edward Oglethorpe.

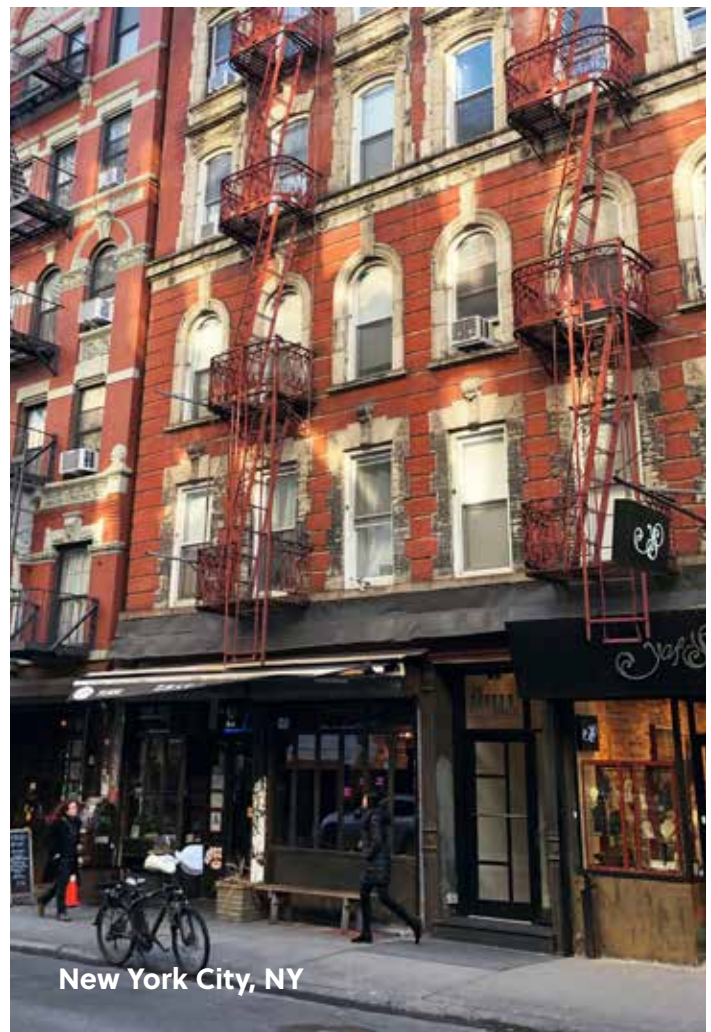
Even in a low-density city like **Los Angeles**, the local historic districts are 1 ½ time the average density as other residential neighborhoods.

The powerful and influential Real Estate Board of New York (REBNY) has made the case for weakening protections for local historic districts around four main arguments. 1) The population of **New York City** is growing. 2) The City is landlocked and so cannot grow outward. 3) Therefore, we have to grow upwards. 4) Historic districts are precluding us from building the skyscrapers that we want to build and the density the City needs. That series of posits seems very reasonable. Who could argue with that?

Preservationists both can and should and here's why. 1) Less than 5% of the developable lots in the City of New York is under the purview of the Landmarks Preservation Commission. If you can't figure out how to build your skyscrapers on the other 95% of the land, maybe you're not smart enough to be in the real estate business. 2) In every one of the five boroughs, the densest residential neighborhoods are the historic districts. 3) The density of the Census Blocks where residential highrises were built in Manhattan between 2000 and 2010, as tall as they are, still have density less than the historic districts in Manhattan. 4) Because of unit size and frequent patterns of low full-time occupancy, the density added by those skyscrapers is much less than their height would suggest.

Yes, New York City needs density, and yes, much of that needs to come from high rise development. But why does that density need to be in the 5% of the land of New York City that is already providing the highest density?

For all the whining from REBNY about the evils of historic districts, those developers certainly aren't shy about marketing what urban journalist Roberta Gratz calls their "over-the-top luxury towers catering to the foreign oligarchs or providing pied-à-terres to American one-percenters" by stressing their proximity to historic neighborhoods. Allowing them to be built in the middle of New York's historic districts would be allowing parasite buildings – using the ambiance, quality, and character of the neighborhood as the door mat for their \$6,000/square foot luxury phallic symbol.



13. Environmental Responsibility

It was Carl Elefante, immediate past president of the American Institute of Architects, who first coined the phrase, **“The greenest building is the one already built.”** This connection between the historic built environment and environmental sustainability went unrecognized by most of the environmental movement for decades, culminating in the LEED certification program which awarded more points for a single bike rack than for reusing an entire building. This myopia led to significant recent research by both academics and practitioners including, *Stewardship of the Built Environment: Sustainability, Preservation, and Reuse*, by Robert A. Young, *Building Reuse: Sustainability, Preservation, and the Value of Design* by Kathryn Rogers Merlino, *Sustainable Heritage*, by Amalia Leifeste and Barry L. Stiefel, *Sustainable Preservation: Greening Existing Buildings*, by Jean Carroon, *Green Restorations: Sustainable Building and Historic Homes*, by Aaron Lubeck and others. These published works were supplemented by the research of the Preservation Green Lab (now called the Research & Policy Lab of the National Trust). In their first major study, the Preservation Green Lab compared the environmental responsibility between appropriately retrofitting a historic building or building a new green gizmo structure. They found among other things that it takes 10 to 80 years of operating savings of a green gizmo building to recoup the negative climate change impacts of the construction. Almost every building typology in every region of the country demonstrated a better environmental outcome through adaptive reuse than with demolition and new construction.

In **Maryland**, a study by economic analyst Joseph Cronyn and environmental economist Evans Paull compared the differences in environmental impact of rehabilitating a 50,000 square foot historic industrial building to building a new structure at the edge of town. Among their findings were: a 20%-40% reduction in Vehicle Miles Traveled; reduced travel related CO2 of 92-123 metric tons; retained embodied energy of 55,000 Million BTUs; greenfield land preserved 5.2 acres; less demolition debris in landfill of 2,500 tons; \$100,000 value of natural resources saved; and infrastructure investment saved of between \$500,000 and \$800,000. Between the environmental benefits and the fiscal savings, the Sierra Club and the Tea Party ought to be holding hands in leading the preservation parade. These findings have been confirmed in city level preservation impact studies.

Mayor Bloomberg before he left office wanted to put **New York City** on a path to be the most environmentally



responsible city on the planet. Good businessman that he is, he decided that step one should be an audit of which buildings were using how much energy today. Contrary to conventional wisdom, in fact the least energy use per square foot was found in buildings constructed more than 70 years ago. For multi-family properties, a structure built since 1980 used nearly 13% more energy per square foot than did an apartment built prior to 1920. While the energy efficiency has improved for buildings constructed over the last 30 years, still an office tower built since 1980 uses 33% more energy per square foot than one built nearly a century ago.

The U.S. Green Building Council recommends that a connected development pattern has at least 140 intersections per square mile. While Nashville’s streets inside the 1963 boundary have an impressive average of 932 intersections per square mile, the historic district streets double that. The impact of shorter blocks, connectivity for transit, and traffic calming benefits are well known with more intersection density.

Apart from energy usage, the amount of waste that goes into landfills when eliminating older and historic buildings is also an important factor when evaluating environmental responsibility. To put these environmental costs in context, when a decision is made to demolish one modestly sized house in a **Raleigh** historic district, 62.5 tons of waste is generated for the landfill. That’s as much waste as one person would generate in 79.5 years. When the energy cost of razing and hauling to the landfill are added to the embodied energy already within the existing building, the demolition of a modest sized historic home in Raleigh is equivalent to throwing away 15,285 gallons of gasoline.

Nearly every 4th grader in America learns that to be environmentally responsible it’s necessary to reduce, reuse, recycle. The use of historic buildings does all of those things.

14. Smart Growth

The closest we have in the United State for a comprehensive sustainable development movement is one known as Smart Growth. And Smart Growth has a specific set of principles. They are:

- Create a range of employment opportunities.
- Mix land uses.
- Take advantage of compact building design.
- Create walkable neighborhoods and a range of housing opportunities and choices.
- Foster distinctive, attractive communities with a strong sense of place.
- Preserve open space, farmland, natural beauty, and critical environmental areas.
- Strengthen and direct development towards existing communities.
- Provide in advance a variety of transportation choices, urban and social infrastructure based on population projections.
- Make development decisions sustainable, predictable, fair, and cost effective.
- Encourage community and stakeholder collaboration in development decisions.
- Cost effectiveness in decision making.

Historic neighborhoods are the living embodiment of all ten Smart Growth principles. In fact, if a community did nothing but protect its historic neighborhoods, it will have advanced a comprehensive sustainable development agenda.

Commute time has both environmental and quality of life implications. The density and central location of **Indianapolis** historic districts have implications for the live-work balance. While the average commute in the Indianapolis is 23 minutes, nearly 35% of households in historic districts commute less than 15 minutes. This also affects the quality of life of residents, as more time spent commuting means less time spent with family, exercising, and contributing to the community.

In a 2013 report by the International Downtown Association, **Savannah's** Landmark District is considered a "high live-work" downtown with 29% of all workers also residing there. This has positive impacts not just for the worker, but for the environment, traffic congestion, businesses that serve both residents and workers, the municipal budget, and public safety issues. Density, walkability, bikeability, and live-work lifestyle are important in quality of life measurement and that is exactly what **Savannah's** historic neighborhoods provide.





Indianapolis, IN
Photo Credit: Indiana Landmarks

The use of public transit is usually a priority for both sustainability and resilience strategies. In nearly every municipality in **Miami-Dade County**, residents of local historic districts use public transit to a greater degree than do the rest of the citizens of their community. This translates into environmental savings as households in historic districts drive 2,300 miles less per year. Less miles traveled means less greenhouse gas emissions. 92% of properties in historic districts are within .25 miles of a bus route, compared to 76% in the rest of the city. 29% of residents in historic districts are within .5 miles of a hospital, compared to 10% in the rest of the city. 75% of residents in historic districts live within .5 miles of a public school, compared to 67% in the rest of the city. In Miami/Dade County, 82% of properties in historic districts are located within 1/4 mile of a park or greenspace compared to 43% of the rest of the county. The average tree canopy coverage in historic districts is over 20% as compared to just over 12% in the county overall. The historic district tree canopy contributes more than \$19 million in economic benefits.

Roughly twice the number of workers commute into **Raleigh's** historic districts than workers who live in the districts and commute elsewhere. And nearly 40% of the incoming workers travel less than 10 miles to get to their workplace in the districts, compared to only 33% in the city as a whole. People who live around historic districts are benefiting from their concentration of businesses and jobs as well.

A public commitment to identify, protect and enhance **San Antonio's** historic neighborhoods is in and of itself Smart Growth. San Antonio's historic neighborhoods should serve as the model in how to reach the vision established for environmental sustainability.

San Antonio is known for its cohesive neighborhoods with compelling and unique personalities. Modern linked mass transit, improved infrastructure and a concerted effort to preserve and maintain our historic buildings, parks and open spaces compliment smart growth patterns. The result is a livable and vibrant community that is strongly connected to its past and maintains its small town feel. The Average Transit Score for San Antonio Historic Districts is nearly twice the citywide average.

A neighborhood that adopted the Smart Growth principles should be expected to benefit from a priority on almost everyone's list – reduced commuting time. That is already happening today in historic neighborhoods in San Antonio. Over a third of historic district residents have commute times of less than 15 minutes. That compares with less than 24% of other San Antonio residents who can make the same claim.

The conclusion for this section is simple: Historic Preservation IS Smart Growth.

15. Neighborhood Level Diversity

In some places historic districts are seen as exclusively the domain of the rich and white. While throughout the country there are, indeed, some historic districts that are very wealthy, that is far from the norm. Further, at PlaceEconomics, we believe that healthy neighborhoods are those that at the neighborhood level are a reflection of the economic, racial, and ethnic diversity of the entire city. We are further convinced that economic integration at the neighborhood level ought to be a public policy goal. Where are these “mirror of the city” areas? Almost exclusively in local historic districts.

Historic districts help to achieve public policy housing goals by providing housing options for a range of household sizes and incomes, while fostering a balance of neighborhood stability and healthy change. In Raleigh housing units come in a variety of sizes. The vast majority—over 75 percent—are modestly sized, with fewer than 2,500 square feet. A diversity of housing sizes results in a diversity of housing price points for both renters and potential owners. It is this range of price options that leads to economic integration within a neighborhood.

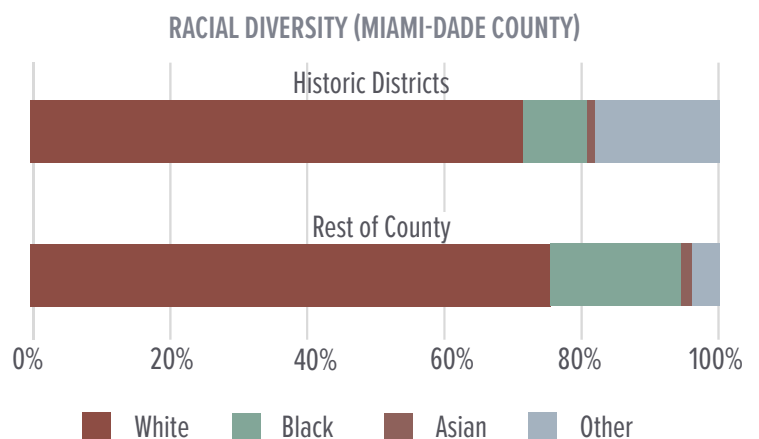
Historic districts ought to provide jobs across the demographic spectrum. When the racial makeup of workers in Pittsburgh as a whole is compared to the racial makeup of workers in historic districts, there is nearly no statistical difference. Historic districts are a virtual mirror of the city at large in terms of the race of those working there. As are the residents in Pittsburgh’s historic residential areas.

While **Miami-Dade County** as a whole is diverse, the local historic districts are particularly so. While there are differences among individual historic districts, on an aggregate basis the residents who choose to live in the county’s local historic districts are a mirror of the diversity of the county as a whole, in income, in race, and in ethnicity.

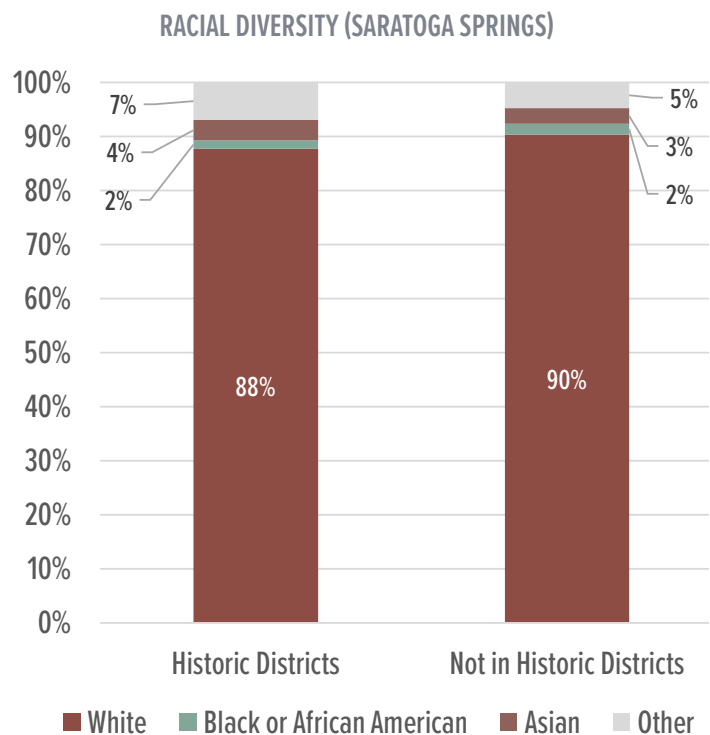
In nearly every historic neighborhood in **Nashville** there are households with very modest earnings living next to households of significant income. This is economic integration and is central to the equity goals of the city. Nashville recognizes that urban vitality is built on diversity, and it has become a basic premise of placemaking that healthy neighborhoods are neither all rich nor all poor. The historic districts in Nashville are home to households at both the bottom and the top of

the economic rungs of the city. In fact, there is almost an even distribution of households in historic districts among lower (36.1%), middle (27.3%), and upper income (36.6%) households.

In **San Antonio**, at the historic district level, neighborhoods are composed of a great diversity of incomes by household. A few – Cattleman Square and Government Hill - have a higher percentage of households making \$25,000 and under, while King William and Monte Vista have a greater share of households making more than \$150,000. Most neighborhoods are statistically near the city averages for household in each income category. Even in a perceived wealthy district like King William, the share of households earning under \$25,000 is nearly the same as the city overall. And in that district, there are more than two times as many households earning less than \$50,000 per year than those making more than \$150,000.

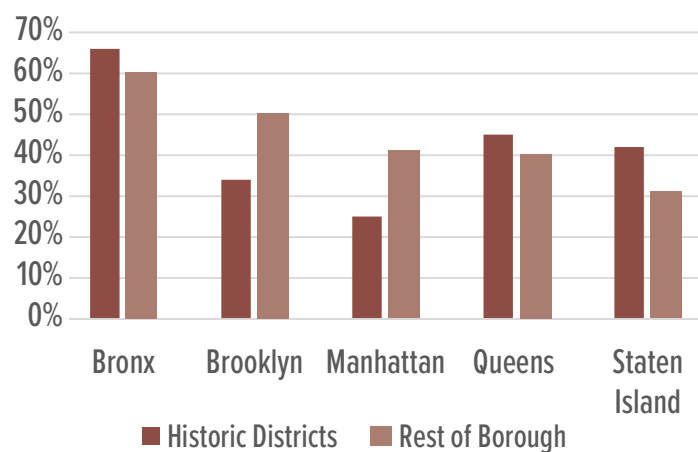


In **Saratoga Springs**, the eight historic districts are comprised of the most diverse residential populations in the city. In fact, the historic districts are home to a larger share of non-white residents than the rest of the city. While the overall population of Saratoga Springs is 90% white, the city's historic districts have greater diversity among African American, Asian, and other minority populations. Saratoga Springs historic districts help preserve the existing rental housing stock in town. As a result, many of these renters are able to call local historic districts home. Saratoga Springs' historic districts also provide a wide variety of housing sizes and models, which is another important aspect of maintaining housing. There are more housing options in historic districts than elsewhere in the city. This enables residents from a wide range of economic levels, household sizes, and age groups to live in Saratoga Springs. In fact, 40% of all apartment properties are located in historic districts —again demonstrating that historic districts, while covering only a small portion of the land area, are dense, productive, efficient and equitable.



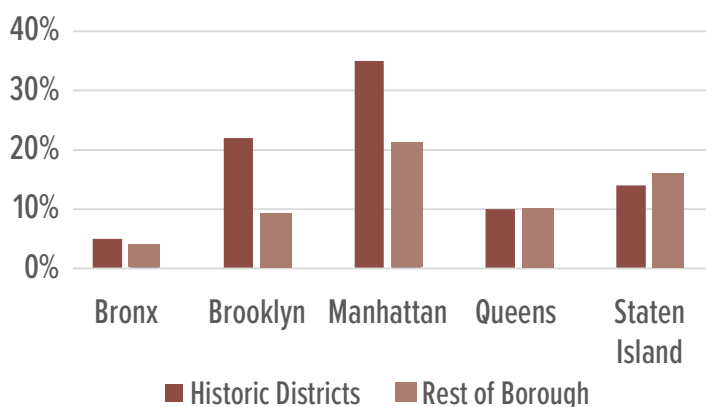
While historic districts in Manhattan are overall higher in income and lower in minority populations than the borough as a whole, in many instances the other boroughs demonstrate just the opposite. Likewise, while those households earning more than \$150,000 constitute a larger share of the population in historic districts than the borough at large in both Manhattan and Brooklyn, the other boroughs show a different reality. In the Bronx, Queens, and Staten Island, high-income households in historic districts represent virtually the same share of the population as the borough as a whole.

SHARE OF NYC HOUSEHOLDS WITH INCOME LESS THAN \$50,000



When compared citywide, **New York City's** historic districts have a larger share of the White population and a correspondingly smaller share of minority populations than the rest of the City. But, in fact, those overall numbers are skewed by patterns in Manhattan. When looked at on a borough by borough basis, the picture is much different. In the Bronx and Brooklyn, the Black population within historic districts is nearly a mirror image of the Black population in the rest of the borough. In Staten Island, historic districts have a larger share of the Black population than the rest of the borough. This trend continues with Hispanic populations as well. In both Manhattan and Brooklyn, there is a smaller share of Hispanics in historic districts than in the borough as a whole, but in the Bronx, Queens, and Staten Island, there is a higher share of Hispanic New Yorkers living in historic districts than in the rest of the borough.

SHARE OF NYC HOUSEHOLDS WITH INCOME OVER \$150,000



Neighborhoods ought to be available to a wide spectrum of a city's population, and more often than not it is the historic districts that are meeting that goal.

16. Housing Affordability

There is a housing affordability crisis in many American cities. There are even some who loudly shout that the 4 or 5% of a city's land that is protected from rampant demolition through local historic districts is the cause of the affordability challenge. That's equivalent to claiming the back-up catcher on the bench of a baseball team is responsible for a losing season. There are multiple causes for the housing affordability crisis, but two things are clear: 1) You cannot build new and rent or sell cheap, unless there are very deep subsidies or you build crap; 2) We are simultaneously tearing down what is affordable and building what is not. Keeping older housing maintained and occupied, both in historic districts and elsewhere, needs to be a central strategy for housing affordability. The chances of a dwelling unit being razed and replaced by a more affordable unit is virtually non-existent.

A change has been made in recent years as to how "affordability" is measured. For years the standard was that if a household was spending more than 30% of its income on housing, it was housing cost burdened. More recently, however, there has been a recognition that it is not just the cost of rent or a mortgage payment that should be considered when calculating affordability, but also the cost of transportation. Hence the more widely used measure today is the Housing plus Transportation cost, or H+T cost. A household is considered housing cost burdened if the combination of those two expenses exceed 50% of household income. Far from being unaffordable, historic districts are often where the marketplace is providing affordable housing, usually without subsidy or assistance of any kind.

While **Nashville** sees fewer housing cost-burdened homeowners than the country as a whole, renters do not fare as well. Nashville has approximately the same share of cost-burdened rental households as the nation overall. For both owners and renters in historic districts, however, there is a lower share who are housing cost burdened. Approximately 19% of homeowners in historic districts are cost-burdened, versus approximately 26% in the rest of the city, while approximately 35% of renters in historic districts are cost-burdened, versus approximately 48% of renters in the rest of the city.

Miami-Dade County has been identified as one of the least affordable housing markets in the nation. Three factors are at work: 1) the overall cost of living in Miami-Dade is higher than the national average; 2) the rate of increase in the cost of living is greater than the national average; 3) median household income growth is slower than the national average. All of these factors mean

that a large share of the population is Housing Cost Burdened. 40% of Miami-Dade homeowners and more than 60% of renters fall into the housing cost burdened category. For both owners and renters, however, a lesser share of those living in historic districts are housing cost burdened.

Affordability of housing is a serious issue everywhere, but the problem is somewhat less acute in historic districts. While nearly half of all Raleigh renters are cost-burdened, only 41% of renters in historic districts are cost-burdened. People who rent— by choice or necessity—are seeing housing opportunity in Raleigh's historic districts.

Pittsburgh is known for the relative affordability of its housing. Along with the educational institutions and quality of life, one of the major attractions for young people moving to and moving back to Pittsburgh is affordable housing. More recent analysis has focused, however, not just on the cost of rent or the size of a mortgage payment, but what is the economic burden of housing plus transportation. By this measure not only are the historic neighborhoods of Pittsburgh affordable, but they are more affordable than the rest of the city. While the typical household in greater Pittsburgh spends fully half of its income on housing plus transportation, in historic districts that amount is less than 43%. This means that a household with \$50,000 in income and living in a historic district has nearly \$300 per month more to spend on entertainment, savings, clothes or food than a household with the same income elsewhere in Pittsburgh.

Older housing stock needs to be recognized for its contribution to nearly every city's affordable housing. The only tool most cities have to prevent the demolition of older housing stock is historic district protection. Not only are historic districts not the cause of the lack of affordable housing, they are a significant part of the solution.



Nashville, TN

17. First Place of Return

Many cities in the United States, primarily in the northeast and Midwest, have been losing population for decades. In recent years, however, some of them have again begun to grow in population. So a question arises – when cities begin to grow after extended periods of population decline, where within the city does that growth take place? The answer – in local historic districts.

Philadelphia, America's 6th largest city, lost population for half a century. While its population peaked in 1950, Philadelphia shrank by more than 24% by 2000. Then comes the 2010 Census, and the city leadership, local newspapers, and public boosters all celebrated. "We've finally turned the corner! We gained population. It wasn't much, only 8,500 people, but at least we're growing!" Except they weren't. The historic districts grew by around 14,000 people; the rest of the city still lost population.

Washington, DC followed the same pattern. After fifty years of population decline, the city grew between 2000 and 2010, but a disproportionate share of that growth took place in Washington's historic districts. Boston turned the corner earlier. Between 1950 and 1980, the population of Boston declined by nearly 30%. But when population growth began to occur again where it took place wasn't random. While Boston's historic districts are home to just under 23% of the population, those neighborhoods accommodated 36% of the city's growth.

Pittsburgh, like many other legacy cities, has lost population in recent years. Although that process has slowed, there was still a loss of 9% of the city's population between 2000 and 2010. However, the local historic districts, when aggregated, gained 4% in population. Indianapolis fared better. Although there was a population decline between 1970 to 1980, there has been a slow but steady growth for the last half century. But what is happening now? Between 2000 and 2010, Indianapolis' Urban Compact Area saw a rapid increase in population, growing an impressive 20% over those ten years. That growth slowed between 2010 and 2015, gaining 3% in the later period. However, growth in historic districts represented 17% of the total growth. Between 2010 and 2015, the local historic districts pulled more than their weight, growing 9% compared to the 2% growth in undesignated areas.

Mayors – if your city has been losing population and you want to attract people back, don't tear down your historic neighborhoods. That will be the first place of return



Philadelphia, PA



Pittsburgh, PA

18. Attractors of Growth

But it is not just cities who have been in population decline where the historic districts are magnets for growth. It also happens in cities that have not been shrinking.

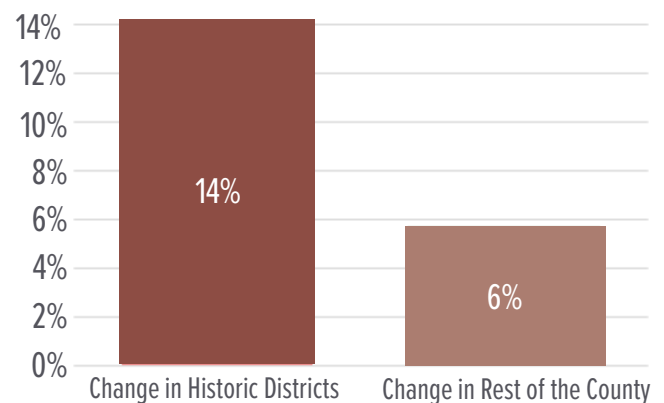
Despite making up only 6% of the land area, historic districts account for 10% of the population of **Nashville**. Population change in historic districts also outpaces that of the city as a whole. Between 2000 and 2016, the population in historic districts increased by 3.4% compared to 2.4% in the rest of the city. Between 2010 and 2016—a period of significant population increase in Nashville— historic districts accounted for 20% of the city's total population growth.

Miami-Dade County is growing in population and there have been concerns expressed about where that growth can be accommodated. While some believe that historic districts restrict growth, the evidence in Miami-Dade proves quite the opposite. Between 2010 and 2015, historic districts gained 14% in population while the rest of the county gained 6 percent. Overall historic districts accounted for 9% of total growth in the county. The appeal of historic districts is strong and these areas are attracting and accommodating a disproportionate share of the County's population growth.

Historic districts restricting growth? Nonsense; they are accommodating growth.

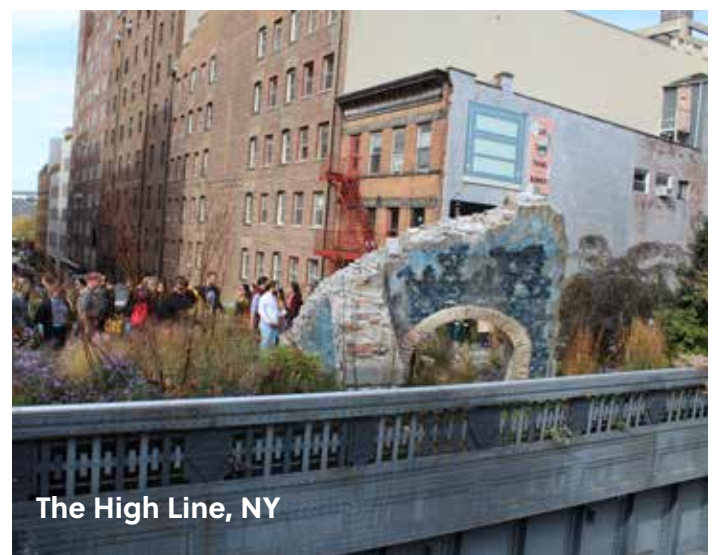


MIAMI-DADE COUNTY POPULATION GROWTH, 2010-2015



19. Allows Cities to Evolve

“Historic districts are largely frozen in time”. Anyone who writes that certainly hasn’t been to many historic district commission sessions. Historic districts are not museums. Preservationists recognize that they both will and should change over time. The purpose of historic districts is not to set an entire neighborhood in amber; and, in fact, none of them do that. Rather the purpose is to manage change over time so that the character and quality of the entire neighborhood is not diminished by out of scale and out of context changes. The demonstrated preservation premium in property values does not emerge because everyone looks forward to going in front of some goofy preservation commission. Rather the premium comes from a confidence that the lunatic across the street will not be allowed to make drastic changes to his property that will have an adverse impact on the value of my property.



Property rights zealots who think regulations are inherently bad for the economy forget the basic rule of real estate, that the three most important variables are location, location, location. What that means is that the value of an individual building does not somehow magically emerge from within the property boundaries, but from its larger context. The three variables are not roof, walls, and foundation. The value of real estate is driven by its context, and the protection of that context is the economic essence of historic districts. This is a rational economic act. Real estate is inherently a long-term investment. The value of that investment is not driven primarily by what an owner does within her property lines, but what happens to the surrounding area. The economic impact of historic districts is to provide a degree of protection to the value of what for most people is by far their biggest financial asset.

Historic districts change, and that is how it should be.

In **Nashville** in the last 5 years, historic districts have seen an average of \$62.8 million in permit investment and 373 projects per year, accounting for around 11% of investment and 14% projects citywide. Historic districts attract dollars, seeing more than \$445 million in investment since 2006. Far from being frozen in time as museums, historic districts welcome appropriate new development. Since 2006, more than 70% of investment in historic districts has been in new construction. Historic districts have become a magnet for investment in rehabilitation of existing historic buildings, as well as new construction. Over the last decade almost \$1.5 billion has been invested in buildings in San Antonio historic districts, almost 70% of which was for new construction.

Savannah is one of America's most historic cities. The protections of historic properties there are robust. But has that deterred investment? Absolutely not. Every year between 2007 and 2013 the amount invested in new construction in Savannah's historic districts was greater than the investment in rehabilitation. Over that seven-year period 53% of all investment in those districts was in new construction.

Instead of crying wolf about historic neighborhoods being frozen in place and discouraging investment, critics might take the time to look at what is actually happening there.

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20. Tax Generation

Mayors, city council members, and other local elected officials may have the toughest political jobs in America. They are responsible for sewers, schools, snow removal, public safety, potholes, light poles, parks, and a myriad of other tasks. Unlike their brothers and sisters in Washington or even state capitals, these elected public servants see their constituents every day, at the grocery store, their kid's soccer game, the hair salon, and at church or synagogue, or temple or mosque. They literally can't get away. At the same time, they are limited by what the state legislature allows them to do. And most challenging is that the local property tax is often the primary source of paying the bills for public services.

Most property tax is based on the value of the property – as its value goes up, so do property tax receipts (and, as many found out in the Great Recession, it also goes the other way).

The fiscal health of a city depends largely on the revenue it receives and the effectiveness of distributing its resources. The municipality relies on property taxes to pay for public school teachers, police, and other public services. **Indianapolis'** local historic districts contribute taxes at a rate disproportionately higher than their land area would suggest. The 4% land area contributes 15% of the total assessed value inside the Urban Compact Area and 5% of the total value of the city. On a per-square mile basis, these local historic districts are 4 times as valuable as non-designated acres inside the Urban Compact Area.

Both **Miami-Dade County** and the municipalities rely heavily on property taxes to pay for public goods and services. While local historic districts constitute just over 1% of the land area in Miami-Dade County, the cumulative assessed values in historic districts represent 5% of the total value. Furthermore, on a per acre value, historic districts have over 3.8 times more value than non-designated areas.

The primary beneficiary of the "preservation premium" is the homeowner. However, there is a public benefit as well. Local historic districts in **Saratoga Springs** represent only 6% of the land area but 14% of the assessed value of property within the city. On a cultural level, almost by definition historic districts contain buildings worth saving, but that is true from on a fiscal basis as well. From a tax revenue perspective, the historic districts disproportionately provide the needed revenue stream for the City of Saratoga Springs as well as Saratoga County and the local school districts.



Properties in historic districts average 2.5 times the assessed value per acre than the rest of the city.

The "preservation premium" from the faster rate of appreciation provides nearly \$10 million dollars each year to Chatham County, the City of **Savannah** and the school district. If properties within Savannah's historic districts had only appreciated at the rate of residential properties in the rest of the city, here would be the negative impact on the budgets of local government last year:

- School District: (\$3,602,221)
- City of Savannah: (\$3,080,286)
- Chatham County: (\$2,948,592)

It is legitimate to ask where each of those levels of government would make up the nearly \$10 million difference. Raise taxes? Cut services? Both? Keep in mind this is not all the taxes that the historic districts paid. This is only the amount in taxes attributable to the rate of appreciation greater than the rest of the city. What could be done with that much money?

- The School District could pay the salaries of 86 teachers.
- The County could pay a fourth of the total budget of the Sheriff's Office.
- The City could provide a \$200/month rental subsidy every month for 1,283 families.



Raleigh, NC (Photo Credit: Raleigh Historic Development Commission)

In **Raleigh** two neighborhoods were compared. The only criteria in choosing them were: 1) they were the same size in land area; and 2) one was a historic district and the other a newer subdivision. Here were the findings:

	Oakwood	Reedham Oaks/Wyndham
Population	1,664	507
Size (acres)	114.5	114.0
Housing Units	794	127
Average Year of Construction	1925	1992
Average Size of House (Square Feet)	2,473	3,515
Average Value	\$315,004	\$524,077
Taxes per Unit	\$2,887	\$4,805
Population per Acre	14.5	4.4
Square Feet of Road per Unit	1,045	2,209
Taxes per Acre	\$22,022	\$5,531
Water/Sewer Line Replacement Cost per Unit	\$8,881	\$24,781
Annual Property Taxes	\$2,292,278	\$610,235

Which neighborhood is the most efficient and cost-effective for Raleigh taxpayers?

4 ADDITIONAL REASONS (FOR GOOD MEASURE)

PRESERVATION AS CATALYST

The redevelopment and reuse of a historic building is often the catalyst that spurs additional investment nearby in both additional historic preservation and new construction. The area around the Sewell Cadillac Building in **New Orleans** saw virtually no investment between Katrina and 2012. Then the 50s International Style building was transformed into Rouses Market. This project catalyzed \$140 million of new construction in the following four years.

In inner-city **Baltimore** the H.F. Miller & Son Building was built to manufacture bricks. After years of vacancy it was redeveloped as Millers Court, a mixed-use housing development providing discounted rents to teachers and non-profit organizations. While the City of Baltimore continued to lose population, the area immediately around Miller Court grew by more than 10%.

HOME TO SOCIAL AND CULTURAL INSTITUTIONS

In **Nashville** 9% of non-profits are located in historic districts. 31% of historic district residents live within walking distance of a museum, compared to 19% in the rest of the city. 40% of historic district residents live within 1/2 mile of a library, compared to 24% in the rest of the city. 84% of historic district residents live within walking distance of public art, compared to 47% in the rest of the city.

The wealth of social capital located in historic districts is further reinforced through institutions that honor the

heritage of people and place and through organized events that celebrate the history and culture of its residents. 30% of nonprofits in **Indianapolis** are located in historic districts as well as 56% of museums. In **Miami/Dade County**, 15% of nonprofits and 30% of museums are located in historic districts.

In **San Antonio**, 28% of historic district residents are within a quarter mile of a public school. That is true of only 4% of the population as a whole. 3% of historic district residents are within a quarter mile of a library and nearly one in ten are that close to a college or university. Both numbers are significantly higher than for the city at large.



New Orleans, LA (Photo Credit: Tulane News)

NEIGHBORHOOD STABILITY AND COMMUNITY ENGAGEMENT

Nearly 40% of renters in **Raleigh** have lived in their historic district residence for more than a decade, moving in before 2004. Long-term residents are a strong indicator of neighborhood stability. People who have lived for years in a place often feel a heightened sense of responsibility to maintain their homes and shared community spaces. They are more likely to invest physically, monetarily, and socially in the neighborhood. Historic district homeowners stay put. Over 27% of Raleigh historic district homeowners moved into their current residence in 1989 or earlier—nearly double the citywide number of 15 percent.

An analysis of Keep **Indianapolis** Beautiful's Adopt-a-Block program revealed, of active blocks, 18% are located within historic districts.

HOUSING VACANCY

The biggest adverse impact on the value of a house is proximity to a vacant or abandon property. In **Indianapolis** the strength in the market is further reflected in the lack of neglected or abandoned properties in historic districts. Less than 2% of the city's nearly 3,000 abandoned properties inside the urban context area are located in historic districts.

Coverage of the City

So preservationists have thrown their regulatory net over nearly the entire city, stifling growth, making housing unaffordable, precluding the downtrodden real estate industry from making needed investments. Wait, really? In Indianapolis local historic districts cover 4% of the land area or 5% of the parcels within the urban context area.

Locally designated historic districts in **Miami-Dade County** represent 1.4% of the land area and 3.5% of the population.

Historic preservation and conservation overlay districts make up just 12% of parcels and 6% of the land area in **Nashville**.



Saratoga Springs has 8 local historic districts that collectively cover 6% of the land area and 9% of the properties within city limits.

Savannah's historic districts comprise 8% of the city's land area, 15% of its buildings; 16% of its population. 2.6% of the parcels and 3.4% of the total land area in the City of Los Angeles have been designated as a Historic-Cultural Monument or a Historic Preservation Overlay Zone.

And where the "too much preservation" whine is heard the loudest – **New York City** — 3.4% of New York City's total lots are under the purview of the Landmarks Preservation Commission, and that includes designated historic districts, individual landmarks, and interior landmarks. Specifically, 3.3% of the lots are within historic districts and a mere 0.1% of the lots are individual or interior landmarks. Citywide, those 3.4% of LPC-designated lots cover only 4.4% of New York City's total lot area, leaving over 95% of the land to be developed without LPC oversight.

The author of that "Historic Designations Are Ruining Cities" raised the alarm that, "In some places it's clear that historic designations have gone overboard. One analysis finds that over 19% of **Washington, DC's** properties are covered by a historic designation, compared to only about 2% in Philadelphia and Chicago." Is it remotely possible that Washington, DC, is the national capital, and that much of what is historically designated is the National Mall, the White House and Lafayette Square, the Federal Triangle, the Tidal Basin and Jefferson Memorial, St. Elizabeth's Hospital, Rock Creek Park, the Capitol, and, and, and...? No, if that were the case, surely a PhD in economics would have recognized that.

Approval Rates

"Those damn preservation commissioners, arbiters of what they think is good taste, the preservation police, all they do is tell people what they can't do."

In **Raleigh**, over a fifteen-year period, 40% of applications were approved at the staff level, 58% approved by the Raleigh Historic Development Commission, and less than 2% were denied.

In the last five years 5000 applications for Certificate of Appropriateness were filed with the **Indianapolis** Historic Preservation Commission. 60% of them were approved at the staff level; less than 1% were denied.

In **Nashville** nearly 60% of all applications are approved at the staff level. For those that appear before the Metropolitan Historic Zoning Commission less than two or three a year are denied.

In **New York City**, the Landmarks Preservation Commission reviews 12,000 to 13,000 applications annually. Nearly 95% of those applications do not require applicants to appear at the Commission's public hearings and are resolved at the staff level. Over the last fifteen years of those that went to a Commission hearing, an average of 86.7% of applications were approved, 12.9% were withdrawn or deactivated, and 3/10 of 1% or less were denied. Over the last five years more people have been struck by lightning in New York City than have had their application denied at the Landmarks Preservation Commission.



CONCLUSION

Let's be honest, we preservationists haven't done a great job of making our case for historic preservation and its contributions to active, vibrant, prosperous cities. Too often the general public only hears us rambling on about paint colors or obsessing about window replacements. We need to do better.

The good news is the facts are on our side. When the first studies of the impact of historic preservation were done twenty-five years ago, there wasn't much to measure – jobs, heritage tourism, property values, and downtown revitalization. That was about it. Today with the availability of big data, GIS, and smart young people who know how to use the technology, we've found dozens of ways historic preservation is great for cities. Every time PlaceEconomics takes on a new assignment we find more positive preservation impacts.

It's perfectly fine when we talk among ourselves to argue about cornices and gargoyles. But when we are talking to those who don't call themselves "preservationists"—when we talk to mayors and bankers and minority communities and housing advocates and real estate developers—we need to expand our vocabulary.

It is to the credit of the clients of PlaceEconomics that we've been privileged to conduct these studies. The "factoids" found in this report are only a small part of what we've been learning. But those lessons are important and need to be in the arsenal of preservationists making the case. Thank you for doing so.

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Client: Los Angeles Conservancy
Date: 2020

The New Nashville: A Study of the Impacts of Historic Preservation

Location: Nashville, TN
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Date: April 2019

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Location: Nationwide
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Stephen Skilton
Maggie Smith
Rodney Swink*
Courtney Williams

* Current employees at PlaceEconomics

**"People who alter or
destroy works of art and
our cultural heritage for
profit or as an exercise of
power are barbarians."**

George Lucas

TWENTY-FOUR REASONS

HISTORIC PRESERVATION
IS GOOD FOR YOUR
COMMUNITY



PlaceEconomics
placeeconomics.com

Date: October 18, 2023

To: Historical Resources Board & Staff

From: Diane Kane, Ph.D., AICP

Senior Planner (Retired, Historical Resources Board Staff, City of San Diego 2003-2007)

Re: Response to Independent Budget Analyst's Recommendations

Recommendation 1: *Historical preservation decisions should be made with consideration of other citywide priorities, and costs and benefits of historical preservation should be considered when making decisions affecting future development opportunities of historical resources. The Municipal Code could be revised to allow the City Council to overturn historical designation decisions on a broader basis.*

The City of San Diego has a historic preservation program because it is considered a general benefit to property owners, residents, and businesses alike. Many of these are covered in the 2020 report: *Twenty-Four Reasons Historic Preservation is Good for Your Community (Place Economics, January, 2020. <https://www.placeeconomics.com/resources/twenty-four-reasons-historic-preservation-is-good-for-your-community/>)*

A Cost/Benefit analysis is not part of the historic designation process that may only consider the value of the resource in the context of designation criteria. But, a cost/benefit analysis of historic preservation is one of several considerations required by CEQA during project review, where all CEQA-related issues are analyzed for environmental impacts. Costs and benefits can be specifically addressed during alternatives analysis, also required as part of the CEQA process.

Liberalized provisions for designation appeals would greatly impact staff workload and Council agendas. Although this consequence has not been evaluated by the Independent Budget Analyst, each appeal takes several hours of staff time and at least an hour of Council deliberation. If the intent is to streamline processing and reduce costs, this measure is counterproductive.

Recommendation 2: *A robust historical survey and historical district program should be developed to provide greater certainty to future development and help streamline permit review process.*

This has been an objective of the city's historic preservation program since its inception. In the year 2000 General Plan and Code updates, preservation was enshrined into the Planning Program through Historical surveys. These are routinely prepared as part of community plan updates to inform decision makers and property owners of potential opportunities and constraints during future development.

Robust surveys require archival research, field work, and analysis by trained professionals. These can take 3-5 years, depending upon the number of properties and depth of analysis. Public outreach and administrative approval add to this timeline. When they learn their property is potentially historic, owners can and do contest survey results. This slows survey adoption and implementation.

Survey results are only valid for 5 years due to a moving date for 45-year review and the availability of new information that can change initial assessments. This entire process moves very slowly for lack of budget support for city staff and/or professional consultants to perform

this specialized work. Several submitted district designations have been awaiting final staff processing for decades.

Recommendation 3: *A public database for potential and designated historical resources could be developed to help ensure compliance with historical resources regulations through historical resource review.*

A public database does exist for designated and resources. Supported by the California Historical Resources Information Database (CHRID), it is available on the city's website. Historic surveys are also available on the city's website.

Recommendation 4: *District specific standards consistent with the U.S. Secretary of Interior's Standards could be established to provide greater certainty and consistency to developers and property owners, and provide clear public guidance on redevelopment of historical properties.*

It is unclear whether this recommendation pertains to designation or rehabilitation standards. District designation standards are in the Municipal Code that is published on the city's website. Guidance on redevelopment is found in the Secretary of the Interior's Standards, developed by the Federal Department of the Interior and adopted by the State of California and the City of San Diego. (<https://www.nps.gov/orgs/1739/secretary-standards-treatment-historic-properties.htm>)

Flexibility is inherent in the Secretary's Standards to enable case-by-case solutions for specific property types to maintain their historic integrity and significance. Nonetheless, individualized design guidelines can be tailored for specific districts at the time of district adoption. These are often developed in concert with district property owners to achieve consensus and compliance. Several designated historic districts in San Diego have tailored design guidelines.

Recommendation 5: *The full fiscal impact and cost recoverability of the Mills Act Program, and the potential to prioritize multifamily housing for property tax benefits, should be assessed.*

Good governance dictates that the cost of all public programs be routinely analyzed for cost efficiency and effectiveness. In analyzing cost, the city's popular Mills Act program was evaluated for direct benefits to property owners by Professor Andrew Narwold. He determined that designation raised the value of the resource by 8% and the Mills Act contract by an additional 8%. He also analyzed the indirect effect historic designation on adjacent properties, whose market desirability also increased as a result of designation. He concluded each designation actually generated a 1.63% increase in property values within 500 feet of a designated property. This more than offset the cost of the Mills Act contract. This finding could be updated by current analysis by the Independent Budget Analyst. (See: Andrew Narwold, (*Historic Designation & Residential Property Values*, Andrew Narwold, Jonathan Sandy, Charles Tu and Andrew Narwold, <https://www.sohosandiego.org/resources/historicvalues.pdf>)

Andrew Narwold: *Estimating the Value of the Historical Designation Externality*, https://www.sohosandiego.org/resources/estimating_historic.pdf)

Recommendation 6: *The City's historical designation criteria should be holistically evaluated to ensure that designation criteria are written with precision and apply to properties truly worth preserving.*

Designation criteria are enshrined in the Land Development Code (Sec.123.0202), as are qualifications for appointees for the Historical Resources Board (Sec. 111.0206(b)(2). HRB staff is required to meet the Secretary of the Interior's Standards for Professional Qualifications. This enables the city to comply with the State of California criteria for Certified Local Government status (Sec. 111.0206(d)(7) of the San Diego Municipal Code). Professional staff and HRB appointees are required to have yearly training and the City must provide an annual report to the State to maintain this status.

(https://www.sandiego.gov/sites/default/files/dsdhrb_clgpannualreport.pdf)

The city's historic preservation program is regulated by the Land Development Code. Reviewing and updating this code section can be performed by HRB staff and reviewed by the Historical Resources Board with input from property owners and city residents during generally noticed public meetings.

Instructions for preparing historical reports are contained in manuals available on the city's website:

https://www.sandiego.gov/sites/default/files/dsd_hrb_designation_criteria_guidelines.pdf

<https://www.sandiego.gov/sites/default/files/legacy/planning/programs/historical/pdf/hrbreport.pdf>

HRB staff reviews submitted reports for content and accuracy according to guidelines outlined in these manuals. These can be reviewed and updated for clarity.

Recommendation 7: *The inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the City could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment.*

The most environmentally sustainable building is one that is already built. A committee to research best practices in adaptive re-use ordinances and development of such an ordinance should be a top HRB priority. The San Diego AIA Preservation Committee began this research a few years ago and is willing to assist in this effort.

In conclusion, the Independent Budget Analyst report contains little new insight or information. The City's Historic Preservation Program is well outlined in the General Plan, supported in the Municipal Code, and clarified through adopted policies and procedures. All these documents can be reviewed and updated as needed. The main issue in permit processing is lack of staff, which is controlled by the city budget, prepared by the Mayor and approved by City Council. The preservation program pertains to only 5% of the city's built inventory, of which around 1% is officially designated. Data collected by the La Jolla Historical Society over the past several years concludes the preservation program does not unduly impede permit processing. This is a classic case of mis-direction by anti-preservation activists.

NEIGHBORHOOD HISTORIC PRESERVATION COALITION

Advocating for measures that preserve our established neighborhoods and historic resources for future generations

October 25, 2023

Historical Resources Board
Attn: Board Members
202 C Street
San Diego, CA 92101

Re: Item #1 – *Report from the Office of the Independent Budget Analyst*, October 26, 2023, HRB Agenda

Dear Board Members,

The following is a preliminary response to the July 18, 2023, Office of the Independent Budget Analyst Report, “Response to Request for Analysis of Potential and Designated Historical Resource Review,” (hereinafter, IBA report).

BACKGROUND

In February 2023, City Council President Sean Elo-Rivera submitted an analysis request to the city’s Independent Budget Analyst seeking a “comprehensive analysis of the City’s potential and designated historical resource review processes as they relate to construction permitting” to better understand the impacts of the historical review process. The motivating priority underlying this request was an objective “to get homes approved and built faster and more affordably” and a belief that the “historic resource review process is reportedly a major bottleneck in the construction permitting process, and creates uncertainty, requires significant City staff time to complete, and ultimately delays the creation of new homes, which drives up the cost of housing.”¹

The Office of the Independent Budget Analyst completed the requested report in July 2023. The IBA report concluded that, based on city staff’s time spent reviewing projects, the historical resource permit review process **did not** delay development projects.² While the belief that the historic review process was a “major bottleneck” and increased housing costs was unfounded, the IBA report nonetheless determined that the process may result in “uncertainty for development projects or conflict with other city priorities.”³ The IBA report offered seven recommendations intended to remedy these supposed flaws in the historic review process.

¹ Memorandum of City Council President Elo-Rivera, February 13, 2023.

² IBA report, pp. 11, 13.

³ IBA report, p. 14.

Golden Hill & South Park
Historical Society

Heart of Kensington

Historic Kensington

La Jolla Historical Society

Mission Hills Heritage

North Park Historical Society

Ocean Beach Historical
Society

San Diego LGBTQ Historic
Sites Project

Save Our Heritage
Organisation

Talmadge Historical Society

University Heights Historical
Society

GENERAL DEFICIENCIES

To effectively evaluate the IBA report, and before considering the individual recommendations, it is useful to acknowledge some general shortcomings of the report:

1. The IBA report presumes that the historic review process conflicts with city priorities, like the creation of more affordable housing, to justify revisions to historic preservation laws. However, the report fails to provide any quantitative or qualitative data supporting that the historic review process impedes the creation of affordable housing or that destruction of existing housing stock (including historic and potentially historic structures) produces more affordable housing. In short, the IBA report's assumption that historic preservation conflicts with city priorities is unsubstantiated. In the absence of any rigorous studies supporting that historic preservation conflicts with city goals, the need for the recommended revisions falls apart.
2. Totally absent from the IBA report is any recognition, or study of the effect, of past building trends that have, in fact, exacerbated San Diego's alleged housing crisis. Over the years, there has been a loss of historic buildings through the demolition of single occupancy units (SRO) and other older unit types replaced by multi-unit market rate housing. Market-rate high-cost units expanded the number of units but have left the city with drastically fewer affordable options.⁴ Given this evidence, it is beyond a doubt that the proposed recommendations, i.e., amending laws related to historic preservation, will not remedy the affordable housing crisis. Yet, the IBA assumes such revisions are a solution to the housing problem.
3. The IBA report only notes some of the benefits of historic preservation. Failure to consider the full panoply of benefits stemming from historic preservation deprives board members from comprehensively understanding the effect of the proposed recommendations. Relative to economic growth, for example, the IBA report only references heritage tourism. Totally absent from the report is any recognition of data supporting that local historic districts provide strong economic value to communities by attracting not only residents, but restaurants, nightlife, specialty retail, and other small businesses. Studies show that these areas incubate and sustain the local economy in ways that newer areas or poorly planned areas do not⁵ and also that historic designations generally raise surrounding property values.⁶ This concentration of economic activity and growth within historic areas undoubtedly has an overall positive impact on the City's sales and property tax revenues. In short, the macroeconomics of preservation programs must be accounted for to support sound policy decisions.

⁴ "Development across downtown in recent decades has shrunk the number of remaining SRO units in the city from roughly 14,000 in the 1980s to less than 3,000 today." See Garrik, *Mayor pitches major changes for housing*, San Diego Union Tribune (May 17, 2023).

⁵ See National Trust for Historic Preservation, *Older, Smaller, Better: Measuring How the Character of Buildings and Blocks Influences Urban Vitality* (May 2014) <https://cdn.savingplaces.org/2023/07/14/14/23/09/514/NTHP_PGL_OlderSmallerBetter_ReportOnly.pdf>; Place Economics, *Twenty-Four Reasons Historic Preservation is Good for Your Community* (January 2020) <<https://www.placeeconomics.com/wp-content/uploads/2020/01/City-Studies-WP-Online-Doc.pdf>>.

⁶ Narwold, *Estimating the Value of the Historical Designation Externality*, available at https://www.sohosandiego.org/resources/estimating_historic.pdf

THE RECOMMENDATIONS

Some of the IBA report's recommendations should be outright rejected or, at the very least, viewed with a heavy skepticism. The remainder of this letter responds to the IBA report's recommendations.

Recommendation 1: Historical preservation decisions should be made with consideration of other citywide priorities, and costs and benefits of historical preservation should be assessed when making decisions affecting future development opportunities of historical resources to ensure preservation goals are balanced with other City priorities. The Municipal Code could be revised to allow the City Council to overturn historical designation decisions on a broader basis.

This recommendation should be rejected.

Considering first, the proposal that city priorities and costs/benefits analysis become part of the historic review process, this recommendation wrongly suggests that these considerations are not part of the process. Only one to two development projects per year (or less than 1%) are affected by historic designation. In these instances, once the building has been designated historic and a project is proposed, the matter is forwarded to HRB assistance where re-use or demolition is considered. In this context, costs and benefits and city priorities are considered.

Next, the IBA report has not provided any quantitative data or qualitative studies that the historic review process thwarts city priorities, which would necessitate the proposed amendment. Less than 5% of the city's building stock is historical or potentially historical and less than 1% would qualify for designation. Further, the fact that historic designation affects less than 1% of development projects per year negates any contention that the historic preservation process impacts city priorities in any meaningful way.

Relatedly, considerations of other priorities or costs/benefits analysis are not relevant to determining whether a property is historic. The deliberation whether a property is historic is "siloed" for good reason: Introducing concepts like the costs and benefits of future development or other city priorities into the determination injects politics into the process. The end result would be to create more uncertainty in the historic review process as political whims change over time. Of note, the IBA report does not reference any other jurisdiction that considers other priorities, like future use, or applies a cost-benefit analysis, in determining whether a property is historic. Adoption of this recommendation would not only inject uncertainty into the process, but also make San Diego an outlier.

Turning to the recommendation that City Council be empowered to overturn a designation on broader bases than those currently allowed in the municipal code, this proposal is simply bad policy. To the extent the report suggests that other city priorities or costs and benefits should be considered on appeal, allowing this broader review injects politics into the process, reduces certainty in decision making, and hands broad authority to councilmembers. With due respect, councilmembers are ill-equipped for the job: councilmembers are non-experts on issues of historical structures, with little time to devote to understanding preservation programs. Moreover, liberalizing the provisions for designation appeals could result in more appeals and increase staff workloads, resulting in a less streamlined process. City council's standard of review should be retained because it ensures certainty in the review process.

Recommendation 2: A robust historical survey and historical district program should be developed to provide greater certainty to future development and help streamline permit review process.

Recommendation 3: A public database for potential and designated historical resources should be developed to help ensure compliance with historical resources regulations through historical resource review.

Recommendation 4: District specific standards consistent with the U.S. Secretary of Interior's Standards could be established to provide greater certainty and consistency to developers and property owners and provide clear public guidance on redevelopment of historical properties.

These recommendations should be adopted.

A robust, city-wide historical survey and historical district program would provide certainty to homeowners, developers, and preservationists and, overtime, would reduce staff workloads in the evaluation and permitting processes.

Further, because existing city databases are poorly designed and not easily queried to determine the historic potential of a given property, the creation of a public database that will display potential and designated historical resources, including designated historical districts and surveys that the preservation community has conducted, will add certainty and efficiency to both project review and rehabilitation/maintenance of historic and potentially historic resources.

Likewise, the development of district specific standards consistent with the U.S. Secretary of the Interior's Standards will give developers guidance on how to create compatible new developments in neighborhoods where they have not built before. This recommendation is in-line with state laws governing infill in residential housing, such as SB9 and SB10 that have included allowances for objective design standards.

Recommendation 5: Update the Mills Act to require an annual update to City Council accounting for revenue loss from Mills Act contracts to allow for proper fiscal oversight of the program and possibly establish an annual cap for revenue loss incurred by the General Fund.

This recommendation should be amended to account for the economic gains generated by historic properties and historic districts.

This recommendation completely fails to account for the larger economic context in which the Mills Act operates and only accounts for reductions in revenue due to Mills Act contracts. To determine the true impact of the Mills Act, the larger context of increased economic activity and tax revenues generated by maintenance and adaptive re-use of historic properties and historic districts must be considered. Studies demonstrate that historic designation of properties raises surrounding property values, increasing overall tax revenues; historic districts attract more residents, tourists, and businesses

that generate more property and sales tax revenues than newer areas or areas with poor city planning; and, re-use generates more economic growth, which again increases overall tax revenues.⁷ The reallocation of funds by Mills Act participants must also be accounted for: Expenditures dedicated to property maintenance circulate through the economy, benefiting local businesses and flowing back to the city in the form of tax revenues.

Ultimately, eliminating or reducing Mills Act contracts could have the perverse effect of reducing tax revenues over time as fewer people or developers will see the value in maintaining historic structures, thereby eroding the historic areas of San Diego that attract people and cultivate economic growth. Considering the alleged tax reduction related to the Mills Act in isolation will not produce a sound policy decision.

Recommendation 6: The city’s historical designation criteria should be holistically evaluated to ensure that designation criteria are written with precision and apply to properties truly worth preserving; a “higher designation standard” is suggested so that only properties “truly worth preserving” are designated.

This recommendation should be rejected.

This recommendation is without legal or factual support. First, the report concedes that the city’s criteria are not significantly different from those of other jurisdictions. Indeed, a comparison of San Diego’s local designation criteria with that of the California and National Register historical resources criteria, shows that the city’s criteria largely mirror the criteria required at the state and federal level. Tellingly, the report fails to provide any evidence supporting that the city’s criteria as written are overly broad or vague. For example, there is no citation to any legal authority striking down designation-criteria language similar to the city’s designation criteria.

Second, the report only analyzes criterion A as allegedly too subjective, purportedly allowing for properties to be designated under criterion A when they are not, in fact, historic. Yet, the report provides no examples, or data, supporting this outcome under criterion A or any other criteria. Further, the Board should also be aware that the IBA Report incorrectly reports that criterion A is unique to San Diego, when in fact, the City of Redondo Beach’s ordinance contains substantially the same language.⁸ Moreover, to the extent criterion A is more expansive and diverges from that of the California and National Register criteria, it should be noted that cities are granted broad authority to protect historical resources under state law⁹ and, consistent with principles of federal supremacy, local criteria are encouraged to be more inclusive, but cannot be more restrictive than federal criteria.

⁷ See Narwold, *Older, Smarter, Better*, and *Estimating the Value*, *supra* notes 5 & 6. Also, 78% of U.S. leisure travelers engage in cultural-heritage tourism and spend nearly \$400 more on average than non-heritage tourists. See National Trust for Historic Preservation, *10 Benefits of Establishing a Local Historic District*, <<https://savingplaces.org/stories/10-on-tuesday-10-benefits-of-establishing-a-local-historic-district>>.

⁸ The City of Redondo Beach’s criterion A provides, “It exemplifies or reflects special elements of the City’s cultural, social, economic, political, aesthetic, engineering, or architectural history.” RDCMC 10-4.201(a)

⁹ California Government Code Section 25373(b) authorizes local governments to protect historical resources.

While it is certainly important that clear criteria are crucial to a successful preservation ordinance, the current language meets this standard and is not so vague or broad as to provide no basis to support a decision. In fact, California courts permit a certain amount of vagueness within local ordinances. *Novi v City of Pacifica*, 169 Cal App 3d 678 (1985).

Because the IBA Report's criticisms are legally and factually baseless, this recommendation appears to be motivated by an unfounded fear that properties that are not historic are being designated historic. A recommendation based on such speculation should be rejected.

Recommendation 7: The inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the city could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment.

This recommendation should be adopted.

An adaptive reuse ordinance should be adopted to facilitate rehabilitation of historic properties to provide affordable housing. Such a program could allow for an expedited permitting process and allow developers to take advantage of various tax programs.

CONCLUSION

Recommendations 1, 5, and 6 of the IBA report suffer from serious flaws. Most glaringly, none of these recommendations are supported by any type of quantitative data or qualitative studies, such as surveys, questionnaires, or case studies. Absent evidence supporting the alleged problems with the historic preservation process that these recommendations are intended to remedy, the recommendations are neither justified nor necessary. Moreover, the IBA report makes no attempt to account for any of the detrimental policy effects of these recommendations, by providing any mitigations or some type of safeguard measures. Given that the IBA report did little to study the economic costs and benefits of the city's preservation program, recommendations 1, 5, and 6 appear to be nothing other than a bald power-grab in favor of developers and must be rejected.

Benefits of Historic Preservation

POINTS to use, you may copy and paste any of these points or craft your own statement. Included here for your use are both direct responses to IBA recommendations and areas in which the IBA Report is deficient.

- Architecture is our most public art, and preservation enhances the public environment to be enjoyed by all residents. Preservation through adaptive reuse also naturally adheres to San Diego's General Plan's Urban Design Element principles.
- Preservation work improves the ratio of labor to materials, with higher labor rates than new construction. This is a win-win from the standpoint of minimizing the environmental impact of housing and benefiting small construction and home repair businesses. Unlike other cities in southern California, such as Pasadena and Santa Barbara, San Diego has not taken advantage of its historic assets in promoting architectural tourism.
- An important benefit that wasn't mentioned in the IBA Report is that as naturally occurring affordable housing (NOAH), existing historic homes provide affordability to new homebuyers by maintaining inventory of smaller starter homes and reducing property taxes through the Mills Act. Together these provide lower total monthly housing expenses for homeowners.
- The IBA Report fails to acknowledge data supporting that local historic districts provide strong economic value to communities by attracting not only residents, but restaurants, nightlife, specialty retail, and other small businesses. These areas incubate and sustain the local economy in ways that newer areas or poorly planned areas do not, which undoubtedly has a positive impact on the City's tax revenues.

Of the seven recommendations from the IBA Report, we agree with four of them, numbers 2, 3, 4, and 7. The three we do not agree with, numbers 1, 5, and 6, represent serious threats against San Diego's historic resources. These recommendations are repeated below along with the preservation community responses.

IBA Recommendation 1: Historical preservation decisions should be made with consideration of other citywide priorities, and costs and benefits of historical preservation should be considered when making decisions affecting future development opportunities of historical resources. The San Diego Municipal Code (SDMC) could be revised to allow the City Council to overturn historical designation decisions on a broader basis.

- Recommendation 1 conflates the designation of a historic resource with the decision of how the property should be used going forward (including preservation, adaptive reuse, relocation, or demolition). Because historic designation is separate from the land use decision, determination of whether a building is historic is based solely on the criteria for historic designation and should not factor in proposed future use.
- Recent community plan updates and other citywide zoning changes have not been accompanied by any proof that destruction of existing housing stock, particularly smaller homes combined with tax relief provided by the Mills Act, produces more affordable housing.

- Considerations of other priorities or cost benefits analysis are not relevant to determining whether a property is historic. The deliberation whether a property is historic is “siloed” for good reason: Introducing concepts like future development or other priorities into the determination injects politics into the process and creates more uncertainty as political whims change over time.
- The IBA Report does not identify how the SDMC should be revised to allow City Council to overturn a designation on bases other than those currently listed. The report suggests that considerations of other priorities or costs and benefits should be considered on appeal. We disagree, allowing this type of review injects politics into the process, reduces certainty in decision making, and hands broad authority to councilmembers who are non-experts on issues of historical structures with little time to devote to understanding preservation programs.
- If the intent is to streamline processing and reduce costs, this measure is counterproductive.

IBA Recommendation 2: A robust historical survey and historical district program should be developed to provide greater certainty to future development and help streamline permit review process.

- We agree with recommendation 2, which would provide certainty to both developers and preservationists, as well as reduce staff workloads in the evaluation and permitting processes.
- A robust historical survey and historical district program would provide certainty to both developers and preservationists, as well as reduce staff workloads in the evaluation and permitting processes.
- If L.A. can survey all of its potential resources, which they did it in a short time, then surely San Diego, a much smaller area, can do the same.
- It is important to maintain perspective. It is estimated that less than 5% of lots in San Diego have resources that are potentially historic. Less than 1% would qualify for historic designation under San Diego’s existing strict guidelines.

Recommendation 3: A public database for potential and designated historical resources could be developed to help ensure compliance with historical resources regulations through historical resource review.

- We agree with recommendation 3, which is complementary to the previous recommendation 2. Existing city databases are poorly designed and not easily queried to determine the historic potential for a given property.
- Further, the city’s databases do not capture all the information for potential historic resources, particularly surveys that have been conducted by the preservation community.

IBA Recommendation 4: District specific standards consistent with the U.S. Secretary of Interior’s Standards could be established to provide greater certainty and consistency to developers and property owners and provide clear public guidance on redevelopment of historical properties.

- We support recommendation 4. Design standards give developers guidance on how to create compatible new developments in neighborhoods where they haven't built before.
- Design standards are not just a key mechanism of managing change in historic districts, they provide benefits to all San Diego neighborhoods. This is why state laws governing infill residential housing, including ADUs, SB 9, and SB 10, have all included allowances for objective design standards. For example, the example of Sacramento cited in the IBA Report has been carried through to their proposed implementation of Missing Middle Housing. Properly implemented, design standards streamline projects and even reduce development costs.

IBA Recommendation 5: The full fiscal impact and cost recoverability of the Mills Act Program, and the potential to prioritize multifamily housing for property tax benefits, should be assessed.

- We agree that an objective examination of the Mills Act needs to go beyond the consideration of tax revenue and consider how the Mills Act can enable home ownership for first time homeowners.
- The Mills Act is San Diego's sole incentive that makes existing housing more affordable for middle- and low-income families. The city should be considering ways to expand historic districts to include communities that have previously been underrepresented in historic preservation.
- It is also important to not exaggerate the purported losses to the city. Despite concerns that led to the implementation of a yearly cap on new Mills Act designations, the yearly cap has never been breached.
- The reduction of tax revenues due to the Mills Act must be considered in the larger context of increased tax revenues generated by maintenance and adaptive re-use of historic properties and historic districts. Historic designation of properties raises surrounding property values; historic districts attract more residents, tourists, and businesses that generate more tax revenues than newer areas or areas with poor city planning; re-use generates more economic growth, which again increases tax revenues. Eliminating or reducing the incentive for maintaining historic properties (the Mills Act) could have the perverse effect of reducing tax revenues over time, as fewer people or developers will see the value in maintaining historic structures thereby eroding the historic areas of San Diego that cultivate economic growth.
- Good governance dictates that the cost of all public programs be routinely analyzed for cost efficiency and effectiveness. In analyzing cost, the city's popular Mills Act popular program was evaluated for direct benefits to property owners by Professor Andrew Narwold. He determined that designation raised the value of the resource by 8% and the Mills Act contract by an additional 8%. He also analyzed the indirect effect historic designation has on adjacent properties, whose market desirability also increased as a result of designation. He concluded each designation actually generated a 1.63% increase in property values within 500 feet of a designated property. This more than offset the cost of the Mills Act contract. This finding could be updated by current analysis by the Independent Budget Analyst.

See the Narwold reports

- Estimating the Value of the Historical Designation Externality
https://www.sohosandiego.org/resources/estimating_historic.pdf
- Historic Designation and Residential Property Values
<https://www.sohosandiego.org/resources/historicvalues.pdf>

IBA Recommendation 6: The City’s historical designation criteria should be holistically evaluated to ensure that designation criteria are written with precision and apply to properties truly worth preserving.

- Recommendation 6 would restrict historic designation. San Diego’s discretion to define historic designation criteria is limited. In particular, the city can provide more liberal criteria than state and national programs, but it cannot be more restrictive. As a result, the city could modify designation under Criterion A, but would be limited in the changes that it could make to other criteria.
- Historic preservation is also subject to CEQA, and the city cannot ignore the established criteria of the California Register standards without inviting litigation.
- The IBA Report recommends a “higher designation standard” so that only properties “truly worth preserving” are designated and recommends that the criteria be reassessed and re-written with precision. This recommendation would be without legal or factual support.
- First, the report acknowledges that the City’s criteria are not significantly different from those of other jurisdictions and fails to provide any evidence supporting that these criteria as written are overly broad or vague, such as legally binding precedent striking down similar language. Second, the report only analyzes criterion A as allegedly too subjective, allowing for properties to be designated under criterion A when they are not in fact historic. Yet, the report provides no examples of this outcome.
- The IBA Report incorrectly reports that criterion A is unique to San Diego, when in fact, the City of Redondo Beach’s ordinance contains substantially the same language: See RDCMC 10-4.201(a) (“It exemplifies or reflects special elements of the City’s cultural, social, economic, political, aesthetic, engineering, or architectural history.”)
- While it is certainly important that clear criteria are crucial to a successful preservation ordinance, the current language meets this standard and is not so vague or broad as to provide no basis to support a decision. In fact, California courts permit a certain amount of vagueness within local ordinances. *Novi v City of Pacifica*, 169 Cal App 3d 678 (1985).
- The IBA Report’s criticisms are legally and factually baseless and, thus, the recommendation appears to be motivated by a fear that properties that are not historic are being designated historic. A recommendation based on fear should be rejected. However, if any modifications are made, they should adhere to those designation criteria for the California Register of Historical Places or the National Register of Historic Places because those criteria are considered in CEQA and Section 106 evaluations.]

IBA Recommendation 7: The inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the City could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment.

We wholeheartedly agree with Recommendation 7, that the inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the city could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment which can also be applied outside of historic districts.

- Adaptive reuse reduces demolition waste. The most environmentally sustainable building is one that is already built. Researching best practices in adaptive re-use ordinances and development of such an ordinance should be a priority for the city.
- Adaptive reuse is a natural mechanism for creating compatible infill development and should be leveraged as a mechanism for form-based code, as is being done in the example of Sacramento cited in the IBA Report.
- The City should be directed to model our re-use ordinance on the Los Angeles ordinance. See *Untapped Potential: Strategies for Revitalization and Reuse*, Oct 2017, National Trust for Historic Preservation, <https://www.sohosandiego.org/images/untappedpotentialgreenlabuli.pdf>
- Note that a new state law, SB 451, provides a statewide tax credit for historic rehabilitation, available to both developers and owner-occupied single-family residences—which will create jobs, enhances tax revenues, increases local revenues through increased property values, sales tax, and heritage tourism. See *CA Historic Rehabilitation Tax Credit*, LA Conservancy, <https://www.sohosandiego.org/images/nthp862023affhousingclimatef.pdf>



University Heights Historical Society

October 25, 2023

City of San Diego
Historical Resources Board
202 C Street, San Diego, CA 92101

RE: Meeting date 10/26/23, Agenda item 1, Report from the Office of the Independent Budget Analyst

Dear Chair and Members of the Board:

On behalf of the University Heights Historical Society, we agree with the analysis of the Neighborhood Historic Preservation Coalition (NHPC).

Specifically, we oppose Recommendations 1, 5, and 6, which are flawed and short-sighted and represent serious threats to San Diego's current and future historic sites. We support Recommendations 2, 3, 4, and 7, which will provide more certainty to homeowners, developers, and preservationists, and expand opportunities for affordable home ownership to first time homebuyers.

Recommendation 7 regarding adaptive reuse of historical resources, has been long overlooked by the City as a tool to preserve the supply of Naturally Occurring Affordable Housing (NOAH). As stated in the ["2020 Report of the San Diego Housing Commission on Preserving Affordable Housing in the City of San Diego"](#), *"San Diego cannot solely rely on new construction of housing units to mitigate the housing affordability crisis the City faces; this necessitates a robust preservation strategy."*

We wholeheartedly support the Housing Commission Report recommendation to *"Provide developer incentives for preservation and adaptive reuse of homes and properties in older neighborhoods where so much "Naturally Occurring Affordable Housing" (NOAH) already exists."*

We also support the NHPC recommendation to adopt an adaptive reuse ordinance *"to facilitate rehabilitation of historic properties to provide affordable housing. Such a program could allow for an expedited permitting process and allow developers to take advantage of various tax programs."*

The National Trust for Historic Preservation describes five case studies featuring best practices for adaptive reuse in its 2017 Report, ["Untapped Potential: Strategies for Revitalization and Reuse."](#) One of these case studies describes the Adaptive Reuse Ordinance adopted by the City of Los Angeles in 1999. This ordinance has helped to facilitate conversion of many historic and underutilized buildings, resulting in more than 14,000 new housing units.

Adaptive reuse of older properties is well documented as an effective tool to preserve Naturally Occurring Affordable Housing. We applaud the IBA and the Housing Commission for recognizing its importance and urge the Historical Resources Board to recommend codifying its use.

Sincerely,

A handwritten signature in cursive script that reads "Kristin Harms".



**University Heights
Historical Society**

Kristin Harms, President

10/25/2023

To City of San Diego Staff and the Historic Resource Board:

I am a licensed architect who has contributed to 39 historic designation reports that have, or are in the queue to, come before the City of San Diego Historic Resources Board. As such I am distressed with some of the content of the Independent Budget Analyst (IBA) report. The IBA report found that the city's preservation program does *not* unduly impede permit processing, but nonetheless made recommendations to weaken the city's historic resources ordinance.

Of the seven recommendations from the IBA Report, numbers 1, 5, and 6, represent serious threats against San Diego's historic resources.

IBA Recommendation 1 conflates the designation of a historic resource with the decision of how the property should be used going forward (including preservation, adaptive reuse, relocation, or demolition). Because historic designation is separate from the land use decision, determination of whether a building is historic is based solely on the criteria for historic designation and should not factor in proposed future use. Beyond that, it has not been proven that destruction of existing housing stock, which is *THE ONLY ACTUAL FORM OF AFFORDABLE HOUSING THAT WILL EVER EXIST*, produces more affordable housing (hint: it never will because it is not economically possible to affordably build new, those days are GONE).

Considerations of other priorities or cost benefits analysis are not relevant to determining whether a property is historic. The deliberation whether a property is historic is "siloeed" for good reason: Introducing concepts like future development or other priorities into the determination injects politics into the process and creates more uncertainty as political whims change over time. The IBA Report does not identify how the SDMC should be revised to allow City Council to overturn a designation on bases other than those currently listed. The report suggests that considerations of other priorities or costs and benefits should be considered on appeal. We disagree, allowing this type of review injects politics into the process, reduces certainty in decision making, and hands broad authority to councilmembers who are non-experts on issues of historical structures with little time to devote to understanding preservation programs.

If the intent is to streamline processing and reduce costs, this measure is counterproductive.

IBA Recommendation 5 ignores that The Mills Act is San Diego's sole incentive that makes existing housing more affordable for middle- and low-income families. The city should be considering ways to expand historic districts to include communities that have previously been underrepresented in historic preservation. It is also important to not exaggerate the purported losses to the city. Despite concerns that led to the implementation of a yearly cap on new Mills Act designations, the yearly cap has never been breached.

The reduction of tax revenues due to the Mills Act must be considered in the larger context of increased tax revenues generated by maintenance and adaptive re-use of historic properties and historic districts. Historic designation of properties raises surrounding property values; historic districts attract more residents, tourists, and businesses that generate more tax revenues than newer areas or areas with poor city planning; re-use generates more economic growth, which again increases tax revenues. Eliminating or reducing the incentive for maintaining historic properties (the Mills Act) could have the perverse effect of reducing tax revenues over time, as fewer people or developers will see the value in maintaining historic structures thereby eroding the historic areas of San Diego that cultivate economic growth.

Good governance dictates that the cost of all public programs be routinely analyzed for cost efficiency and effectiveness. In analyzing cost, the city's popular Mills Act program was evaluated for direct benefits to property owners by Professor Andrew Narwold. He determined that designation raised the value of the resource

by 8% and the Mills Act contract by an additional 8%. He also analyzed the indirect effect historic designation has on adjacent properties, whose market desirability also increased as a result of designation. He concluded each designation actually generated a 1.63% increase in property values within 500 feet of a designated property. This more than offset the cost of the Mills Act contract. This finding could be updated by current analysis by the Independent Budget Analyst.

IBA Recommendation 6 would restrict historic designation. San Diego's discretion to define historic designation criteria is limited. In particular, the city can provide more liberal criteria than state and national programs, but it **cannot** be more restrictive. As a result, the city could modify designation under Criterion A, but would be limited in the changes that it could make to other criteria. Historic preservation is also subject to CEQA, and the city cannot ignore the established criteria of the California Register standards without inviting litigation. The IBA Report recommends a "higher designation standard" so that only properties "truly worth preserving" are designated and recommends that the criteria be reassessed and re-written with precision. This recommendation would be without legal or factual support.

It is important to note the report acknowledges that the City's criteria are not significantly different from those of other jurisdictions but fails to provide any evidence supporting that these criteria as written are overly broad or vague, such as legally binding precedent striking down similar language. Second, the report only analyzes criterion A as allegedly too subjective, allowing for properties to be designated under criterion A when they are not in fact historic. Yet, the report provides no examples of this outcome. The IBA Report incorrectly reports that criterion A is unique to San Diego, when in fact, the City of Redondo Beach's ordinance contains substantially the same language: See RDCMC 10-4.201(a) ("It exemplifies or reflects special elements of the City's cultural, social, economic, political, aesthetic, engineering, or architectural history.") While it is certainly important that clear criteria are crucial to a successful preservation ordinance, the current language meets this standard and is not so vague or broad as to provide no basis to support a decision. In fact, California courts permit a certain amount of vagueness within local ordinances. *Novi v City of Pacifica*, 169 Cal App 3d 678 (1985).

The IBA Report's criticisms are legally and factually baseless and, thus, the recommendation appears to be motivated by a fear that properties that are not historic are being designated historic. A recommendation based on fear **should be rejected**. However, if any modifications are made, they should adhere to those designation criteria for the California Register of Historical Places or the National Register of Historic Places because those criteria are considered in CEQA and Section 106 evaluations.]

IBA Recommendation 7 should be supported in its entirety. The inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the city could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment which can also be applied outside of historic districts. The City should also be more friendly toward reusing existing single family structures. Property owner's who would otherwise like to respect their property but make some modifications that absolutely would comply with the Secretary of the Interior's Standards are routinely thwarted because the City refuses to see the shades of gray that are built into those standards.

It is absolutely essential to understand that the City cannot push sustainability while simultaneously allowing destruction of existing structures. The two things are inherently at odds. Adaptive reuse reduces demolition waste and protects the embodied carbon that has already been spent on that building (Embodied carbon is defined as the sum of all the carbon emissions required to produce any goods or services, considered as if that energy was incorporated or 'embodied' in the product itself). No matter how poorly performing a building is, its embodied carbon puts it ahead of the newest, most technologically advanced new construction. In fact, when considering demolition/replacement of a site the embodied carbon of the existing structure PLUS the new structure need to be added together because that is the real impact. The most environmentally sustainable building is one that is already built! We will NEVER come out ahead when destroying existing structures to build new purely because of all the material waste and embodied carbon that has already been spent that can continue to be leveraged.

Researching best practices in adaptive re-use ordinances and development of such an ordinance should be a priority for the city. Adaptive reuse is a natural mechanism for creating compatible infill development and should be leveraged as a mechanism for form-based code, as is being done in the example of Sacramento cited in the IBA Report. The City should model its re-use ordinance on the Los Angeles ordinance.

Additionally, a new state law, SB 451, provides a statewide tax credit for historic rehabilitation, available to both developers and owner-occupied single-family residences—which will create jobs, enhances tax revenues, increases local revenues through increased property values, sales tax, and heritage tourism.

Sincerely,

Jennifer Macdonald, M.Arch, Architect



325 W. Washington Street, Suite 2, #221
San Diego, CA 92103
619-497-1193
www.MissionHillsHeritage.org

--A community organization dedicated to preserving the character, charm and historical resources of the Mission Hills neighborhood.

STATEMENT TO THE HISTORIC RESOURCES BOARD MEMBERS
October 26, 2023, Historic Resources Board Meeting, Non-Agenda Item

My name is Jennifer Machian and I am here on behalf of MHH. I am returning to this Board today to address a topic that we previously raised at the August meeting of this Board: and that is the topic of making amendments to this Board's procedures for the listing of National Register and California Register historic districts on the local register. I have distributed another copy of our July 31 letter to the Board and Staff concerning this topic.

As background, we filed our nomination for the Inspiration Heights historic district, already listed on the National Register, for local designation almost two years ago now. Despite that nominations are supposed to be processed on a first come first served basis and there are no other district nominations in the queue, the nomination has not moved forward. The reason for this delay, we have been told, is that there is no streamlined process for local listing of such districts and this Board's policy and procedures would need to be amended.

Again, two years have passed, and no such amendments have been brought forward. I cannot state it emphatically enough: under the SDMC 111.0206(c), this Board possesses the authority to amend its own policies and procedures and, to do so, only an affirmative vote of a majority of the Board is required. Under the law, this Board does not need the city's permission to take this action. And in the spirit of reducing Staff's workload, we prepared proposed amendments for this Board's consideration, which are fair and consistent with the law.

When we brought this issue to this Board's attention at the August meeting, three board members (Board members Coyle, Chair Hutter and Vice Chair Byers) stated their support for adding this issue to a future Policy Subcommittee meeting. We hoped that the matter would appear on a subsequent agenda of the Policy Subcommittee, but it did not. We are aware, however, that concerned citizens raised the issue at the October Policy Subcommittee meeting and that Chair Hutter asked staff to add the issue to a future meeting. We are grateful for Chair Hutter's request, but it is entirely speculative whether the matter will appear on a subsequent agenda.

For this reason, we are back here today to ask that the Board make a motion to add the proposed amendments to the next Policy Subcommittee meeting and to add the matter to this Board's agenda immediately following the Policy Subcommittee's recommendation. We wish to make it clear that this Board has the authority to control its agenda and that of subcommittees.

You, the Board members, possess the authority to take this action under applicable law and your own procedures. With respect to non-agenda items, section 54954.2(a)(3) of the Brown Act specifically allows a board member to "take action to **direct** staff to place a matter of business on a future agenda." The HRB procedures indicate in section I.A. that Robert's Rules of Order shall apply to the conduct of meetings. And, section 3:28 of Robert Rules allows a board member, after receiving communication from the public on a non-agenda item, to take appropriate action via a motion. I have distributed copies of these sections for your reference, with the relevant language highlighted.

We therefore ask that a motion be made today to direct Staff to place on next month's Policy Subcommittee agenda consideration of the proposed amendments to HRB Policy 4.1 and the HRB procedures, related to the local designation of historic districts, and also to add the matter to this Board's agenda immediately following the Policy Subcommittee's recommendation.

A final note, we are aware that the city may be working on its own amendments and the Board may see this as a reason not to act. But, we have waited two years, and the city has not brought forth its proposal. Meanwhile, the nomination for Inspiration Heights gathers dust, potentially to the detriment of the applicant and the residents within the district, despite that the city has already claimed credit for

adding these resources to its historic inventory in its 2021/22 Certified Local Government Annual Report.

Our proposed amendments are a reasonable option in the interim to allow for local designation of national register districts. **Please make the requested formal motion today.**

Thank you for your time and consideration of this important matter.

State of California

GOVERNMENT CODE

Section 54954.2

54954.2. (a) (1) At least 72 hours before a regular meeting, the legislative body of the local agency, or its designee, shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting, including items to be discussed in closed session. A brief general description of an item generally need not exceed 20 words. The agenda shall specify the time and location of the regular meeting and shall be posted in a location that is freely accessible to members of the public and on the local agency's Internet Web site, if the local agency has one. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. The agenda shall include information regarding how, to whom, and when a request for disability-related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.

(2) For a meeting occurring on and after January 1, 2019, of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site, the following provisions shall apply:

(A) An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda. The direct link to the agenda shall not be in a contextual menu; however, a link in addition to the direct link to the agenda may be accessible through a contextual menu.

(B) An online posting of an agenda including, but not limited to, an agenda posted in an integrated agenda management platform, shall be posted in an open format that meets all of the following requirements:

(i) Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications.

(ii) Platform independent and machine readable.

(iii) Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

(C) A legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site

and an integrated agenda management platform shall not be required to comply with subparagraph (A) if all of the following are met:

(i) A direct link to the integrated agenda management platform shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state. The direct link to the integrated agenda management platform shall not be in a contextual menu. When a person clicks on the direct link to the integrated agenda management platform, the direct link shall take the person directly to an Internet Web site with the agendas of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state.

(ii) The integrated agenda management platform may contain the prior agendas of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state for all meetings occurring on or after January 1, 2019.

(iii) The current agenda of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state shall be the first agenda available at the top of the integrated agenda management platform.

(iv) All agendas posted in the integrated agenda management platform shall comply with the requirements in clauses (i), (ii), and (iii) of subparagraph (B).

(D) For the purposes of this paragraph, both of the following definitions shall apply:

(i) "Integrated agenda management platform" means an Internet Web site of a city, county, city and county, special district, school district, or political subdivision established by the state dedicated to providing the entirety of the agenda information for the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state to the public.

(ii) "Legislative body" has the same meaning as that term is used in subdivision (a) of Section 54952.

(E) The provisions of this paragraph shall not apply to a political subdivision of a local agency that was established by the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state.

(3) **No action or discussion shall be undertaken on any item not appearing on the posted agenda, except** that members of a legislative body or its staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights under Section 54954.3. In addition, on their own initiative or in response to questions posed by the public, a member of a legislative body or its staff may ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities. Furthermore, a member of a legislative body, or the body itself, subject to rules or procedures of the legislative body, may provide a reference to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any matter, or **take action to direct staff to place a matter of business on a future agenda.**

(b) Notwithstanding subdivision (a), the legislative body may take action on items of business not appearing on the posted agenda under any of the conditions stated

below. Prior to discussing any item pursuant to this subdivision, the legislative body shall publicly identify the item.

(1) Upon a determination by a majority vote of the legislative body that an emergency situation exists, as defined in Section 54956.5.

(2) Upon a determination by a two-thirds vote of the members of the legislative body present at the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted as specified in subdivision (a).

(3) The item was posted pursuant to subdivision (a) for a prior meeting of the legislative body occurring not more than five calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

(4) To consider action on a request from a member to participate in a meeting remotely due to emergency circumstances, pursuant to Section 54953, if the request does not allow sufficient time to place the proposed action on the posted agenda for the meeting for which the request is made. The legislative body may approve such a request by a majority vote of the legislative body.

(c) This section is necessary to implement and reasonably within the scope of paragraph (1) of subdivision (b) of Section 3 of Article I of the California Constitution.

(d) For purposes of subdivision (a), the requirement that the agenda be posted on the local agency's Internet Web site, if the local agency has one, shall only apply to a legislative body that meets either of the following standards:

(1) A legislative body as that term is defined by subdivision (a) of Section 54952.

(2) A legislative body as that term is defined by subdivision (b) of Section 54952, if the members of the legislative body are compensated for their appearance, and if one or more of the members of the legislative body are also members of a legislative body as that term is defined by subdivision (a) of Section 54952.

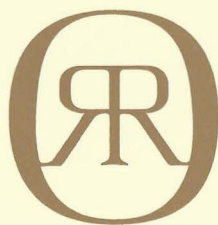
(e) This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

(Amended by Stats. 2022, Ch. 285, Sec. 4. (AB 2449) Effective January 1, 2023. Repealed as of January 1, 2026, by its own provisions. See later operative version added by Sec. 5 of Stats. 2022, Ch. 285.)

The ONLY CURRENT AUTHORIZED EDITION of the
CLASSIC WORK on PARLIAMENTARY PROCEDURE

ROBERT'S RULES OF ORDER

NEWLY REVISED



12TH EDITION

Henry M. Robert III,
Daniel H. Honemann, Thomas J. Balch,
Daniel E. Seabold, and Shmuel Gerber

- 3:18 A mass meeting usually requires no order of business, since, referring to the headings listed above, there is nothing but new business to be brought up (unless the meeting is one within a series).
- 3:19 A convention commonly adopts its own order of business—which often specifies the exact hours at which certain important questions are to be taken up. The order of business of a convention is known as the *program*, or the *agenda*, depending on whether it is interwoven with, or separate from, the overall schedule of convention meetings, events, etc. (see 41, 59).
- 3:20 A legislative body usually has a more elaborate order of business suited to its own needs.

Means by Which Business Is Brought Before the Assembly

- 3:21 **Motions.** Business is brought before an assembly by the *motion* of a member. A motion may itself bring its subject to the assembly's attention, or the motion may follow upon the presentation of a report or other communication.
- 3:22 A motion is a formal proposal by a member, in a meeting, that the assembly take certain action. The proposed action may be of a substantive nature, or it may express a certain view or direct that a particular investigation be conducted and the findings be reported to the assembly for possible further action, or the like.
- 3:23 The basic form of motion—the only one whose introduction brings business before the assembly—is a *main motion*. There are also many other separate parliamentary motions that have evolved for specific purposes. While all of these motions propose some form of action and while all of them are said to be brought “before the assembly” when they are placed under consideration, most of them do not *bring business* before it in the sense described above—as a main motion does. Many of these motions involve procedural steps relating to a main motion already being considered.

- 3:24 The main motion sets a pattern from which all other motions are derived. In the remainder of this chapter, rules and explanations relating to “motions” have the main motion as their frame of reference. The manner in which a main motion is brought before the assembly is explained in 4:2ff.
- 3:25 **Motions Growing out of Reports or Communications.** After the presentation of the report of an officer, a board, or a committee, one or more motions to carry out recommendations contained in the report may be introduced. (For the procedures in such cases, see 41 and 51.)
- 3:26 A motion may also grow out of the presentation of a written communication to the assembly. This may be in the form of a letter or memorandum from a member who is not present, from a superior body (such as a state or national executive board to a local chapter), or from an outside source. A communication normally is addressed to the president or secretary and is read aloud by the secretary—unless the presiding officer properly should read it because of special importance of the content or source.
- 3:27 It is not customary to make a motion to *receive* a communication or a committee report, which means only to permit or cause such a paper to be read. This is an example of a case in the ordinary routine of business where the formality of a motion is dispensed with. It should be noted that a motion “to receive” a communication after it has been read is meaningless and is therefore not in order.
- 3:28 The reading of a communication does not in itself formally bring a question before the assembly. After the reading, or at the time provided by the order of business, a motion can be offered proposing appropriate action. If no member feels that anything needs to be done, the matter is dropped without a motion.
- 3:29 **Business That Comes Up Without a Motion, Because of Previous Action.** Business may come up automatically at a certain time or

Benefits of Historic Preservation

POINTS to use, you may copy and paste any of these points or craft your own statement. Included here for your use are both direct responses to IBA recommendations and areas in which the IBA Report is deficient.

- Architecture is our most public art, and preservation enhances the public environment to be enjoyed by all residents. Preservation through adaptive reuse also naturally adheres to San Diego's General Plan's Urban Design Element principles.
- Preservation work improves the ratio of labor to materials, with higher labor rates than new construction. This is a win-win from the standpoint of minimizing the environmental impact of housing and benefiting small construction and home repair businesses. Unlike other cities in southern California, such as Pasadena and Santa Barbara, San Diego has not taken advantage of its historic assets in promoting architectural tourism.
- An important benefit that wasn't mentioned in the IBA Report is that as naturally occurring affordable housing (NOAH), existing historic homes provide affordability to new homebuyers by maintaining inventory of smaller starter homes and reducing property taxes through the Mills Act. Together these provide lower total monthly housing expenses for homeowners.
- The IBA Report fails to acknowledge data supporting that local historic districts provide strong economic value to communities by attracting not only residents, but restaurants, nightlife, specialty retail, and other small businesses. These areas incubate and sustain the local economy in ways that newer areas or poorly planned areas do not, which undoubtedly has a positive impact on the City's tax revenues.

Of the seven recommendations from the IBA Report, we agree with four of them, numbers 2, 3, 4, and 7. The three we do not agree with, numbers 1, 5, and 6, represent serious threats against San Diego's historic resources. These recommendations are repeated below along with the preservation community responses.

IBA Recommendation 1: Historical preservation decisions should be made with consideration of other citywide priorities, and costs and benefits of historical preservation should be considered when making decisions affecting future development opportunities of historical resources. The San Diego Municipal Code (SDMC) could be revised to allow the City Council to overturn historical designation decisions on a broader basis.

- Recommendation 1 conflates the designation of a historic resource with the decision of how the property should be used going forward (including preservation, adaptive reuse, relocation, or demolition). Because historic designation is separate from the land use decision, determination of whether a building is historic is based solely on the criteria for historic designation and should not factor in proposed future use.
- Recent community plan updates and other citywide zoning changes have not been accompanied by any proof that destruction of existing housing stock, particularly smaller homes combined with tax relief provided by the Mills Act, produces more affordable housing.

- Considerations of other priorities or cost benefits analysis are not relevant to determining whether a property is historic. The deliberation whether a property is historic is “siloed” for good reason: Introducing concepts like future development or other priorities into the determination injects politics into the process and creates more uncertainty as political whims change over time.
- The IBA Report does not identify how the SDMC should be revised to allow City Council to overturn a designation on bases other than those currently listed. The report suggests that considerations of other priorities or costs and benefits should be considered on appeal. We disagree, allowing this type of review injects politics into the process, reduces certainty in decision making, and hands broad authority to councilmembers who are non-experts on issues of historical structures with little time to devote to understanding preservation programs.
- If the intent is to streamline processing and reduce costs, this measure is counterproductive.

IBA Recommendation 2: A robust historical survey and historical district program should be developed to provide greater certainty to future development and help streamline permit review process.

- We agree with recommendation 2, which would provide certainty to both developers and preservationists, as well as reduce staff workloads in the evaluation and permitting processes.
- A robust historical survey and historical district program would provide certainty to both developers and preservationists, as well as reduce staff workloads in the evaluation and permitting processes.
- If L.A. can survey all of its potential resources, which they did it in a short time, then surely San Diego, a much smaller area, can do the same.
- It is important to maintain perspective. It is estimated that less than 5% of lots in San Diego have resources that are potentially historic. Less than 1% would qualify for historic designation under San Diego’s existing strict guidelines.

Recommendation 3: A public database for potential and designated historical resources could be developed to help ensure compliance with historical resources regulations through historical resource review.

- We agree with recommendation 3, which is complementary to the previous recommendation 2. Existing city databases are poorly designed and not easily queried to determine the historic potential for a given property.
- Further, the city’s databases do not capture all the information for potential historic resources, particularly surveys that have been conducted by the preservation community.

IBA Recommendation 4: District specific standards consistent with the U.S. Secretary of Interior’s Standards could be established to provide greater certainty and consistency to developers and property owners and provide clear public guidance on redevelopment of historical properties.

- We support recommendation 4. Design standards give developers guidance on how to create compatible new developments in neighborhoods where they haven't built before.
- Design standards are not just a key mechanism of managing change in historic districts, they provide benefits to all San Diego neighborhoods. This is why state laws governing infill residential housing, including ADUs, SB 9, and SB 10, have all included allowances for objective design standards. For example, the example of Sacramento cited in the IBA Report has been carried through to their proposed implementation of Missing Middle Housing. Properly implemented, design standards streamline projects and even reduce development costs.

IBA Recommendation 5: The full fiscal impact and cost recoverability of the Mills Act Program, and the potential to prioritize multifamily housing for property tax benefits, should be assessed.

- We agree that an objective examination of the Mills Act needs to go beyond the consideration of tax revenue and consider how the Mills Act can enable home ownership for first time homeowners.
- The Mills Act is San Diego's sole incentive that makes existing housing more affordable for middle- and low-income families. The city should be considering ways to expand historic districts to include communities that have previously been underrepresented in historic preservation.
- It is also important to not exaggerate the purported losses to the city. Despite concerns that led to the implementation of a yearly cap on new Mills Act designations, the yearly cap has never been breached.
- The reduction of tax revenues due to the Mills Act must be considered in the larger context of increased tax revenues generated by maintenance and adaptive re-use of historic properties and historic districts. Historic designation of properties raises surrounding property values; historic districts attract more residents, tourists, and businesses that generate more tax revenues than newer areas or areas with poor city planning; re-use generates more economic growth, which again increases tax revenues. Eliminating or reducing the incentive for maintaining historic properties (the Mills Act) could have the perverse effect of reducing tax revenues over time, as fewer people or developers will see the value in maintaining historic structures thereby eroding the historic areas of San Diego that cultivate economic growth.
- Good governance dictates that the cost of all public programs be routinely analyzed for cost efficiency and effectiveness. In analyzing cost, the city's popular Mills Act popular program was evaluated for direct benefits to property owners by Professor Andrew Narwold. He determined that designation raised the value of the resource by 8% and the Mills Act contract by an additional 8%. He also analyzed the indirect effect historic designation has on adjacent properties, whose market desirability also increased as a result of designation. He concluded each designation actually generated a 1.63% increase in property values within 500 feet of a designated property. This more than offset the cost of the Mills Act contract. This finding could be updated by current analysis by the Independent Budget Analyst.

See the Narwold reports

- Estimating the Value of the Historical Designation Externality
https://www.sohosandiego.org/resources/estimating_historic.pdf
- Historic Designation and Residential Property Values
<https://www.sohosandiego.org/resources/historicvalues.pdf>

IBA Recommendation 6: The City’s historical designation criteria should be holistically evaluated to ensure that designation criteria are written with precision and apply to properties truly worth preserving.

- Recommendation 6 would restrict historic designation. San Diego’s discretion to define historic designation criteria is limited. In particular, the city can provide more liberal criteria than state and national programs, but it cannot be more restrictive. As a result, the city could modify designation under Criterion A, but would be limited in the changes that it could make to other criteria.
- Historic preservation is also subject to CEQA, and the city cannot ignore the established criteria of the California Register standards without inviting litigation.
- The IBA Report recommends a “higher designation standard” so that only properties “truly worth preserving” are designated and recommends that the criteria be reassessed and re-written with precision. This recommendation would be without legal or factual support.
- First, the report acknowledges that the City’s criteria are not significantly different from those of other jurisdictions and fails to provide any evidence supporting that these criteria as written are overly broad or vague, such as legally binding precedent striking down similar language. Second, the report only analyzes criterion A as allegedly too subjective, allowing for properties to be designated under criterion A when they are not in fact historic. Yet, the report provides no examples of this outcome.
- The IBA Report incorrectly reports that criterion A is unique to San Diego, when in fact, the City of Redondo Beach’s ordinance contains substantially the same language: See RDCMC 10-4.201(a) (“It exemplifies or reflects special elements of the City’s cultural, social, economic, political, aesthetic, engineering, or architectural history.”)
- While it is certainly important that clear criteria are crucial to a successful preservation ordinance, the current language meets this standard and is not so vague or broad as to provide no basis to support a decision. In fact, California courts permit a certain amount of vagueness within local ordinances. *Novi v City of Pacifica*, 169 Cal App 3d 678 (1985).
- The IBA Report’s criticisms are legally and factually baseless and, thus, the recommendation appears to be motivated by a fear that properties that are not historic are being designated historic. A recommendation based on fear should be rejected. However, if any modifications are made, they should adhere to those designation criteria for the California Register of Historical Places or the National Register of Historic Places because those criteria are considered in CEQA and Section 106 evaluations.]

IBA Recommendation 7: The inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the City could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment.

We wholeheartedly agree with Recommendation 7, that the inventory of historical resources that could be viable for adaptive reuse to provide housing units should be assessed, and the city could pursue facilitating and incentivizing adaptive reuse of historical resources through an ordinance based on that assessment which can also be applied outside of historic districts.

- Adaptive reuse reduces demolition waste. The most environmentally sustainable building is one that is already built. Researching best practices in adaptive re-use ordinances and development of such an ordinance should be a priority for the city.
- Adaptive reuse is a natural mechanism for creating compatible infill development and should be leveraged as a mechanism for form-based code, as is being done in the example of Sacramento cited in the IBA Report.
- The City should be directed to model our re-use ordinance on the Los Angeles ordinance. See *Untapped Potential: Strategies for Revitalization and Reuse*, Oct 2017, National Trust for Historic Preservation, <https://www.sohosandiego.org/images/untappedpotentialgreenlabuli.pdf>
- Note that a new state law, SB 451, provides a statewide tax credit for historic rehabilitation, available to both developers and owner-occupied single-family residences—which will create jobs, enhances tax revenues, increases local revenues through increased property values, sales tax, and heritage tourism. See *CA Historic Rehabilitation Tax Credit*, LA Conservancy, <https://www.sohosandiego.org/images/nthp862023affhousingclimatef.pdf>