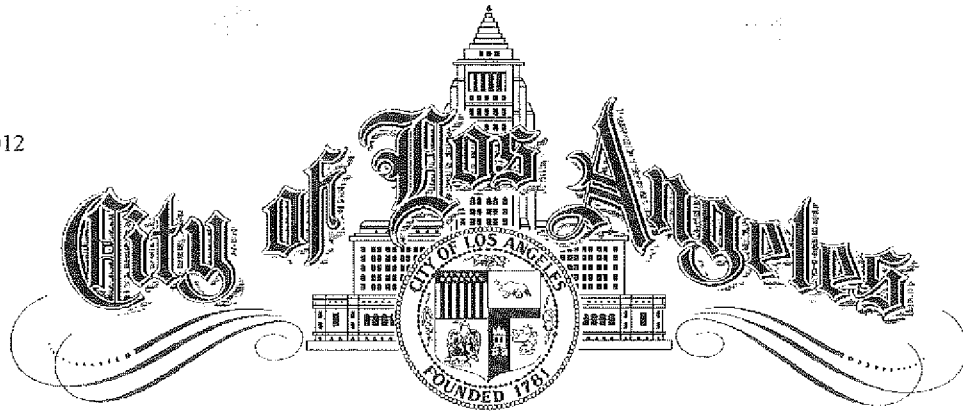


City Hall East
200 N. Main Street
Room 800
Los Angeles, CA 90012

(213) 978-8100 Tel
(213) 978-8312 Fax
CTrutanich@lacity.org
www.lacity.org/atty



CARMEN A. TRUTANICH
City Attorney

REPORT NO. R 1 2 - 0 2 6 5

AUG 13 2012

REPORT RE:

**DRAFT ORDINANCE AMENDING SECTIONS 19.142 AND 19.144 OF CHAPTER 14
OF DIVISION 19 OF THE LOS ANGELES ADMINISTRATIVE CODE TO INCREASE
THE ANNUAL LIMIT ON THE AMOUNT OF UNREALIZED CITY REVENUE FROM
LOSS OF PROPERTY TAXES NOT COLLECTED DUE TO EXECUTED HISTORICAL
PROPERTY CONTRACTS**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No. 11-1778

Honorable Members:

We transmit to you for your consideration, approved as to form and legality, a draft ordinance that would amend Sections 19.142 and 19.144 of the Los Angeles Administrative Code (LAAC) to increase the annual limit on the amount of unrealized City revenue from loss of property taxes not collected due to executed Historical Property Contracts.

Background and Summary of Ordinance Provisions

In 2008, the City Council established a policy to limit the property tax losses to the City due to executed Historical Property Contracts to \$1,000,000 annually. On October 19, 2011, Council adopted a motion (Huizar-Wesson) directing the Department of City Planning (Planning Department), with the assistance of the City Administrative Officer and in consultation with the City Attorney, to prepare a report on the status of the Mills Act Historical Property Contracts Program in terms of the \$1 million cap on lost property tax revenue. The motion also sought the recommendation of the Planning Department on the appropriate mechanism to increase or renew the cap.

The Planning Department reports that the Mills Act Historical Property Contracts Program is currently at over 90% of the \$1 million cap. The Planning Department recommends that the cap be increased to \$2 million to allow the program to continue. At its meeting on February 15, 2012, the City Council voted to authorize the cap to be increased to \$2 million dollars. On July 25, 2012, our office received a request from the Planning and Land Use Committee to draft an ordinance increasing the cap. This ordinance amends the LAMC to reflect the recommended increase of the cap on lost property tax revenue from \$1 million to \$2 million in annual lost revenue.

Charter Findings Not Required

The enclosed final draft ordinance is not a land use ordinance, and, for this reason, the ordinance is not subject to approval by the City Planning Commission pursuant to Charter Section 551.

CEQA Finding

Based on factual information provided by the Planning Department, it appears that the approval of this ordinance is not subject to the California Environmental Quality Act (CEQA) because it is not a project as defined by CEQA Guidelines 15378(b)(4) and (b)(5), which state that CEQA projects do not include continuing administrative activities and general policy and procedure making where there is no direct physical change or a reasonably foreseeable indirect physical change in the environment, and do not include establishment of funding mechanisms or other government fiscal activity which does not involve any commitment to any specific project which may result in a significant physical impact on the environment.

Council Rule 38 Referral

The draft ordinance was sent, pursuant to Council Rule 38, to the Department of Planning. The Department was requested to report their comments directly to you.

If you have any questions regarding this matter, please contact Deputy City Attorney Adrienne Khorasane at (213) 978-8246. She or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

CARMEN A. TRUTANICH, City Attorney

By 
PEDRO B. ECHEVERRIA
Chief Assistant City Attorney

PBE:ASK:mgm
Transmittal

ORDINANCE NO. _____

An ordinance amending Sections 19.142 and 19.144 of the Los Angeles Administrative Code to increase the annual limit on the amount of unrealized City revenue from loss of property taxes not collected due to executed historical property contracts.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Section 19.142 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 19.142. Limitations on Eligibility.

It is the intent of the City Council that unrealized City revenue from loss of property taxes not collected due to executed Historical Property Contracts shall not exceed \$2,000,000 annually. In furtherance of this policy, eligibility for Historical Property Contracts shall be limited, except within the Downtown Historic Core, the Hollywood Historic District or the Greater Downtown Los Angeles Area, to sites, buildings or structures with a pre-contract assessed valuation of \$1,500,000 or less for single-family dwellings, and \$3,000,000 or less for multi-family residential, commercial, or industrial buildings, unless the individual property is granted an exemption from those limits by the Cultural Heritage Commission.

The limitations on eligibility shall be based on the Priority Consideration Criteria as developed by the Historical Property Contracts Manager or the Cultural Heritage Commission and kept on file with the Office of Historic Resources in the Department of City Planning. The Priority Consideration Criteria are as follows:

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

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

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

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

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

For the purpose of this section, "**assessed valuation**" does not include any portion of the value of a mixed-use project which is already exempt from payment of property taxes by a determination of the County Assessor pursuant to Sections 4(b) and 5 of Article XIII of the California Constitution and Sections 214, 254.5, and 259.5 of the Revenue and Taxation Code.

The Cultural Heritage Commission may grant an exemption from the limitations imposed by this section when:

- (a) granting the exemption will not cause the cumulative loss of property tax revenue to the City to exceed \$2,000,000 annually; and
- (b) the site, building or structure is a particularly significant Historic-Cultural Monument or Contributing Structure; and
- (c) granting the exemption will assist in the preservation of a site, building or structure which would otherwise be in danger of demolition, substantial alteration or relocation.

The City Council may, by majority vote, approve Historical Property Contracts not otherwise meeting the eligibility requirements contained in this chapter if it is found that the property meets all requirements of California Government Code Sections 50281 and 50282 and is especially deserving of a contract due to the exceptional nature of the property or other special circumstances.

Sec. 2. Section 19.144 of the Los Angeles Administrative Code is amended to read as follows:

An owner of a Historic-Cultural Monument or Contributing Structure may file an application with the Department for approval of a Historical Property Contract. Each application shall be accompanied by a nonrefundable application fee according to the following schedule:

- (a) Single-family residential property: \$250
- (b) Multi-family, Commercial and Industrial property: \$1,142
- (c) Valuation Exemption: \$473

An application for approval of a Historical Property Contract must include a complete legal description of the property.

Upon receipt of an application on a form to be prescribed by the Department and upon the payment of the fees required by this section, eligibility of the property for a Historical Property Contract pursuant to this chapter shall be determined. Upon verification that the property is a Historic-Cultural Monument or a Contributing Structure, the Department shall calculate the amount of revenue loss to the City from real property tax savings. If the amount of lost revenue from the proposed Historical Property Contract will not cause the City's lost revenues from Historical Property Contracts in the aggregate to exceed \$2,000,000 annually, then the Department shall ascertain whether the property's current assessed valuation is \$1,500,000 or less for single-family dwellings, or \$3,000,000 or less for multi-family residential, commercial or industrial buildings, unless the property is located within the Downtown Historic Core, the Hollywood Historic District, or the Greater Los Angeles Downtown Area, in which case the dollar limitations relating to assessed valuation are inapplicable. If those respective valuations are exceeded and the property is located outside of the Downtown Historic Core, the Hollywood Historic District or the Greater Los Angeles Downtown Area, the Cultural Heritage Commission shall determine whether an exemption should be granted, pursuant to Section 19.142 of this Code.

If the property is determined ineligible for a Historical Property Contract by the Historical Property Contracts Manager pursuant to this section, the owner or the owner's agent may appeal the Staff Determination of Ineligibility to the Cultural Heritage Commission. The appeal shall be filed on a form provided by the Department of City Planning. The fee for an appeal is \$473. The Cultural Heritage Commission shall make a determination of eligibility subsequent to the appeal.

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

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

The City's standard Historical Property Contract or the owner's version, as approved by the City Attorney, shall then be submitted by the Department to the City Council for its consideration. Historical Property Contracts are subject to City Council approval by majority vote of the entire City Council.

Sec. 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

JUNE LAGMAY, City Clerk

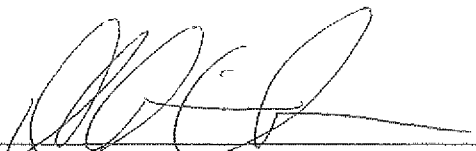
By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By 
ADRIENNE S. KHORASANEE
Deputy City Attorney

Date August 6, 2012

File No. CF 11-1778