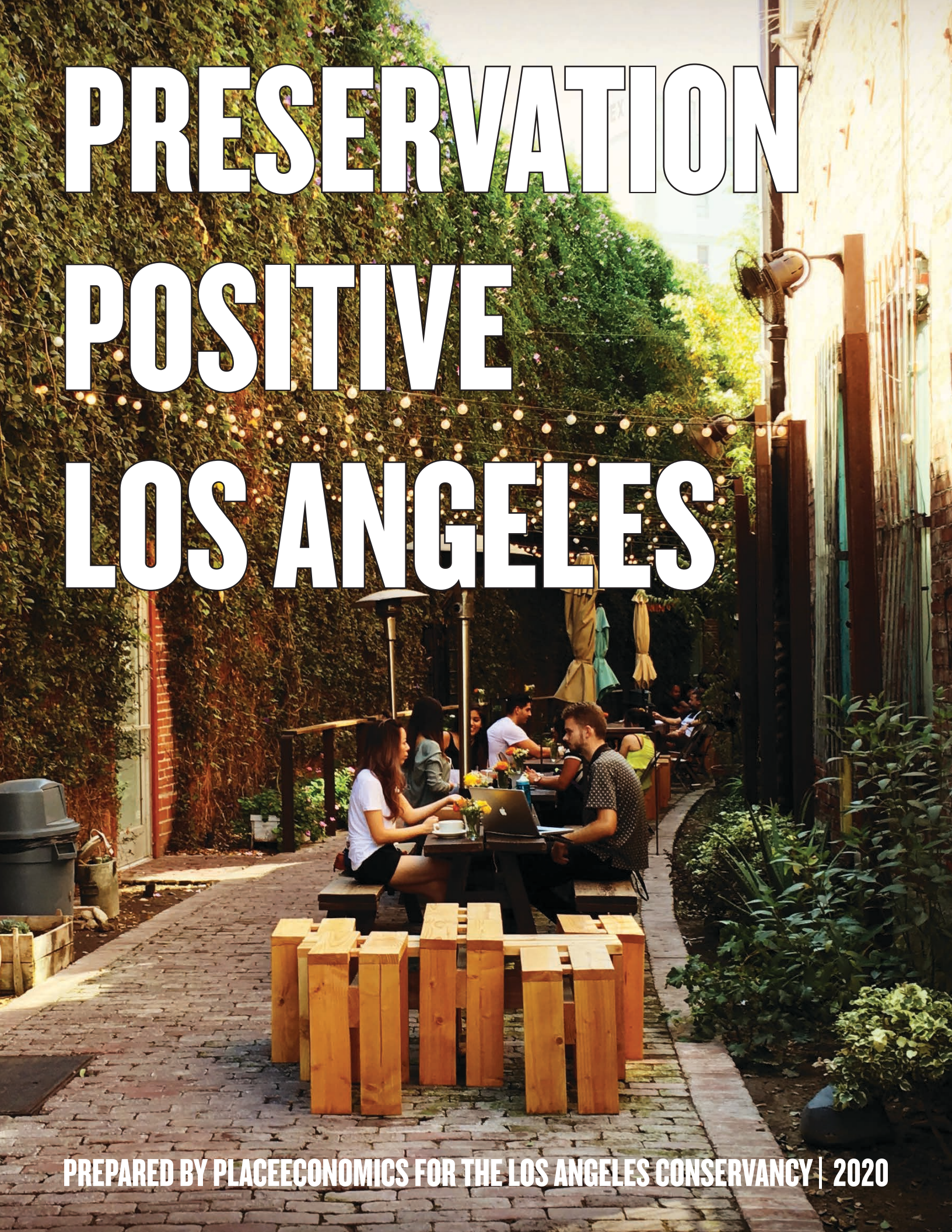

PRESERVATION POSITIVE LOS ANGELES

PREPARED BY PLACEECONOMICS FOR THE LOS ANGELES CONSERVANCY | 2020

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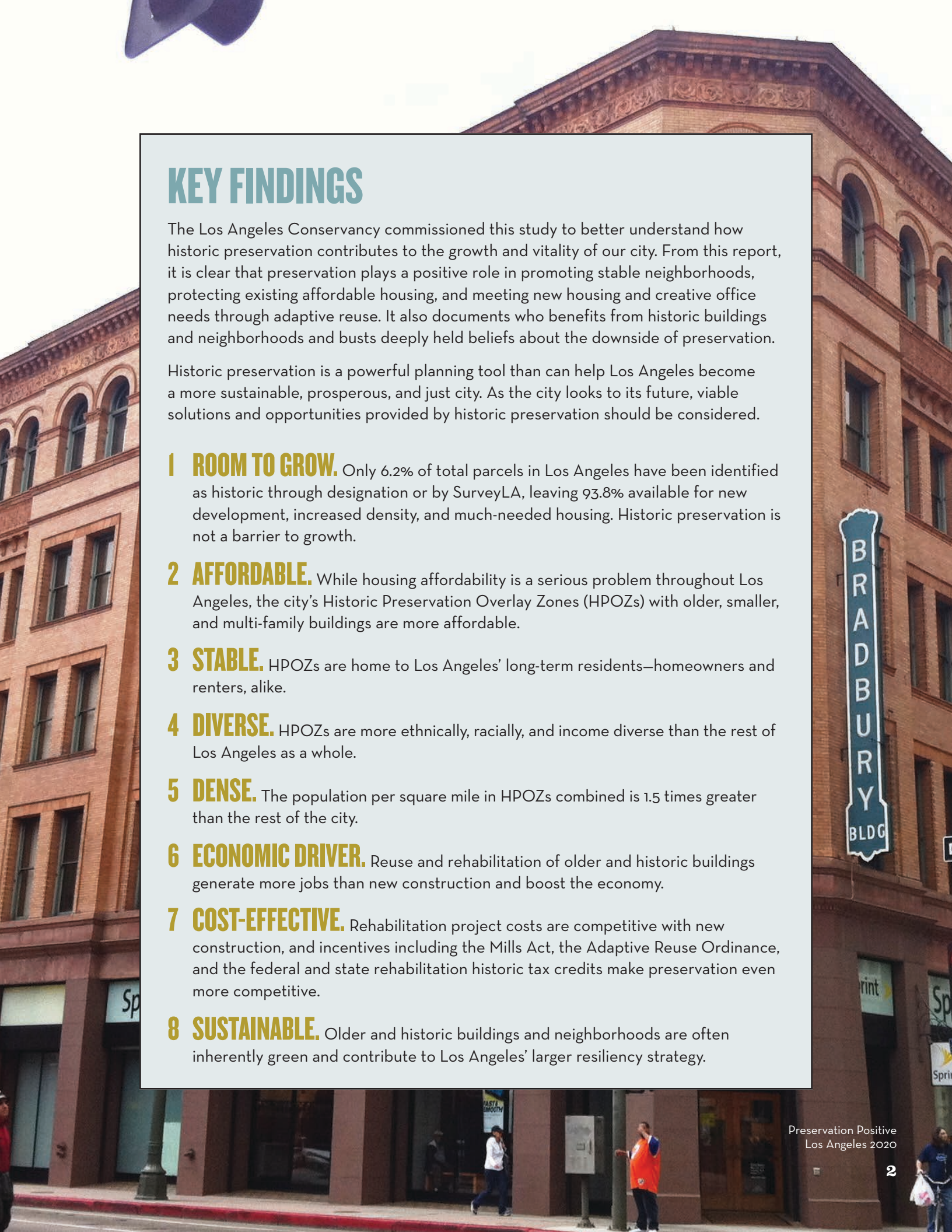


KEY FINDINGS

The Los Angeles Conservancy commissioned this study to better understand how historic preservation contributes to the growth and vitality of our city. From this report, it is clear that preservation plays a positive role in promoting stable neighborhoods, protecting existing affordable housing, and meeting new housing and creative office needs through adaptive reuse. It also documents who benefits from historic buildings and neighborhoods and busts deeply held beliefs about the downside of preservation.

Historic preservation is a powerful planning tool than can help Los Angeles become a more sustainable, prosperous, and just city. As the city looks to its future, viable solutions and opportunities provided by historic preservation should be considered.

1 **ROOM TO GROW.** Only 6.2% of total parcels in Los Angeles have been identified as historic through designation or by SurveyLA, leaving 93.8% available for new development, increased density, and much-needed housing. Historic preservation is not a barrier to growth.

2 **AFFORDABLE.** While housing affordability is a serious problem throughout Los Angeles, the city's Historic Preservation Overlay Zones (HPOZs) with older, smaller, and multi-family buildings are more affordable.

3 **STABLE.** HPOZs are home to Los Angeles' long-term residents—homeowners and renters, alike.

4 **DIVERSE.** HPOZs are more ethnically, racially, and income diverse than the rest of Los Angeles as a whole.

5 **DENSE.** The population per square mile in HPOZs combined is 1.5 times greater than the rest of the city.

6 **ECONOMIC DRIVER.** Reuse and rehabilitation of older and historic buildings generate more jobs than new construction and boost the economy.

7 **COST-EFFECTIVE.** Rehabilitation project costs are competitive with new construction, and incentives including the Mills Act, the Adaptive Reuse Ordinance, and the federal and state rehabilitation historic tax credits make preservation even more competitive.

8 **SUSTAINABLE.** Older and historic buildings and neighborhoods are often inherently green and contribute to Los Angeles' larger resiliency strategy.

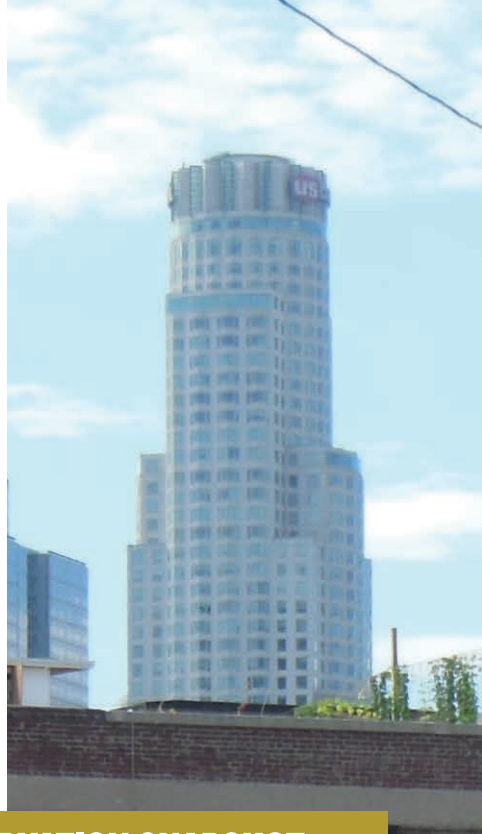
INTRODUCTION

Los Angeles' allure is undeniable. Surrounded by beaches, mountain ranges, valleys, deserts, and forests, the city attracts residents and visitors from throughout the state, country, and world. It is no surprise that it is the second-most populous city in the nation, following New York.

Only L.A.'s iconic, built environment rivals its impressive natural surroundings. Its stunning cityscape combines a dynamic new wave of architectural gems, such as The Broad and Disney Concert Hall in downtown L.A., alongside its historic signature treasures: the Victorian homes of Angelino Heights, Craftsman bungalows in Jefferson Park, and Art Deco buildings along Wilshire Boulevard.

On the other side of L.A.'s picture-perfect persona, is a city struggling to meet the needs of its residents. There is extreme pressure to make room for new residents, people experiencing homelessness, residents with low incomes, and workers challenged by housing affordability. As a result, increasing density haphazardly too often undermines long-term planning and growth strategies that improve the quality of life for all residents.

Critics often claim that preservation efforts limit progress. However, historic resources make up a very small percentage of the total land area of Los Angeles. According to SurveyLA,[1] 6.2% of parcels in Los Angeles are designated or considered potentially historic. With nearly 94% of the city available for development and expansion, historic preservation cannot be blamed for impeding development.



L.A. PRESERVATION SNAPSHOT

6.2% of L.A. is Historic
2.8% of Historic Resources Have Some Protection
1,180 Historic-Cultural Monuments
35 Historic Preservation Overlay Zones
26 National Register Historic Districts
195 Individual Properties Listed in the National Register

This study also finds that within Los Angeles, historic neighborhoods are proving that livability and preservation can work hand-in-hand. L.A.'s Historic Preservation Overlay Zones (HPOZs) provide a variety of housing options, many of which are dense and compact in design with room to expand. HPOZs provide a higher percentage of affordable housing than the rest of the city and include some of the densest residential areas in L.A.

Historic preservation meets the city's needs in other ways, too. Older buildings find new life through rehabilitation and adaptive reuse. Interesting and authentic spaces infused with history, combined with modern-day amenities, prove to be attractive locations for businesses big and small. Historic projects drive the local economy.

Further, this report finds that historic preservation has a key role to play in helping Los Angeles become a more livable and sustainable city for *all* Angelenos. It can be cost-effective and energy-efficient, reduce the carbon footprint, stimulate community engagement, foster neighborhood resilience, all while promoting new housing and development.

Historic preservation in Los Angeles not only protects its past, but also its future.

HISTORIC PRESERVATION IN LOS ANGELES

The perception of L.A. as a mecca of shiny, new development prevails, yet over 80% of the existing buildings in Los Angeles are over fifty years old. To Angelenos, these buildings are where they live, work, and play—sources of pride and individuality. But, they are also finite resources and very few of these places are protected against demolition or significant alteration.

Historic preservation is a vital tool for Angelenos to identify and protect the places important to their collective memory and community character. Through landmark designations, rehabilitation, and reuse of historic buildings, Angelenos can preserve the unique places, stories, and values that define and sustain their communities.

While "historic preservation" may evoke images of date plaques, regulation, or "museumification" of buildings or neighborhoods, the modern movement recognizes that not every building warrants designation. Preservationists in the 21st century understand that their work is a public good that centers on people—all people.

Today the field of historic preservation has standardized the practice of protecting important places, but remains largely a grassroots endeavor. Nothing is considered historically or culturally significant without an advocate who speaks up about why the site or building is important. These advocates are not only architectural historians, but also residents and activists who recognize that places matter. Their voices help shape the landscape of historic preservation, bringing to light diverse or overlooked stories within Los Angeles' collective history. When the city designates and protects these sites, the will of these community advocates—that these sites be publicly recognized and preserved—becomes public policy.

Long gone are the days when historic preservation was concerned only with the homes of the affluent and pristine examples of an architectural style. In Los Angeles, civic participation is high and active across all segments. Even a cursory look at Los Angeles' diverse historic districts reveals that the protections afforded by historic designation represent communities of all races and income levels.

In 1962, the City of Los Angeles enacted the Cultural Heritage Ordinance, one of the earliest historic preservation laws in the country. Under this legislation, a five-member Cultural Heritage Commission recommends

buildings, structures, or sites important to the history of the city, state or nation as Historic-Cultural Monuments (HCM). HCM status adds a layer of protection to historic places, including requiring formal review of proposed alterations or demolition, and granting up to a 360-day stay of demolition to evaluate preservation alternatives. Today, nearly 1,200 of Los Angeles' most cherished places are protected as official HCMs. They represent a wide range of structures and sites, including the Central Library, Watts Towers, and the Hollywood Sign. In Los Angeles, the Office of Historic Resources in the Department of City Planning administers the local historic preservation programs.

In 1979, the City of Los Angeles adopted the Historic Preservation Overlay Zone (HPOZ) Ordinance, which describes the procedures for the creation of HPOZs, the powers and duties of HPOZ Boards, and the review processes for projects within HPOZs. The Los Angeles City Planning Department, in concert with the City Council, oversees this process and the designation of HPOZs. As of 2020, Los Angeles is home to 35 HPOZs, commonly known as historic districts, ranging in size from 50 parcels up to 4,000 properties. HPOZs are represented by a five-to-seven member HPOZ board to review and make recommendations on projects. They also promote historic

preservation within their designated area. This model generates strong civic engagement by affording residents a major role in managing change in their neighborhoods.

The National Register of Historic Places is the nation's official list of historic resources—buildings, structures, objects, sites, and districts—worthy of preservation. Established by the National Historic Preservation Act of 1966, the National Register today is maintained by the National Park Service within the Department of the Interior. A listing in the National Register does not mandate that the historic resource cannot be demolished or significantly altered. However, it automatically triggers environmental review under the state's California Environmental Quality Act (CEQA) for projects that have other discretionary actions associated with them.

Listings in the National Register receive an automatic listing in the California Register of Historical Resources. Historic and archeological resources may also be nominated for the California Register directly. The California Register serves as an important statewide resource for official historic recognition—especially for cities or unincorporated county areas without historic preservation ordinances. Resources eligible for the California Register are also subject to environmental review under CEQA.

National Register listing qualifies properties for the 20% federal and state rehabilitation tax credit programs, which are important financial incentives for rehabilitating historic buildings. Listed properties are also able to use the California Historic Building Code, a more flexible alternative to the standard building code. There are 26 National Register Historic Districts in Los Angeles and 195 individual properties designated.

In Los Angeles, historic resources have additional oversight. If there is discretionary review for a project proposing to demolish, alter, or remove historic resources, the California Environmental Quality Act (CEQA) will require analysis and consideration of preservation alternatives for historic resources whether they are designated or eligible for the California or National Registers or as a Los Angeles Historic-Cultural Monument. The City of Los Angeles has a robust municipal historic preservation program. The recently completed groundbreaking initiative, SurveyLA, identified 30,549 buildings that are eligible for designation. But historic designation is not the answer for every building, and the reuse and preservation of older buildings occurs across the city outside of HPOZs, Historic-Cultural Monuments (HCM), or National Register designated areas. Building and maintaining a widespread preservation ethic is the future of historic preservation in Los Angeles.

HOW MUCH OF L.A. IS HISTORIC

Despite the richness of Los Angeles' heritage, historic preservation regulation covers very little of the city; less than half of parcels considered historic or potentially historic are subject to oversight by the Office of Historic Resources. Many historic structures are at risk of alteration or demolition without historic review.

Only 6.2% of total parcels in Los Angeles have been identified as historic through designation or by SurveyLA, leaving 93.8% available for new development, increased density, and much-needed housing.

As much as 97.2% of the land area is not under local historic designation. Historic Preservation Overlay Zones and Historic-Cultural Monuments make up only 2.8% of the land area of the city. National Register Districts, not locally designated, consume 0.3% of land area and have limited review. Further, properties identified as eligible through SurveyLA, which trigger review only through certain planning approvals, represent another 4.5% of land area.

An analysis released in 2017 by the National Trust for Historic Preservation's Green Lab revealed L.A. lags behind other large cities in the percentage of buildings designated.[6]

DESIGNATED HISTORIC OR IDENTIFIED AS ELIGIBLE FOR HISTORIC DESIGNATION AS OF 2019

TYPE OF RESOURCE	# OF PARCELS	% OF PARCELS	% OF AREA
Historic-Cultural Monuments (HCM)*	1,180	0.1%	1.0%
Historic Preservation Overlay Zone (HPOZ)	21,284	2.4%	1.8%
National Register Listed**	2,302	0.3%	0.3%
SurveyLA Eligible for Historic Designation***	30,549	3.4%	4.5%
TOTAL	**55,315**	**6.2%**	**7.6%**

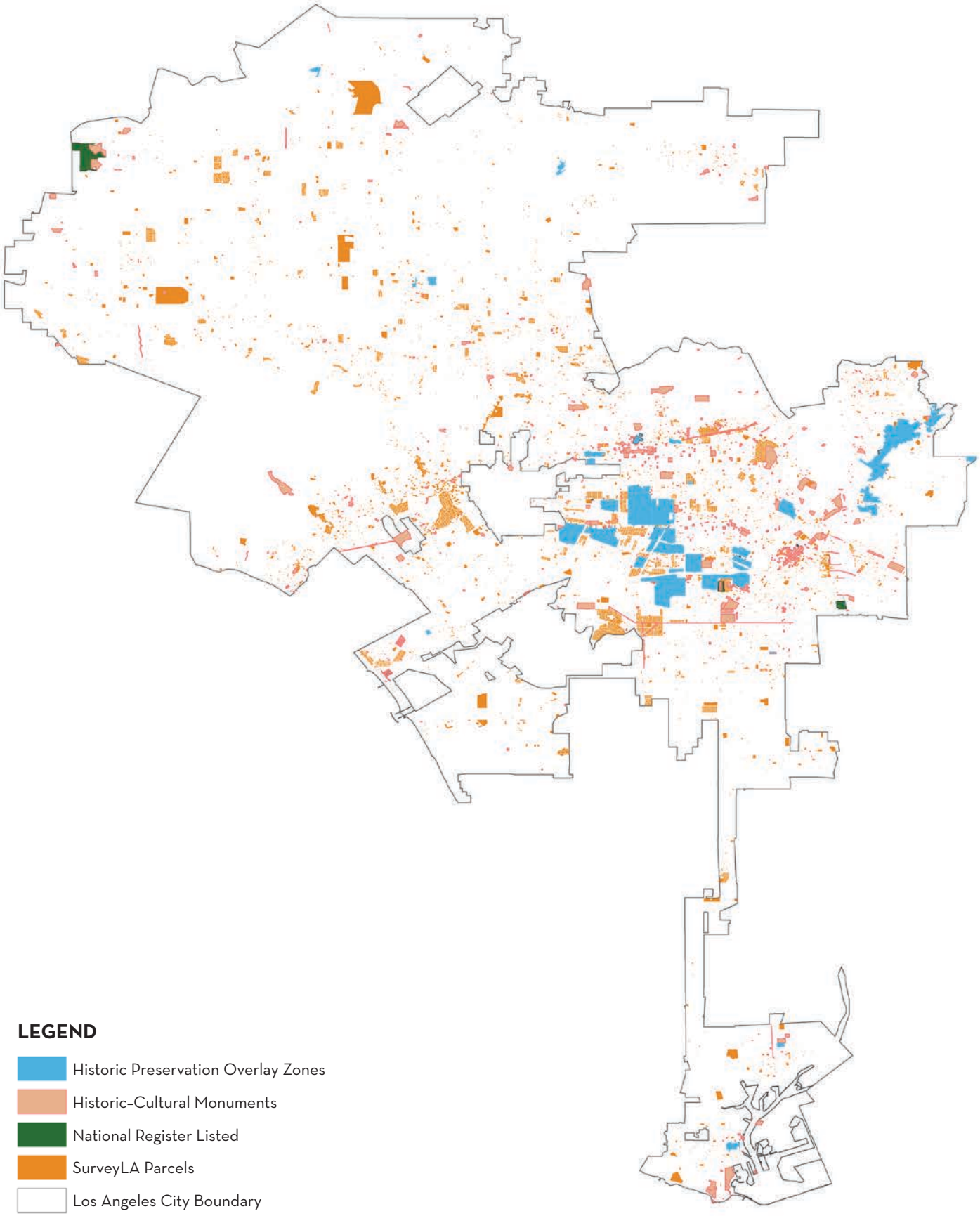
* Resources outside of Historic Preservation Overlay Zones (HPOZs); excludes Griffith Park, owned by the City of Los Angeles, to prevent skewing results.
** Resources not identified as Historic-Cultural Monuments or within HPOZs.
*** Resources identified as eligible for local, California, or national designation. SurveyLA did not include or record individual or historic districts (including HPOZs) already designated under federal, state, and local programs, Community Redevelopment Area surveys or HPOZs in the process of designation.
NOTE: Data does not include all survey data of Los Angeles' former Community Redevelopment Agency (now known as CRA|LA).

BUILDINGS AND PRESERVATION FACTS

PARCELS/BUILDINGS	LOS ANGELES	50-CITY AVERAGE
TOTAL	**676,764**	**204,038**
Per Square Mile	1,444	1,436
Median Year Built	1950	1952
On National Register of Historic Places	0.8%	6.8%
Locally Designated	2.9%	4.3%
Historic Tax Credit Projects	36	27.5

SOURCE: "Atlas of ReUrbanism Factsheet: Los Angeles," National Trust for Historic Preservation, Preservation Green Lab, February 27, 2017.

HISTORIC RESOURCES IN THE CITY OF LOS ANGELES



L.A.'S HISTORIC NEIGHBORHOODS ARE LIVABLE NEIGHBORHOODS

Sustainability and livability are priorities throughout the country. In Los Angeles, Historic Preservation Overlay Zones (HPOZs) are modeling noteworthy livability principles, including affordable, equitable housing, supporting existing communities, and preserving neighborhood character.[7] While designation is not feasible or appropriate for every older property, HPOZs protect affordable housing, neighborhood stability, and are home to a racially and economically diverse populations.

HPOZs are a cohesive, unique, and intact collection of resources with clear and measurable impacts in the community. They also have contiguous boundaries, provide the greatest level of protection, and represent properties that are subject to consistent review standards by the city. For this reason, the study examined data from HPOZs.

The nature of Historic Preservation Overlay Zones makes them an optimal focal point of this reports' analyses and demonstrates that historic preservation helps make Los Angeles a more livable and sustainable city.

L.A.'S HOUSING CRISIS

Los Angeles is in the middle of a housing crisis—exacerbated by the fact that 60% of Angelenos rent[8] and the city's rental market has lost nearly 26,000 rent-controlled units through the Ellis Act[9] in less than twenty years.

Adopted by the California Legislature in 1985, the Ellis Act provides property owners with a legal way to exit the rental market business. Intended to protect property owners who could no longer afford to maintain their rental property, the legislation has allowed developers to acquire rent-controlled housing, evict tenants, and replace units with higher-priced housing.

Even before the Ellis Act, Los Angeles attempted to mitigate affordable housing issues with public policy. It is one of fifteen cities in California with a Rent Stabilization Ordinance (RSO). Residential rental properties that are not single-family homes and were built on or before October 1, 1978 are subjct to rent control, limiting rent increases of 3% to 8% yearly. When tenants vacate, property owners may raise the rent to market levels, but yearly rent-increase limits continue to apply to new tenants. Approximately 43% of all rental housing units in Los Angeles are under rent control.[10]

In Los Angeles, HPOZs play a role in preserving the existing rent-controlled housing stock. They may be 2.4% of all parcels, but they represent 5% of all units under rent control in the city.

The well-intentioned Small Lot Subdivision Ordinance is also a contributing factor to L.A.'s affordable housing shortage. In 2005, Los Angeles adopted the ordinance to encourage the construction of smaller, more affordable infill housing targeting first-time homebuyers in an increasingly unaffordable market. It allowed the construction of multiple units on land zoned for commercial and multi-family use, and reduced setback requirements and minimum lot sizes from 5,000 to 600 square feet. Significantly, the ordinance offered property owners the flexibility to convert and sell existing individual units, like those within bungalow courts, outright to homebuyers without having to meet current parking requirements.

Though it was an innovative response to L.A.'s housing crisis, the ordinance did not dictate design compatibility. As a result, many oversized small lot developments were built out of scale and out of character with their older multi-family neighborhoods. This pattern of development has increased steadily in areas like Venice, Silver Lake, and Echo Park.

The ordinance also spurred the demolition of existing multi-family residences, such as bungalow courts, duplexes, fourplexes, and courtyard apartments with rent-controlled units. Despite the ordinance's purpose to encourage affordable housing, the purchase price of small lot units is often above $1 million, much higher than the median cost of a single-family home in L.A.

The City released the illustrated *Small Lot Design Standards* to provide greater guidance and to address the initial ordinance's shortcomings in 2018.

In 2014, a year after coming into office, Los Angeles Mayor Eric Garcetti set a goal to add 100,000 new housing units by 2021, with the assurance that at least 15,000 affordable units would be built or preserved in that time frame. By 2018, the City was on track to achieve its first goal ahead of schedule with approximately 83,000 building permits issued in four short years.[11] Unfortunately, the City was behind on its affordable housing target. The California Department of Housing and Community reported that Los Angeles produced less than a quarter of the low- and very low-income units needed to satisfy its 2021 targets.[12]

L.A. cannot build itself out of this housing crisis. Building new and renting cheap is not possible without deep and expensive subsidies. According to the *Wall Street Journal*, the average cost to produce a new unit of subsidized affordable housing in Los Angeles is at least $400,000.[13]

A city like Los Angeles needs a more cost-effective, creative, and sustainable approach to help it fill the gap and achieve its affordability goals. L.A. needs to preserve older, existing buildings—designated or not.

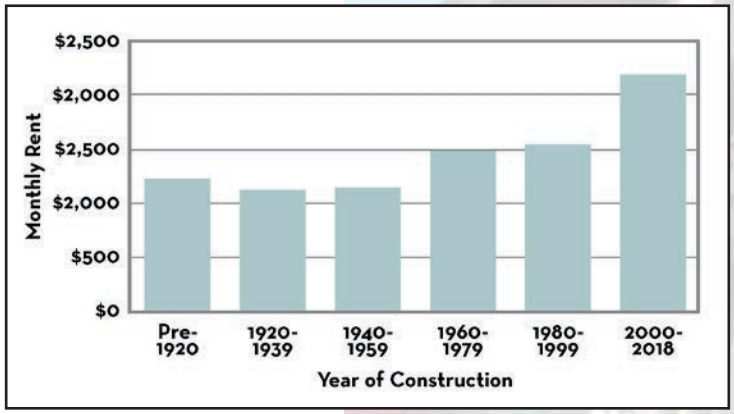
HISTORIC HOUSING IS AFFORDABLE

In Los Angeles, affordable housing and historic preservation are mutually beneficial, not mutually exclusive. Los Angeles is a city of renters. Over 60% of Angelenos rent and 58% of them live in housing built before 1960.

Older houses and apartment buildings, already built smaller and more densely, are shining examples of naturally occurring or unsubsidized affordable housing. A glance at the average rent for a studio apartment in Los Angeles shows newer buildings have significantly higher monthly costs.[14]

In Los Angeles, top renter income expanded slightly from 25% to 30% while the top gross rent increased dramatically from 25% to 55%.[15] It is no surprise that L.A. is the third-most rent-burdened metropolitan area in the nation.[16] The U.S. Department of Housing and Urban Development (HUD) defines cost-burdened households as those who spend more than 30% of their income on housing.

MONTHLY RENT FOR STUDIO APARTMENT, BY AGE

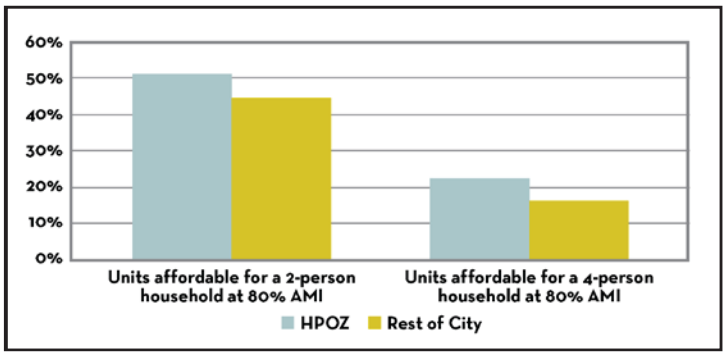


SOURCE: CoStar Group, www.costar.com.

Rental affordability is a major issue throughout Los Angeles, especially outside of HPOZs. In historic districts, 51% of rental units are affordable for low-income households of two people and 23% for low-income households of four people.[17] These are greater shares of affordable rental housing compared to the rest of the city.

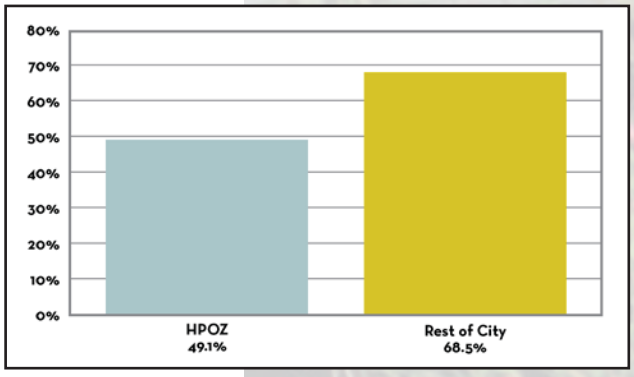
Traditional measures of affordability look at housing cost burdens. However, this metric misses a host of related expenses. Transportation costs are typically a household's second-largest expense, especially in a city as expansive and car-dependent as Los Angeles.[18] However, by only looking at housing and associated costs, this metric misses a host

RENTAL AFFORDABILITY



SOURCE: U.S Census Bureau, 2013-2017 American Community Survey, 5 Year Estimates. *Percent of all studio and one-bedroom units that are likely affordable for a family of two and two-bedroom rental units that are likely affordable for a four-person family earning 80% of AMI between 2013-2017. Policy Map. An estimated count of rental units under specific dollar thresholds is taken from the Census' 2013-2017 American Community Survey. Apartment size (number of bedrooms) needed by a family was assigned based on two people per bedroom.*

HOUSEHOLDS SPENDING MORE THAN 45% OF INCOME ON HOUSING AND TRANSPORTATION



SOURCE: Center for Neighborhood Technology, Housing and Transportation (H+T) Affordability Index, htaindex.cnt.org.

of related expenses. The Housing and Transportation (H+T) Affordability Index offers an expanded view of affordability, one that combines housing and transportation costs and sets the benchmark at no more than 45% of household income.[19] When comparing housing and transportation costs, HPOZs in Los Angeles fare better than the rest of the city. A combination of density and proximity and access to public transit are likely to mitigate household costs for those residents.

While nearly half the households—renters and homeowners—in HPOZs are H+T cost-burdened, they represent nearly 20% less than the rest of the city which faces the same affordability challenge.

HISTORIC NEIGHBORHOODS ARE STABLE

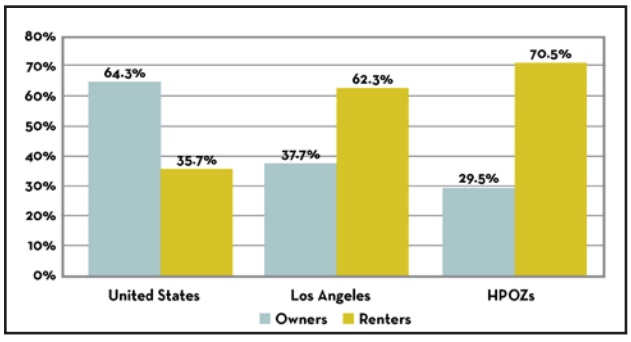
Stable neighborhoods are healthy neighborhoods—places where residents live and invest in by choice, thereby contributing to their community's resilience against destabilizing forces.[20] Neighborhoods without strong internal social and economic resources are at greater risk of having vacant properties, foreclosures, predatory property owners, crime, and drugs. Confidence drops and residents move out if they can afford it.

As such, the commitment of homeownership has made it a common measure of neighborhood stability. Yet, while homeownership rates across the nation have fallen over the last decade, many neighborhoods persist.

One reason is that homeownership is no longer the only, or even the best indicator, of neighborhood stability. Longtime residents, be they owners or renters, are themselves a stabilizing force within a community—especially in HPOZs.

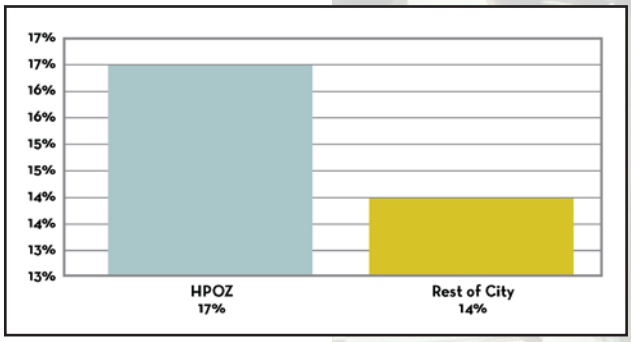
Los Angeles has some of the lowest rates of homeownership in the nation. Over 60% of households occupy rental units. While HPOZs are generally perceived as single-family neighborhoods, 69% of all units in historic districts are multi-family housing.[21] Most HPOZ residents are tenants, not owners.

OWNER/RENTER HOUSEHOLDS



SOURCE: U.S. Census Bureau, 2013-2017 Community Survey 5-Year Estimates, Table B25003, Tenure.

RENTERS WHO MOVED PRIOR TO 2000



SOURCE: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, Table B25038, Tenure by year householder moved into unit.

HPOZs are home to 3% of Los Angeles' population and account for 5% of all long-term residents in the city as a whole.[22] Renters, specifically, are disproportionately longer-term in HPOZs than in the rest of the city.

Longtime renters like former Lincoln Heights HPOZ Board Member Anita Martinez says, "I do not own a house in the HPOZ, I rent, and people assume that renters don't care. But I've always rented in the neighborhood and I've always cared." She joined the HPOZ Board after the recession when developers bought houses in the neighborhood, made insensitive renovations, and then sold them at higher rates.

Anita Martinez

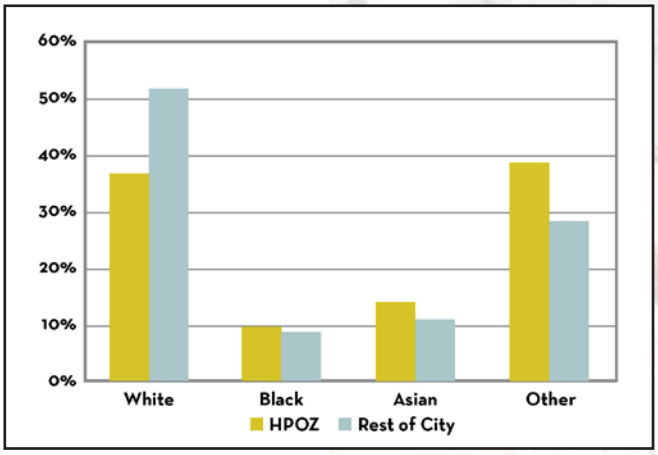
Renters are at great risk of displacement from property flipping, rising rents, condominium conversions, demolitions, or Ellis Act evictions. A low rate of long-term renters could be a sign of either a rapidly deteriorating neighborhood or one experiencing rapid gentrification, both disruptors to neighborhood stability.

HISTORIC DISTRICTS ARE DIVERSE

HPOZs are home to a population more diverse than Los Angeles as a whole.[23] While they cover roughly 8.5 square miles of the city—just 1.8% of the city's land area as a whole—combined, they represent 3% of the population and households. Of the 35 HPOZs that represent this small footprint, 21 have populations where there is a greater share of racial diversity than in the rest of the city. Los Angeles is a city rich in Latinx heritage and culture. This is also true within HPOZs, where 54% of residents identify as Latinx.

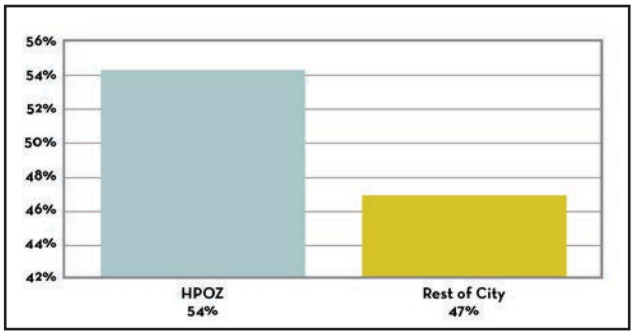
HPOZs are also home to residents with a wide variety of incomes. A larger percentage of residents in HPOZs, than in the rest of the city, have annual household incomes of under

HISTORIC DISTRICT POPULATION BY RACE 2016



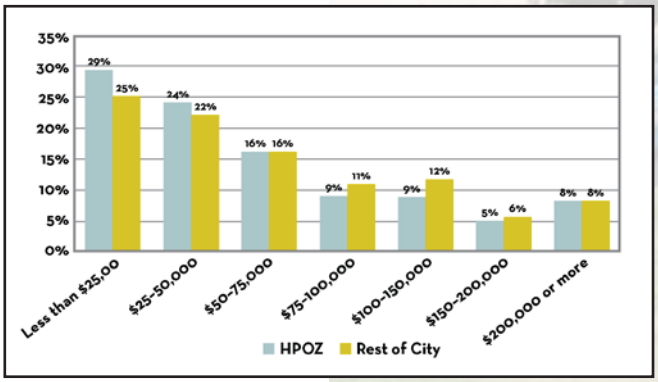
SOURCE: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, Table B02001, Race.

LATINX 2016



SOURCE: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, Table B03003, Hispanic or Latino.

HOUSEHOLD INCOME 2016



SOURCE: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, Table B19001, Household Income in the last 12 months.

$25,000. In fact, for every bracket under $75,000 annual income, there are greater percentages of historic district residents than the rest of the city as a whole.

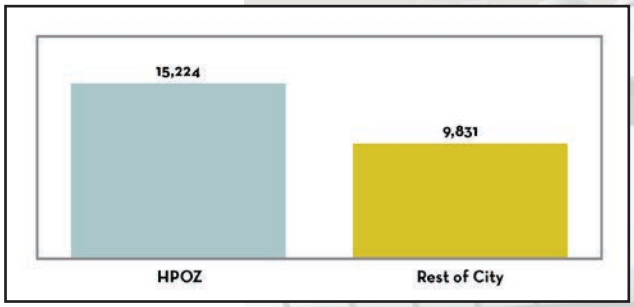
Interestingly, the share of households living in HPOZs with annual incomes greater than $200,000 is virtually the same as in the rest of the City of Los Angeles. HPOZs are for residents of all incomes.

HISTORIC NEIGHBORHOODS PROVIDE DENSITY

In Los Angeles, preservation is helping to protect and increase density in the city. HPOZs include some of the densest neighborhoods in a per square mile analysis. On average, there are 5,300 more people per square mile in the HPOZs than the rest of the city's residential areas.

Historic neighborhoods are denser for three primary reasons: 1) lot sizes are often smaller, 2) house sizes are smaller, and 3) there is a greater variety of housing types. The HPOZs of Los Angeles provide density at a human scale and protect affordable housing, mainly by providing a mix of housing options. Utilizing already existing, compactly designed, and densely situated housing is essential for maintaining the supply of affordable housing.[24]

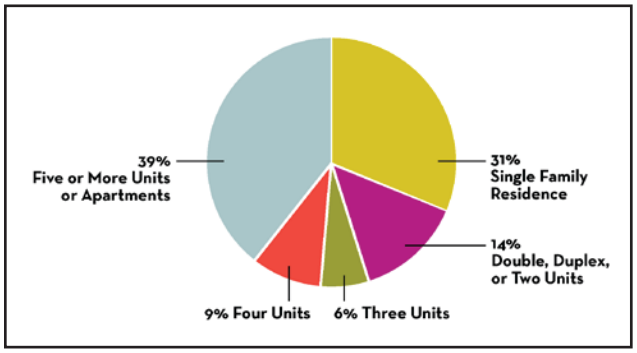
DENSITY (POPULATION PER SQUARE MILE)



SOURCE: PlaceEconomics calculation. This analysis compared population density in HPOZs only to other parts of the city zoned residential, to avoid an unfair comparison with industrial areas or green space within the rest of the city. Population data was apportioned from the block group level down to the parcel level, and the density per square mile of residential areas was calculated.

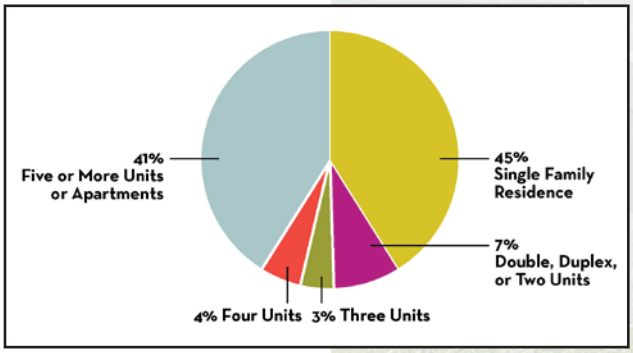
As much as 69% of housing in HPOZs has more than one unit, with 39% providing five or more units or apartments.[25] This makes historic neighborhoods more accessible to renters and provides a greater range of rents and significantly higher density uses. Keeping historic apartment buildings in use maintains a degree of rental affordability for nearly 70% of HPOZ residents who are renters. By contrast, in the rest of the city, 55% of housing units have more than one unit.

PERCENTAGE HPOZ HOUSING UNITS BY TYPE OF PROPERTY



NOTE: Amounts may not total 100% because of rounding.
SOURCE: Property Tax Assessment Data, Los Angeles County Treasurer and Tax Collector.

PERCENTAGE REST OF THE CITY HOUSING UNITS BY TYPE OF PROPERTY



SOURCE: Property Tax Assessment Data, Los Angeles County Treasurer and Tax Collector.

Single-family zoning faces strong criticism for blocking density and affordable housing, and is increasingly referred to by some as "luxury housing." It is by far the most common zone in Los Angeles and permitting only one structure per lot regardless of the lot size, according to the City's 1946 Zoning Code.[26]

However, most structures in HPOZs were built before the adoption of the Zoning Code, which also requires a minimum lot size of 5,000 square feet. Residential development covers 80% of the land area in HPOZs—39% of which is zoned as single-family housing. Therefore, multi-family and mixed-use commercial projects are permissible in a majority of HPOZ land area. Interestingly, while the majority of parcels in HPOZs are single-family housing, the large number of multi-family housing properties makes it the prevalent type of housing unit in HPOZs.

By contrast, residential development in the rest of the city represents only about half the land area and 37% of zoned areas exclusively for single-family use.

The variety and density of housing options in HPOZs already help fulfill some of the housing goals[27] in the City of Los Angeles General Plan, including providing an adequate supply of safe, healthy and affordable housing to people of all income levels, races, and ages. HPOZ protections preserve housing options for Angelenos.

Even in HPOZs such as Pico-Union, Harvard Heights, and Adams-Normandie, which rank among the densest neighborhoods in Los Angeles, additional density is possible without destroying the character of the neighborhood.

RESIDENTIAL ZONING BY AREA

	LAND AREA ZONED RESIDENTIAL	LAND AREA ZONED EXCLUSIVELY SINGLE-FAMILY
HPOZ	80%	39%
Rest of the City	47%	37%

SOURCE: Zoning, GIS Shapefile, Los Angeles - Open Data Portal.

"Most people equate density with high-rises," postulates Luis G. Hoyos, RA, architect and Professor of Architecture at California State Polytechnic University in Pomona. "There are many gradations in building types that lead us gently to higher density, not necessarily high-rises."

Historic districts are increasing density through sensitive infill construction, adaptive reuse, and Accessory Dwelling Units (ADUs). ADUs, sometimes referred to as "granny flats," can take different structural forms, including garage conversions, stand-alone units, attic or basement conversions, or units attached to the main house.

In 2017, the City of Los Angeles adopted a new state-mandated ADU ordinance, relaxing previous owner-occupancy and parking requirements. Generous size maximums allow homeowners to build backyard ADUs as large as 1,200 square feet. Internal ADUs, such as converted basements, have no size limits. The state legislature took this a step further with a new ADU law effective January 1, 2020 that additionally allows for junior accessory dwelling units (JADU), in addition to an ADU. An analysis of HPOZ lot coverage shows that one-third of all single-family properties cover less than 40% of the lot. This represents over 3,400 properties in historic districts that can accommodate an ADU. In the last two years, there have been nearly 200 ADU permits issued in HPOZs.

ADDING DENSITY AND KEEPING CHARACTER IN HISTORIC GARVANZA

Photo by Thom Shelton

In 2010, a developer wanted to tear down two historic houses in the Garvanza neighborhood near Highland Park and build a small lot subdivision in their place. The community mobilized to save the homes. Residents worked hard for many years and were able to add Garvanza to the Highland Park HPOZ, protecting the two houses and other contributing homes in the neighborhood.

After the homes were protected, a preservation-minded developer stepped in and turned the two single-family homes into six units that blend beautifully with the historic district. The two historic houses were rehabilitated. A studio apartment was added within the existing structure of one of the houses and the garage of the other house was converted into another studio apartment. On the empty lot adjacent to the homes, a new house of compatible size and style was built with an ADU in the backyard.

This project's thoughtful approach added a variety of housing to meet the needs of different-sized families and budgets in this popular historic district. This is one of many stories demonstrating how to add density in L.A.'s historic neighborhoods.

L.A.'S SIGNATURE BUNGALOW COURTS AT RISK OF EXTINCTION

Bungalow courts, one of L.A.'s signature housing styles—*are highly at risk*. Developed in Southern California in the early 20th century, these multi-family housing units typically feature multiple small homes built on the same lot with an interior-facing open space. They were inexpensive to build and occupy, stimulating their proliferation across Los Angeles between 1910 and 1930, particularly in Hollywood and nearby neighborhoods.

At their peak, bungalow courts served as an early form of non-subsidized affordable housing, attracting hosts of writers, directors, film crew members, and aspiring actors chasing the Hollywood dream, as well as many others. In his book, *The City Observed: Los Angeles*, Charles Willard Moore notes about bungalow courts, "These residences allowed everyone from retired Midwesterners to movie stars to live year-round in the warm climate."[28]

By the outbreak of World War II, policies around parking minimums and open space requirements made it nearly impossible to build new bungalow courts in Los Angeles, and developers moved on to other multi-family housing models.

At a time when homeownership is increasingly out of reach, bungalow courts are as appealing today as they were in their heyday. Generally more affordable to rent, bungalow courts make it possible for Angelenos to live in, albeit small, stand-alone homes.

While many renter-occupied bungalow courts are protected from excessive rent hikes due to the Rent Stabilization Ordinance, few are protected from demolition. SurveyLA identified 410 bungalow courts not currently protected through an HPOZ or other historic designation. They represent more than 1,400 units of relatively affordable housing at a high risk of loss.

Bungalow courts could be making a comeback in the race to increase affordable housing. In 2019, the infill development nonprofit Restore Neighborhoods LA gained support for two new bungalow courts in the Vermont Knolls neighborhood,[29] an area identified as eligible for district designation by SurveyLA. Planned between two existing court-style complexes, the new courts will feature Spanish-style design inspired by the early work of modernist architect Irving Gill. The housing project is near transit and will be 100% affordable housing, exempting it from parking requirements.

COURTING HOMEOWNERSHIP IN L.A.

In 1995, Barbara James and her husband, Allen Cox, were taking a walk through their neighborhood when they noticed a bungalow court undergoing a seismic retrofit. Intrigued by the project, they decided to take a closer look. The small yet affordable Spanish-revival bungalows, still intact with their original features, immediately enchanted the couple. They quickly got in touch with the property owner and moved in as renters.

Their new home turned out to be one of seventeen units built in 1926 to house employees of Walt Disney's original animation studio in Silver Lake. James and Cox enjoyed living in their bungalow and their newfound community.

"It's really tight-knit here," James says. "There aren't many places left in L.A. where you know your neighbors, you look out for each other, and can borrow a cup of sugar … when my neighbor had surgery, we were all there to help with groceries and cleaning."

Then, in 2006, the bungalow court was sold. The 2005 Small Lot Ordinance made it feasible for a preservation-minded developer to rehabilitate the individual bungalows and adapt them as single-family homes geared towards first-time buyers.

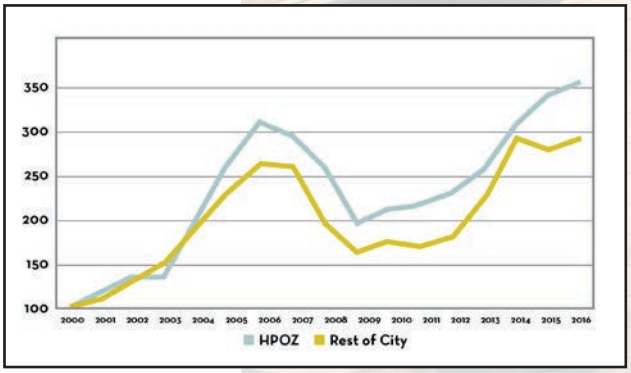
Because the units were considerably smaller than a single-family house on a single parcel, they were significantly more affordable. James and Cox jumped at the chance to own their bungalow. "I'm a hairstylist and Allen [is] a teacher," James recounts. "We never thought we'd be able to own property in Los Angeles."

Today, James and Cox are grateful to be homeowners and see the bright side of a more compact home. "The place is smaller, so repairs aren't as expensive," James proclaims.

HISTORIC HOMES MAKE SOUND INVESTMENTS

In Los Angeles, owning a home is a huge asset, especially if the home is located in an HPOZ. An analysis of more than 136,000 sales of single-family homes between 2000 and 2016 indicates that property values in HPOZs appreciate at a greater rate than the rest of the city.[30]

CHANGE IN VALUE PER SQUARE FOOT
2000 = 100



SOURCE: Property Tax Assessment Data, Los Angeles County Treasurer and Tax Collector.

While neither Los Angeles nor historic houses were immune to the the national real estate crisis from 2007 to 2010, the decline in values from the top to the bottom of the market was slightly less in HPOZs and the recovery from the crash stronger and more consistent.

Houses located in a historic district are subject to design review, which is a serious consideration for prospective property owners. For some in Los Angeles, location matters. Owning a designated home has added value, regardless of square footage or the condition of the property. Others believe these additional restrictions reduce the overall desirability and values of the property.

If the added layer of regulations lowered property value, it would be seen in both lower values and a slower rate of change over time. This report finds that houses in HPOZs are worth an average of $266 per square foot compared to $235 per square foot for houses in the rest of the city.[31]

Remember, the typical house in an HPOZ is smaller, older, and relatively more affordable than the average house in the rest of the city.

AVERAGE VALUE OF SINGLE-FAMILY PROPERTIES

	HPOZ	REST OF THE CITY
Average Year Built	1929	1957
Average Square Footage	2,079	3,010
Average Bedrooms	3	3
Average Land Value	$383,119	$389,943
Average Improvement Value	$170,505	$318,101
Average Total Value	$553,623	$708,044
Average Total Value per Square Foot	$266.29	$235.23

SOURCE: Property Tax Assessment Data, Los Angeles County Treasurer and Tax Collector.

Nevertheless, historic preservation is perceived as a contributing factor to gentrification. Rising property values from designation can price out renters from their homes and neighborhoods or prompt homeowners to sell their properties to cash in on their newly earned equity—making way for younger residents to enter and change the flavor of the neighborhoods.

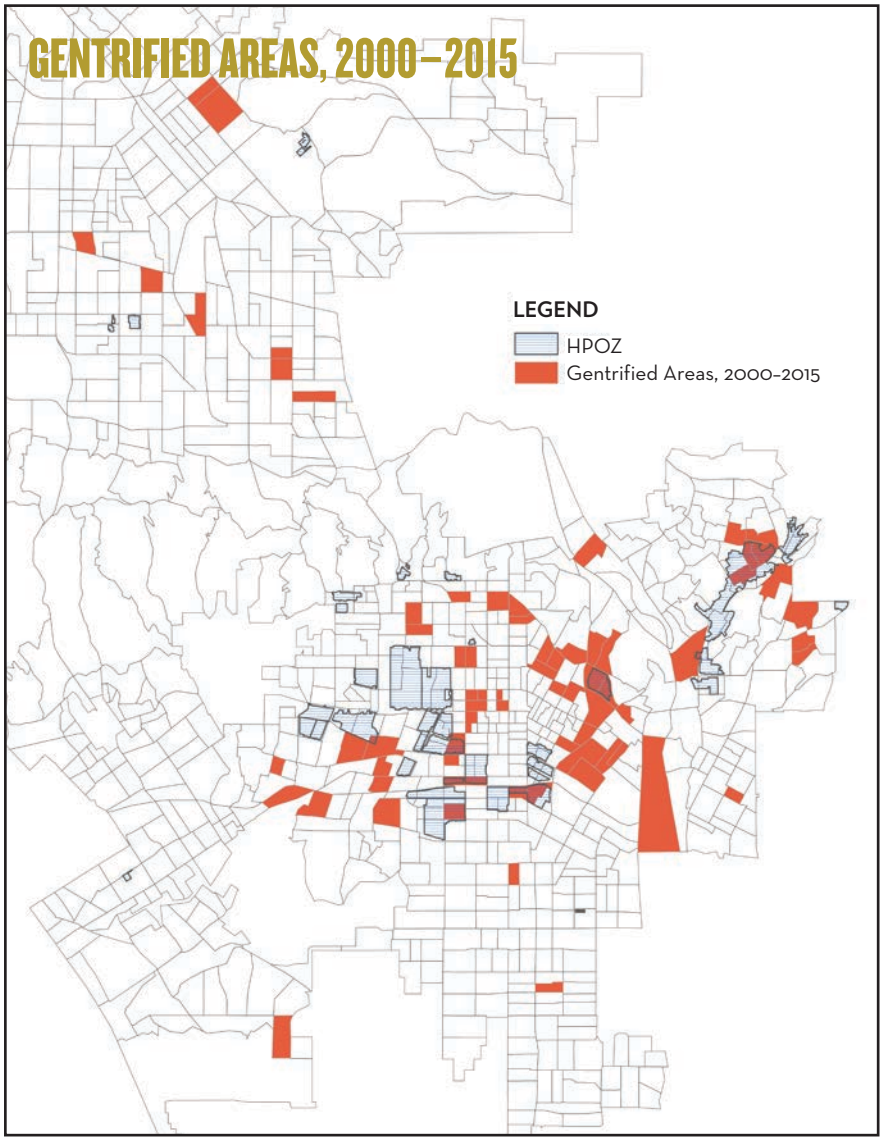
But, gentrification is complicated. It has deep personal impacts, making it a story often told through anecdotes, rather than systematic evaluation. And, yet, for decades, planners, urbanists, and preservationists have sought to understand its actual machinations on the ground.

In 2016, the Urban Displacement Project, an initiative by UCLA and UC Berkeley in conjunction with the State of California's Air Resources Board, released an interactive map of neighborhood change and gentrification in Southern California.[32] The map shows where transformations are occurring and helps identify areas vulnerable to gentrification and displacement.

In Los Angeles County, the number of gentrified neighborhoods increased by 16% between 1990 and 2015. Of the 16.3 square miles in Los Angeles that gentrified between 2000 and 2015, only 1.4 square miles are within HPOZs. With less than 9% of land area in historic districts identified as gentrified, it is unreasonable to conclude historic designation drives gentrification.

That is not to say that historic areas do not attract younger people. According to data from Realtor.com,[33] Los Angeles ranks sixth on a list of cities where millennials most want to live. The number of millennial residents in historic districts grew by 9% since 2010, compared to 7% in the rest of the city, and despite making up only 1.8% of the land area, historic districts accounted for 4% of all new millennial residents between 2010 and 2016.

According to new national research by the National Association of Realtors, when millennials do buy, they have a strong preference for older homes in neighborhoods with character.[34] Despite making up only 32% of national homebuyers, millennials account for more than half of all buyers of houses built before 1913 and 44% of buyers of houses built between 1913 and 1961.



IMPACTS OF PROPOSITION 13

In 1978, nearly two-thirds of California's voters passed Proposition 13 to limit property tax increases which were pushing out fixed-income homeowners. Officially called the "People's Initiative to Limit Property Taxation," the legislation mandates a property tax rate of one percent, requires that properties be assessed at market value at the time of sale, and allows assessments to rise by no more than 2% per year until the next sale.[35] In essence, as long as property values increase by no more than 2% per year, property owners gain by keeping their properties. Their taxes are lower than they would be in a different property of the same value. As a result, homeowners are incentivized to stay, minimizing housing turnover.

In their report, Property Tax Limitations and Mobility: The Lock-in Effect of California's Proposition 13,[36] authors Nada Wasi and Michelle J. White, found that Proposition 13 gave rise to a lock-in effect that strengthens over time for property owner-occupied.[37] It impacts the rental market, both directly because it applies to landlords and indirectly because it reduces turnover of owner-occupied homes.

They also found that the consequences of Proposition 13 on renters' tenure are striking. Longer tenancy by owner-occupiers delays younger households to transition from renting to owning. More troubling, African American households and out-of-state residents were notably more impacted than white households and California-born households, respectively.

With such low property taxes, local governments deprioritized housing in favor of commercial developments. With all properties—even vacant ones—taxed on the purchase price and not their current value, California has become a great place to take on speculative real estate investments and leave valuable parcels of undeveloped land.

REHABILITATION DRIVES BUILDING INVESTMENT

Historic preservation is not impeding development in Los Angeles as a whole or within designated areas. Thousands of projects have navigated through the design review process in HPOZs over the years, including hundreds of new construction projects.

An analysis of project permits in Los Angeles between 2002 and 2017 compared patterns of permitting in HPOZs with that in the rest of the city.

In HPOZs, 85% of all permits are for rehabilitation, and they account for 44% of the investment dollars. New construction permits constitute 3.6% of permits and 27% of the investment. In the rest of the city, 71% of all permits are for rehabilitation, accounting for 26% of the investment. New construction represents only 8% of all permits, but 58% of the investment.

AVERAGE PROJECT APPROVALS IN HPOZS PER YEAR 2008–2017

Conforming Work on a Contributing Structure[1]	420
Conforming Work on a Non-Contributing Structure[2]	104
Certificate of Appropriateness[3]	43
Certificate of Compatibility[4]	11
Accessory Dwelling Units (since 2017)[5]	98

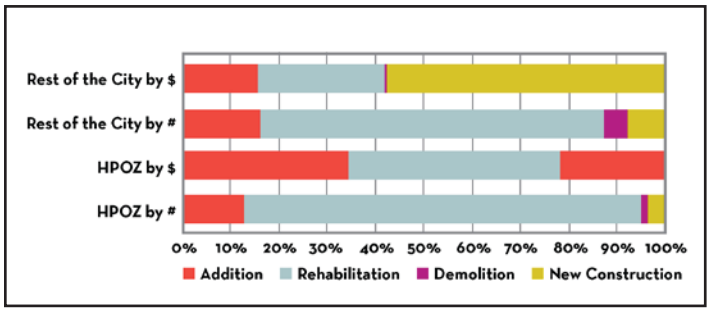
1 Conforming Work on a Contributing Structure approval covers minor exterior work on a Contributing Structure.
2 Conforming Work on a Non-Contributing Structure approval applies to any project on a Non-Contributing property that does not involve the demolition of a structure, or construction of a new building on a vacant lot.
3 A Certificate of Appropriateness are required for significant exterior work to a contributing structure, which includes demolition, removal or relocation.
4 A Certificate of Compatibility permits work that involves new construction, building replacement, or demolition.
5 In 2017, Los Angeles adopted a state-mandated program to streamline Accessory Dwelling Units permit applications.

While building permits offer some insight into construction investment, these numbers typically underrepresent the actual amount spent. Not all work requires a building permit; property owners may discount their investment to avoid higher fees, and many forego applying for permits despite their obligation. Thus, the activity in these neighborhoods is likely even greater.

Building investment—including new construction—is occurring in HPOZs at a greater rate than in the rest of the city. HPOZs represent a greater share of building permits by number and dollars invested in rehabilitating existing resources. More than a third of investments in HPOZs have been for additions, while a fifth have been for new construction. It is not that the preservation guidelines for HPOZs preclude new buildings; rather they assure that changes to the neighborhood are compatible with the historic character of the area. Each year for the last sixteen years, approximately 20% of investments in historic districts was for new construction. In the rest of the city, new construction represents the largest building investment by dollars spent; rehabilitation is the greatest investment by the number of permits granted.

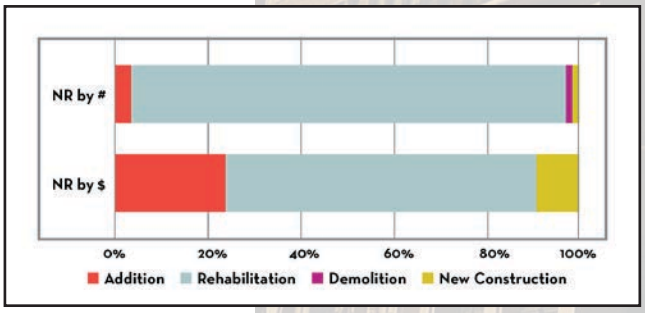
This pattern of rehabilitation is even more dramatic in National Register Historic Districts like the Broadway Theater and Commercial District, Spring Street Financial District, and Hollywood Boulevard Commercial and Entertainment District. Subject to review by the Office of Historic Resources, these areas saw an average of $14.8 million in rehabilitation investment in existing buildings each year since 2002 and another $2.3 million per year in new construction. Each year, an average of 98 new housing units per year were created in these districts, adding to the much-needed supply of housing in Los Angeles.

BUILDING PERMITS BY NUMBER AND DOLLARS HPOZS AND REST OF THE CITY 2002–2017

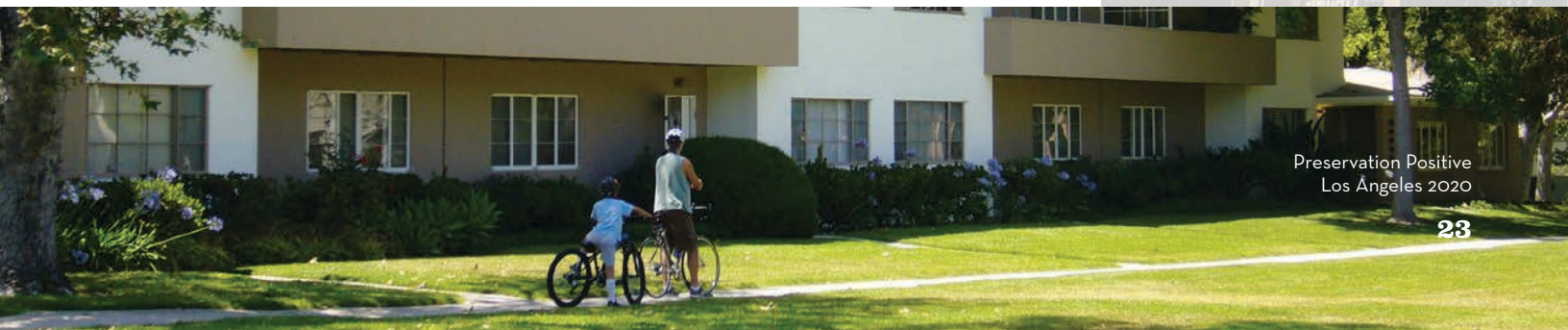


SOURCE: Building Permits, LADBS Custodian of Records.

NATIONAL REGISTER HISTORIC DISTRICT BUILDING INVESTMENT



SOURCE: Building Permits, LADBS Custodian of Records and Consultant Calculation.



STRIP CENTERS OFFER ALTERNATIVE OPPORTUNITIES FOR DENSITY

Los Angeles needs to add density and affordable rental housing to meet the needs of its growing population. To alleviate the pressure, some have proposed that all single-family neighborhoods be zoned to allow for increased density.[28] Others propose adding greater density along transit routes and removing HPOZ protections from neighborhoods. Already affordable and higher-density, HPOZs could be greatly impacted by such changes to zoning. Such measures also put many older, undesignated buildings at risk. Lower density, car-centric properties could be a more viable solution for adding much-needed new housing and density.

According to data from CoStar, the City of Los Angeles has 673 strip centers,[29] commonly known as strip malls. They are commercial buildings, typically one story, with retail or office units arranged in a row with a large parking lot in front. Strip centers in Los Angeles consume more than 24 million square feet of land to accommodate 7,237,000 square feet of gross leasable area for the businesses providing goods and services located there. The average strip center is a 10,753 square foot building sitting on 35,814 square feet of land. The vast majority are located on an existing public transportation routes.

If all the strip centers were rezoned for housing and then developed, they could provide[30]:

- 24 million square feet of land redeveloped into 96 million square feet of buildings in four- and five-story structures.
- 7,237,000 square feet of ground floor commercial space in the new buildings.
- 71.3 million square feet of upper floor residential could create 83,929 apartments of 850 square feet each.
- Even if one parking space were provided for each apartment, 63,416 housing units could still be built.

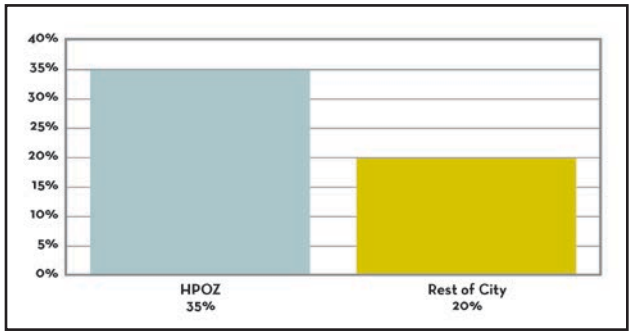
The above is an oversimplified analysis. Of course, there would need to be a range of unit sizes, some areas could accommodate much higher buildings, and not all current owners of these strip centers may be interested in making the change. This example merely illustrates that there are a variety of viable options to adding both density and housing along transit corridors. This could be accomplished by encouraging the redevelopment of low-density, automobile-oriented parcels, rather than diminishing the quality and character of existing historic neighborhoods.

HISTORIC DISTRICTS STIMULATE JOB GROWTH

Between 2005 and 2015, job growth in HPOZs outpaced that of the rest of Los Angeles, growing 26% in HPOZs compared to 15% in the rest of the city. Moreover, HPOZs accounted for a disproportionate share of the city's overall job growth, with 2.8% of all job growth captured by just 1.8% of the land area represented by HPOZs.[41] This is significant since HPOZs are primarily residential.

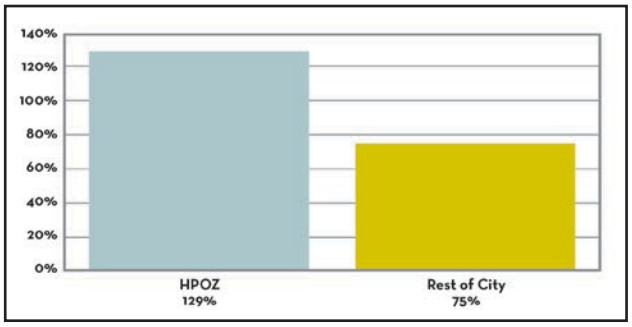
Historic buildings and HPOZs in particular play a significant role in the development of the creative industries in Los Angeles. Between 2005 and 2015, L.A. saw a 20% growth rate in arts-related jobs, while HPOZs saw a 35% growth rate in arts-related jobs.[42]

GROWTH IN ARTS RELATED JOBS 2005–2015



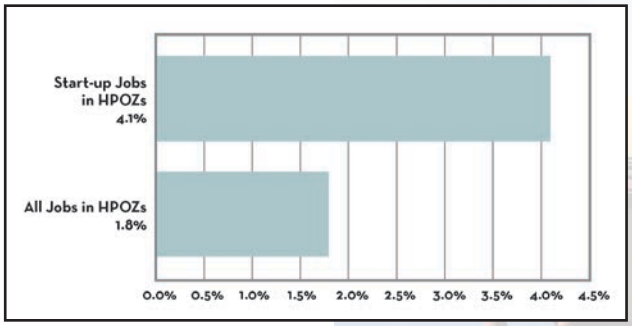
SOURCE: Longitudinal Employer-Household Dynamics (LEHD), U.S. Census Bureau, 2015

GROWTH IN JOBS AT START-UP FIRMS 2011-2015



SOURCE: Longitudinal Employer-Household Dynamics (LEHD), U.S. Census Bureau, 2015

START-UP JOBS IN HPOZS



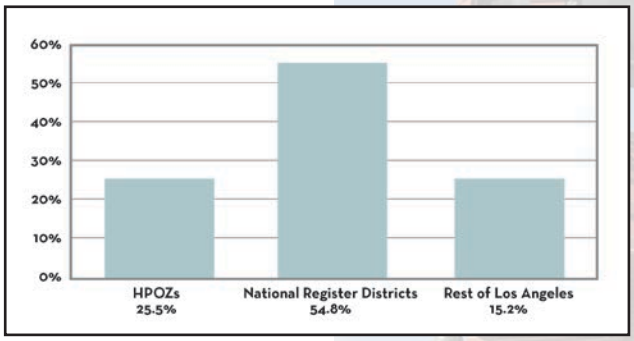
SOURCE: Longitudinal Employer-Household Dynamics (LEHD), U.S. Census Bureau, 2015

Older buildings also attract small and start-up businesses because of their character, variety of spaces and sizes they offer, and their often more competitive rents. Startup firms in L.A. saw a 75% growth rate between 2011 and 2015, but HPOZs saw growth of 129%.[43] While HPOZs had 1.8% of all jobs, 4.1% of jobs at start-up firms were located in HPOZs.[44]

Most HPOZs in Los Angeles are residential, and, yet, the job growth in historic districts significantly outperformed the city as a whole between 2005 and 2015.

During those ten years, L.A.'s National Register Historic Districts, many of which include commercial uses, enjoyed a job growth rate nearly three times that of the city as a whole.

JOB GROWTH 2005–2015



SOURCE: Longitudinal Employer-Household Dynamics (LEHD), U.S. Census Bureau, 2015

HISTORIC PRESERVATION MAKES BUSINESS SENSE

As the City of Los Angeles works to compete in the modern global economy, historic buildings have an indisputable contribution to make. This study finds older buildings are places of choice for businesses big and small. Their character, location, and cost to rehabilitate and occupy make them attractive to investors and tenants alike. In Los Angeles, older and historic buildings are meeting the needs of twenty-first-century businesses and workers.

HISTORIC PLACES ATTRACT A MODERN WORKFORCE

Numbering nearly 90 million, millennials have come of age and are primed to make their mark on the U.S. economy. Born roughly between 1981 and 1996, they are characterized by their confidence, ambition, and achievement-oriented spirit. They yearn for authentic experiences and care about engaging with history and culture.[45] It is no surprise that millennials prefer living and working in neighborhoods with historic character.

Millennials have high expectations of themselves and their employers. "Millennials want their work to have a purpose, to contribute something to the world and they want to be proud of their employer," according to a recent report by PricewaterhouseCoopers.[46] With millennials expected to make up 75% of the workforce by 2025, the business world is paying attention.[47] Many younger companies or those whose employees are predominantly millennials gravitate toward older and historic buildings, as a way to position themselves as authentic, environmentally conscious, and unique.

In Los Angeles, locating offices in rehabilitated older or historic buildings has become increasingly popular. In 2018, tech juggernaut Google expanded its footprint in L.A. by adaptively reusing the historic hangar built for Howard Hughes' H-4 Hercules, better known as the "Spruce Goose." Considered to be the largest timber building in the world when it was constructed in 1943, the 319,000 square-foot hangar was transformed into a 'building within a building.' Framed by the hangar's original Douglas-fir walls, the Streamline Moderne-inspired interior structure is a nod to the hangar's history with an open and modern workspace that speaks to its future. Google's decision to undertake a massive rehabilitation of a historic building represents an investment in Los Angeles, as well as a commitment to continuing the city's legacy of innovation.

Jonah Sonnenborn, head of real estate for Access Industries spoke to the Los Angeles Times in 2019 about Warner Music Group's decision to move into the historic Ford factory in the Arts District, saying he told his colleagues, "'Hey, guys, why not the Arts District? Why not downtown?'" He added, "When you walk around the Arts District you get the same hip, cool

vibe where people want to live, work and play...Warner wanted to take a leadership position in this neighborhood."[48]

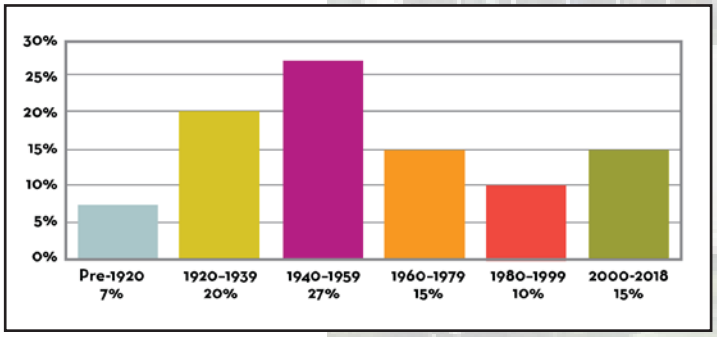
By 2022, Google, Netflix, Apple, and Amazon, are expected to occupy over 1 million square feet of L.A.-based, mixed-use office space that will include many historic buildings.[49] The fact that tech and media players are investing in historic buildings is not surprising to brokers specializing in creative office leasing. "Companies make their decisions about where they want to go based on where they can find and retain talent," points out Marques Williams, a director at Cushman and Wakefield in Los Angeles.[50] The type of talent these companies seek—young, mobile, tech-savvy—demands a flexible, inspiring, and unique physical environment. Millennial workers have the benefit of choice—66% of millennials decide where and how they want to live and then look for employment.[51]

PRESERVATION SUPPORTS THE CREATIVE OFFICE MARKETS

Los Angeles faces a growing demand for creative office space. In fact, within the next few years, CBRE Group, Inc. predicts that *creative* office space will be synonymous with office space.[52] While developers are building new creative office projects, older rehabilitated spaces are driving market demand. Buildings like the rehabilitated Ford factory in the Arts District and The Trust Building in downtown serve as shining examples.

Chris Rising, CEO of Rising Realty Partners, developers of The Trust Building, told the *Los Angeles Business Journal* in November 2019, "We have had some great success with historic buildings. Our focus is really on adaptive reuse. Our view is that the greatest impact we can have is doing value-add adaptive reuse. By their nature, these buildings are in great locations. We can have a bigger impact because it does take a skill set that's different than ground-up, and we can do better for our investors by doing adaptive reuse than we can doing ground-up."

AGE OF BUILDINGS IN "LOFT-CREATIVE" CATEGORY



SOURCE: CoStar Group, www.costar.com.

Los Angeles has a unique combination of historic office buildings and industrial product," said CBRE Senior Vice President John Zanetos. "These are one-of-a-kind buildings with exposed brick and wood-beamed ceilings left over from a once-robust manufacturing economy that are no longer useful in the way they were originally intended. These revamps make them relevant again and offer tenants a unique branding opportunity and exciting space to work out of."[53]

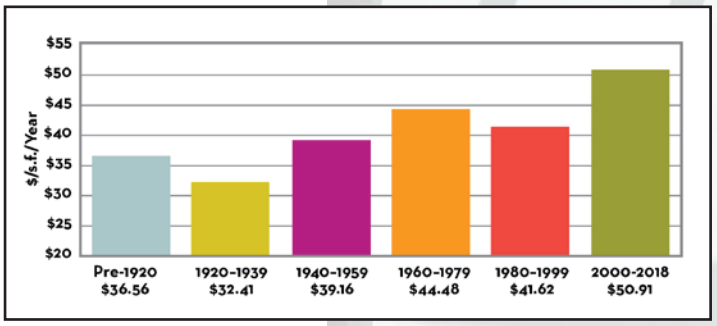
"Unique" and "one-of-a-kind" are the key words, as these older buildings are a finite resource. They are distinct because they represent certain building technologies, materials, context, and character of the time in which they

were built. Once demolished, they are gone. The adaptive reuse of these buildings offers companies the opportunity to align their physical space with their brand and ethos, and offer an environment that is competitive and irreplaceable.

These styles of buildings are in limited supply, and high in demand in Los Angeles. According to CoStar, 60% of lofts[54] converted into creative buildings were constructed 60 or more years ago.[55]

Beyond character and convenience, cost also encourages creatives, startups, and tech companies to locate in historic office space. In Los Angeles, older creative space has lower rental rates than newer built spaces. Over 50% of co-working giant, WeWork's spaces are in "Class B" structures, which are typically older and less expensive buildings to rent.[56] Older buildings appeal to many of WeWork's clients' design sensibilities, and they allow the company to efficiently and economically keep up with the demand for new spaces. By renovating Class B buildings into chic, amenity-filled workspaces, the company is generating real estate value through design.

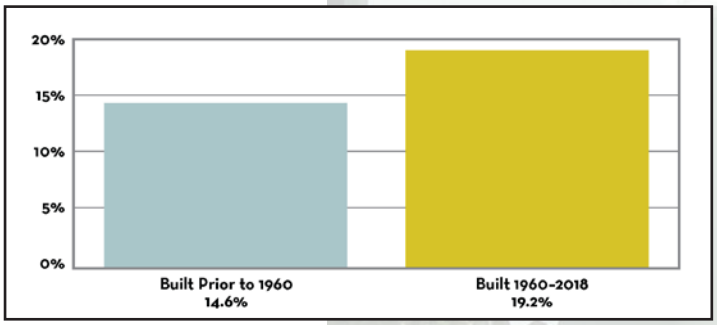
ANNUAL RENT—LOFT-CREATIVE SPACE BY YEAR OF CONSTRUCTION



SOURCE: CoStar Group, www.costar.com.

While developing affordable creative office stock may not seem profitable, rental rates are only part of the real estate equation. The vacancy rate is a major variable when deciding on building investments. In Los Angeles, over the last five years, loft-creative structures built before 1960 saw an average vacancy rate of 14.6%, while newer creative buildings' rates exceeded 19%.[57]

AVERAGE VACANCY—LOFT-CREATIVE BUILDINGS, 2014-2018



SOURCE: CoStar Group, www.costar.com.

Older and historic buildings in Los Angeles are well-suited to meet the needs of twenty-first-century business models, like the "makers market" where producers of goods combine their living and workspace as work-at-home professionals.

Buildings constructed before 1950 represent slightly less than 38% of all office buildings in Los Angeles, including 45% of loft-creative buildings, 49% of office live-work buildings, and more than two-thirds of industrial live-work buildings.[58]

Small businesses and startups are also a prime market for older and historic buildings in L.A., where more than 92% of businesses employ fewer than 20 people and the average leased office space is only 1,800 square feet (housing five to six workers).[59] Nearly all older or historic office buildings have space that can accommodate those needs.

PRESERVATION IS COST-EFFECTIVE

Every rehabilitation project is different and involves many variables and costs. In Los Angeles, upgrading an existing building has proven to be just as cost-effective, if not more, than building new.

Many older buildings benefit from already-efficient designs and solid construction with long-lasting materials. Karin Liljegren, founder and principal of Omgivning Architecture and Interior Design, says, "If you have a creative consultant team that also understands the technical requirements needed to meet the Secretary of Interior's Standards for Rehabilitation or to gain local agency's approval, you can find interesting ways to renovate a building."

"You also have to let the building tell you what it wants to be. If you try to force something on it, like punching a bunch of windows through a solid wall instead of using it as a shear wall for seismic upgrades, … it will cost you more," Liljegren added.

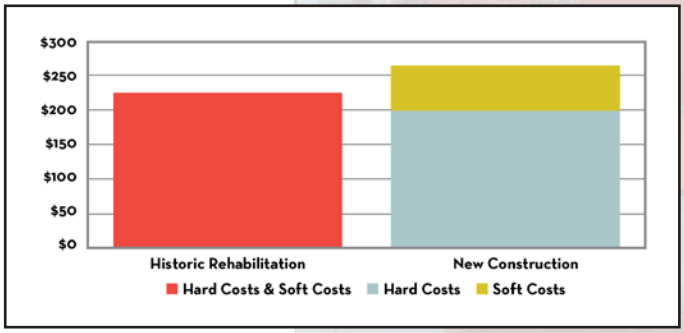
For example, the seemingly daunting prospect of meeting California's strict energy codes is counteredbalanced by older buildings' walls.[60] Built considerably thicker and comprised of materials like steel and concrete masonry, they are highly efficient, in terms of thermal gain and loss. Liljegren explains, "California energy requirements are generally equivalent to a Silver LEED rating.[61] We get those results once we've updated these old buildings with new mechanical systems."

Designated historic structures have additional advantages through special tax incentives. An analysis of 2017 permits for new construction of commercial and multi-family properties and recent historic rehabilitation tax-credit-projects showed that average costs per square foot were virtually the same, averaging $198.69[62] and $198.43, respectively.[63]

However, new construction permits include only "hard costs" of construction, such as painting, roofing, electrical work, and other permanent portions or equipment. Not included are architects' fees, construction period interest, engineering and surveying fees, consulting services, and other "soft costs" that typically make up 25% to 35% of total project costs. New construction permits also do not reflect the cost of demolishing an existing building.

Historic tax-credit-project documentation includes most soft costs. The full cost of a new construction project with a $198 per square foot cost valuation is likely to be $265 to $304 per square foot, or substantially greater than the historic rehabilitation project. Additionally, historic projects completing rehabilitation consistent with appropriate standards receive a tax credit against federal income tax liability equal to 20% of eligible expenses. That credit reduces the effective rehabilitation cost even further. In Los Angeles, many financial incentives make historic preservation viable and cost-effective.

COST COMPARISON
HISTORIC–REHABILITATION AND NEW CONSTRUCTION



SOURCE: Building Permits, LADBS Custodian of Records.

FEDERAL HISTORIC PRESERVATION TAX INCENTIVES

The Federal Historic Preservation Tax Incentives program, also commonly known as the Federal Historic Tax Credit program, encourages private investment in rehabilitating and reusing historic buildings for income-producing purposes, including commercial, industrial, agricultural, rental residential, or apartment use. Properties listed in the National Register of Historic Places or contributors to a registered historic district receive a 20% income tax credit on qualified expenses approved by the National Park Service. The projects produce high-quality rehabilitation of historic buildings, revitalize communities, and spur economic growth locally and nationally. For every dollar invested in preservation projects, the U.S. government receives $1.20 in tax revenue.[64]

REVITALIZING THE LEGACY OF THE HISTORIC BOYLE HOTEL

The Boyle Hotel located east of downtown stands as a prime example of how historic tax credits can have a transformative economic and community impact. Originally completed in 1889, the Boyle Hotel traces the evolution of the Boyle Heights neighborhood from an agricultural community to one of L.A.'s earliest suburbs to a vibrant center for Latinx culture.

At the corner of Boyle Avenue and East 1st Street, the Boyle Hotel, also known as the Cummings Block, is one of the oldest remaining commercial structures in Los Angeles. It operated as a hotel until 1918 when the upper floors were converted to apartments. The structure anchored the changing community, which served as a portal for many immigrant groups, including early Irish, Japanese, and Jewish immigrants to more recent immigrants from Latin American countries.

In the late twentieth century, the hotel earned the nickname, "Mariachi Hotel," for the many mariachi musicians who rented rooms in the hotel and gathered at the adjacent Mariachi Plaza. By 2006, the building was in disrepair and at risk of demolition. Recognizing its historic and cultural value, the nonprofit East L.A. Community Corporation purchased the building and sought to rehabilitate it into affordable housing. The group leveraged $23 million for the project through a mix of local and state subsidies combined with private equity, and both low-income housing and historic tax credits. Completed in 2012, the project consists of both rehabilitation and new construction. Overall there are three commercial spaces, a Mariachi Cultural Center on the ground floor, and 51 units of affordable housing (31 in the historic building and 20 in the addition). The Los Angeles Conservancy recognized the project for its remarkable contribution to preserving local history with a Preservation Award in 2013.

The Boyle Hotel's rehabilitation is only one example of how historic tax credits are preserving L.A.'s most valuable historic and cultural landmarks and revitalizing communities.

THE MILLS ACT HISTORIC PROPERTY CONTRACT

The Mills Act Historic Property Contract Program is an important economic incentive program in California for the restoration and preservation of qualifying historic buildings by private property owners. The State grants local governments the authority to enter into contracts with private property owners to guarantee the preservation of their Historic-Cultural Monuments or contributing buildings in Historic Preservation Overlay Zones. Participants must commit to rehabilitating, restoring and maintaining their historic building, and in exchange receive property tax relief. Los Angeles adopted the Mills Act in 1996. Since then, more than 900 historic properties have received Mills Act tax reductions—75% of which were single-family dwellings. The city commits up to $2 million per year in revenue loss to encourage the rehabilitation and it is making a difference. Between 2010 and 2017, Mills Act contracts reported an average of $11.7 million in rehabilitation investment each year.[65]

CALIFORNIA STATE HISTORIC TAX CREDIT

California Governor Gavin Newsom signed into law a state historic rehabilitation tax program in October 2019, making it the 37th state to offer this type of incentive. The legislation is a dollar-for-dollar reduction in tax liability, helping make difficult projects more financially viable. These incentives will increase state revenue by broadening its tax base, transform areas of disinvestment, and put long-vacant or under-utilized buildings back into use—especially when combined with other historic tax programs.

Studies of more than a dozen states have shown that the existence of an effective state tax credit stimulates the use of the federal tax credit by 40% to 60%. According to the California Preservation Foundation, between the years 2002 to 2016, 169 Federal Historic Tax Credit projects created nearly 40,000 jobs and generated $160 million in state and local taxes and $493.3 million in federal taxes.[66]

THE SEISMIC RETROFIT WORK PROGRAM

In Los Angeles, earthquake safety is a high priority. This is reflected in the city's strict building codes. In 2015, the City of Los Angeles passed an ordinance requiring two-story wood frame soft-story buildings and non-ductile concrete buildings built before 1978 to be retrofitted to improve their performance during earthquakes. The City estimates there are over 12,000 of these buildings in Los Angeles.[67] While such a mandate can be costly, owners are eligible for the Seismic Retrofit Cost Recovery Program after seismic upgrades. It allows for owners of rent-stabilized properties to pass through a temporary rent surcharge to tenants up to 50% of total seismic retrofit costs divided equally among all rental units.

Due to the City's diligence on retrofitting, the number of seismic permits citywide rose by 350% between 2013 and 2017.[68] In the last five years, 9% of all seismic retrofit permits have been in HPOZs, even though they only make up 1.8% of the land area. This does not capture historic retrofit activity in the other 98.2% of the city.

Courtesy Structural Focus

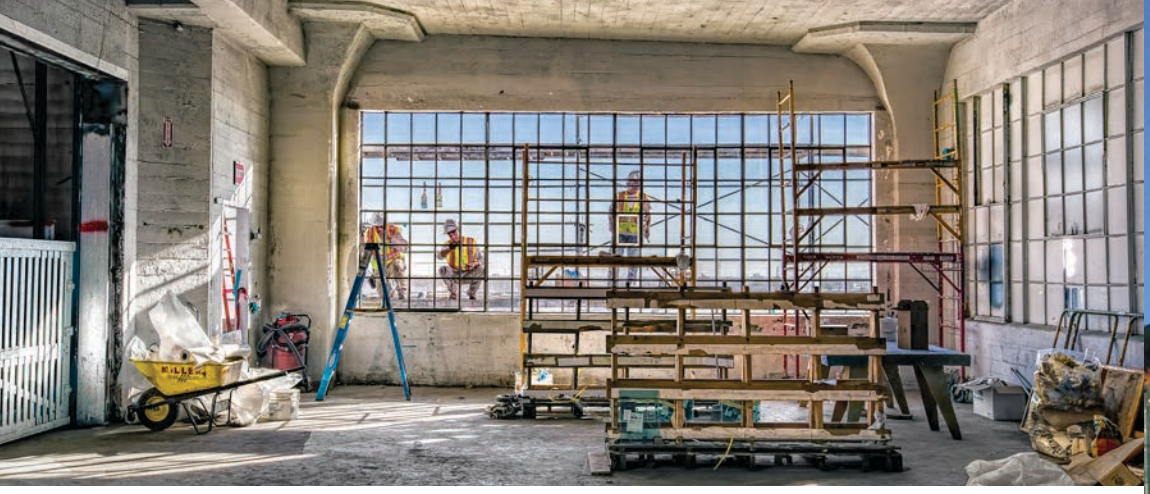


Photo Courtesy Rockefeller Group

L.A. ADAPTIVE REUSE ORDINANCE

The need for housing is not recent in Los Angeles. In 1999, Los Angeles adopted the Adaptive Reuse Ordinance (ARO) to encourage housing production downtown. The ordinance facilitates the conversion of older, underutilized, vacant or historic buildings into new apartments, condos, live-work units, or hotel rooms. Based on its success, the program expanded beyond downtown in 2003.

The ARO program works well because of key allowances: expedited review process for projects, unified building review without a public hearing, and flexibility in zoning. Between 1999 and 2019, L.A. created over 12,000 new housing units through adaptive reuse. The ordinance has been one of the most successful programs to encourage historic preservation in Los Angeles and has been cited as one of the most innovative and effective local initiatives in the country.

Andrew Gross, former president of Thomas Safran & Associates, Development Inc. (TSA) and currently with the UCLA Ziman Center for Real Estate says about redeveloping existing buildings, "It's an important option to consider. Adaptive reuse per unit is expensive, but it's also expensive to build new. Beyond that, it's not only about the expense you're putting into the building, it's about the investment in the community." TSA has developed over 6,000 units of affordable housing, market, rate, and mixed-use rental housing in Southern California, many as adaptive reuse projects and some within HPOZs.

While many older and historic buildings are adaptively reused for a variety of purposes, the city ordinance applies to the conversion of existing buildings to new residential uses.

Since the passage of the Adaptive Reuse Ordinance, downtown Los Angeles has experienced increased investment and growth. In 2017, the National Trust for Historic Preservation, in its Preservation Green Lab report, *Untapped Potential: Strategies for Revitalization and Reuse*, recognized ARO's transformative power, calling it "gold standard" policy and a national model for the rest of the country. Today, the ARO is considered one of the most effective tools for reusing, reinvesting, and revitalizing L.A.'s historic stock.

HISTORIC PRESERVATION MAKES WAY FOR A MORE SUSTAINABLE L.A.

Los Angeles is on track to become a national leader in carbon reduction and climate change action. Mayor Eric Garcetti's long-term sustainability plan, Los Angeles' Green New Deal, sets the course for a cleaner environment and a stronger economy, with a commitment to equity as its foundation.[69] In 2016, Angelenos handily voted in Measure M, a permanent sales tax increase to fund a dramatically expanded countywide public transit system, as well as sidewalk improvements, cycling infrastructure, and a network of greenways.[70] It is the largest transit infrastructure program underway anywhere in America with goals to reduce traffic congestion and air pollution. The city boasts the most installed solar power of any city in the United States, it is the most water-efficient big city, and has the highest recycling rate of any large city in the nation.[71]

Los Angeles' strong recycling ethic has expanded beyond aluminum cans to the built environment. Modeled after the California Green Building Standards Code, the first in the nation for state-mandated green building codes, the Los Angeles Green Building Code (LAGBC) reduces impacts through enhanced design and sustainable practices. The Sanitation Solid Waste Integrated Resource Plan enhances and expands existing policies and programs to meet the city's goals for the management of construction debris and material recycling. These programs have changed public and private behavior. A dozen or so landfills are required to post recycling rates, bringing a level of accountability to municipal waste disposal. Los Angeles is doing a good job in recycling building materials: the recycling of concrete is nearly always 100% and other demolition debris around 80%.[72] This gives them a second life, but this second life involves a change of form with negative impacts.

This report finds there is less public understanding of the high-energy costs associated with throwing away an entire house through demolition—even recycling debris of demolished buildings has major energy consequences. Recycling building materials generally entails crushing and grinding down original materials and then combining them with a binding agent. This process is energy-intensive, creates more air and water pollution, and often requires additional raw materials.

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REUSING EXISTING STRUCTURES SUPERSEDES RECYCLING

Reinvesting and rehabilitating structures is fundamentally better than recycling because it is reusing what already exists. Recycling—be it of trash or building materials—is both necessary and noble, but it requires energy consumption, and it too can produce pollution and waste. The growing field of deconstruction and salvage heralds the practice of reuse over recycling.

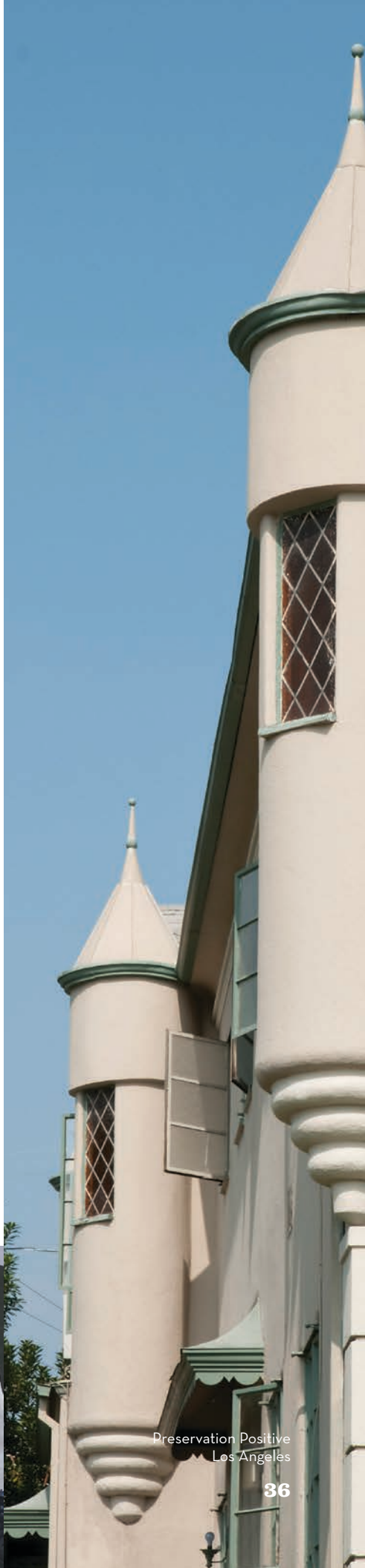
Reuse keeps building materials out of the waste stream, preserves embodied energy and creates less air and water pollution than recycling.[73] While recycling rates of building materials are high, up to a quarter of everything in Los Angeles landfills comes from construction debris—and, most of that from demolition. For example, the demolition of a 2,000 square foot house in Los Angeles generates 295 cubic yards of debris, weighing 84 tons.[74]

Another important consideration is that of embodied energy consumed by all of the processes associated with the production of a building—from the mining and processing of natural resources, to manufacturing, transport, and product delivery. When a building is demolished, all the energy embodied in its structure is lost.

REDUCING CARBON FOOTPRINT THROUGH PRESERVATION

"The greenest building is the one already built," says Carl Elefante, 94th president of The American Institute of Architects, and a leading voice on sustainability. He finds a disconnection between what scientists and sustainability-focused architects have found to be true and how buildings are built in the U.S.

"It is absolutely accepted by everyone who is engaged with the Paris Accord, or any other major climate response initiative, that four things are necessary to get to a decarbonized building sector—we must: 1) design green buildings; 2) incorporate renewable energy; 3) eliminate the embodied carbon from the construction of buildings; and 4) update the existing building stock to meet the zero net carbon goals," Elefante explains. "We shouldn't still have to



INSENSITIVE INFILL, LONG-TERM IMPACTS

When a historic home that belonged to family friends went on the market, Toby Horn jumped at the chance to purchase it. Horn visited the house frequently when she was young and vowed to one day live in the beautiful Tudor Revival home designed by renowned Los Angeles architect Paul Revere Williams. Today, the home is a designated HCM in the Miracle Mile North HPOZ.

As the years passed, Horn became increasingly concerned with the changes happening to the built landscapes of Los Angeles neighborhoods. It became clear that beyond the aesthetic reasons, there were financial and environmental reasons to fight to save these old homes.

She explains, "These 'boxes' are going in next to pristine one story, historic Spanish bungalows, and Tudor Revival houses. There isn't visual continuity in these communities anymore, and the 'boxes' are going for upwards of $4 million in my neighborhood and then getting resold soon thereafter."

Beyond the visual and financial consequences of insensitive infill, Horn noticed her lifestyle had become much more energy-intensive since her neighbors built a large second story next door. Horn says, "When this huge addition was built … it cut off the light, killing many of our plants and cutting off our cross-ventilation." The sound of her neighbors' air conditioning unit placed on the roof added noise pollution to their quiet neighborhood. "We cannot keep our windows open at night for a breeze—the noise keeps us awake," she adds.

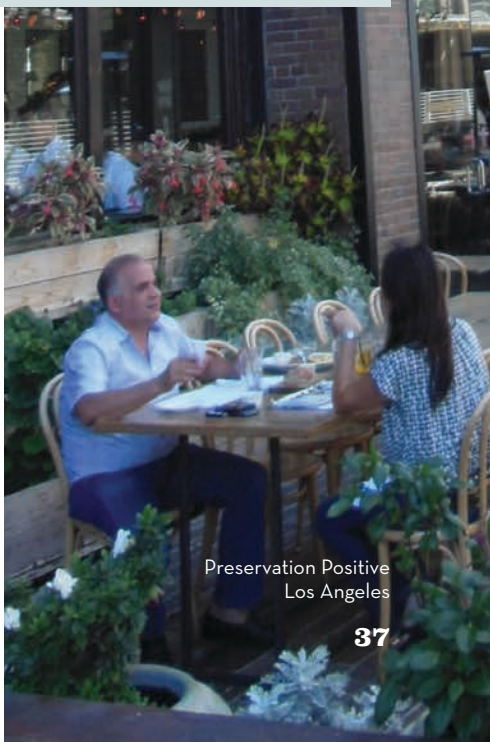
Horn worries about the loss of green space and trees in the area because new houses and additions are built closely along property lines. "Those trees used to help cool down the environment and absorb stormwater. There also used to be plenty of natural lighting in my kitchen and now we have to turn the lights on in there regardless of the time of day," Horn says.

A beautiful stained-glass window in her front hall is now always in shadow. Horn shares, "I no longer get to see that spectrum of brilliant blue light as the sun travels from east to west—one of the myriad things that has always made this home so magical."

convince anybody that the existing building stock is an important part of the discussion. It's not tangential; it's at the center of the existing issues."

The current default in most American cities is to demolish what exists and build new. There is still a great deal of education needed around the carbon-intensive way that we are trying to solve these problems, and most architects and municipalities are not embracing an approach that would address critical issues, like density.

"Cities need to prioritize the occupation of existing space—in a city the size of Los Angeles, there are likely 4,000-6,000 empty buildings. Urban areas need to contemplate and adopt sophisticated, nuanced ideas about densifying existing properties. There should be a greater understanding of, and more conversation around, what level of densification is reasonable and achievable," Elefante says. "These first steps are always skipped over when what we actually need is to find a low-carbon way of densifying."



Because people who specialize in updating and maintaining old and historic buildings continue to remain on the outer edges of conversations about zero-carbon goals and climate initiatives in the U.S., cities are not effectively addressing the role of buildings in climate change. Elefante explains, "[Preservationists] represent the easy wins like occupying existing space and creating tax incentive programs to fill empty neighborhoods. Older buildings also have so many built-in systems already—they were built before energy-intensive systems existed and use climate-smart design—and all of this continues to be overlooked. Half of Los Angeles' building stock fits into this category of small, older residential homes. The standard approach to what we are doing about buildings is not working. It isn't solving the decarbonization problem. It is only making us more dependent on energy."

The 2011 report, *The Greenest Building: Quantifying the Environmental Value of Building Reuse*, by the National Trust, analyzed the potential environmental benefit of building reuse and retrofit. It found that building reuse almost always yields fewer negative environmental impacts than new construction.[75] This study found that it takes 10 to 80 years for a new building built 30% more efficient than an average-performing existing building to make up for the negative climate change impacts related to the construction process.

According to the UCLA Energy Atlas, buildings are responsible for 40% of greenhouse gas emissions in Los Angeles County.[76] Many, but not all, old buildings have climate-efficient designs. When they were built, every aspect of the building (siting, materials, window operation, ceiling height, etc.) was designed in the context of the local environment. In the days before instant heat and cooling, humidity controls, and computer-driven systems, the building itself had to respond to the environment, and many historic buildings still do.

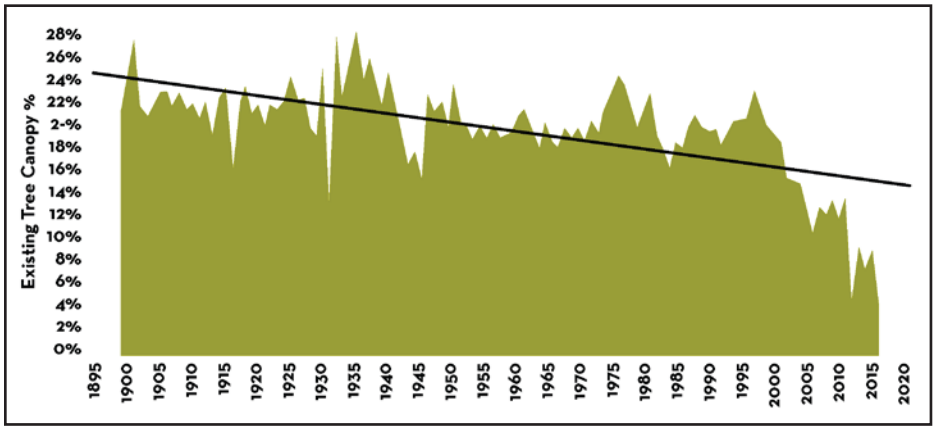
L.A.'S TREE CANOPIES

Trees are an essential element in the overall health of communities. According to the National Research Council, trees reduce stormwater runoff, lower summer temperatures, remove air pollution, provide habitats for wildlife, improve human health, enhance neighborhood aesthetics, and increase property values.[77] However, like many other cities, the alteration of Los Angeles' natural land surfaces has forced the city to suffer the implications of the urban heat island (UHI) effect. The use of impervious materials, such as concrete, asphalt, and dark rooftops, cause large swaths of Los Angeles to absorb and retain heat, resulting in temperatures that are five degrees higher than surrounding areas.[78] Along with other measures, adequate tree cover can help lower the average temperature of L.A.'s UHI, cutting the need for air conditioning by 18%, while also helping to reduce smog level.[79]

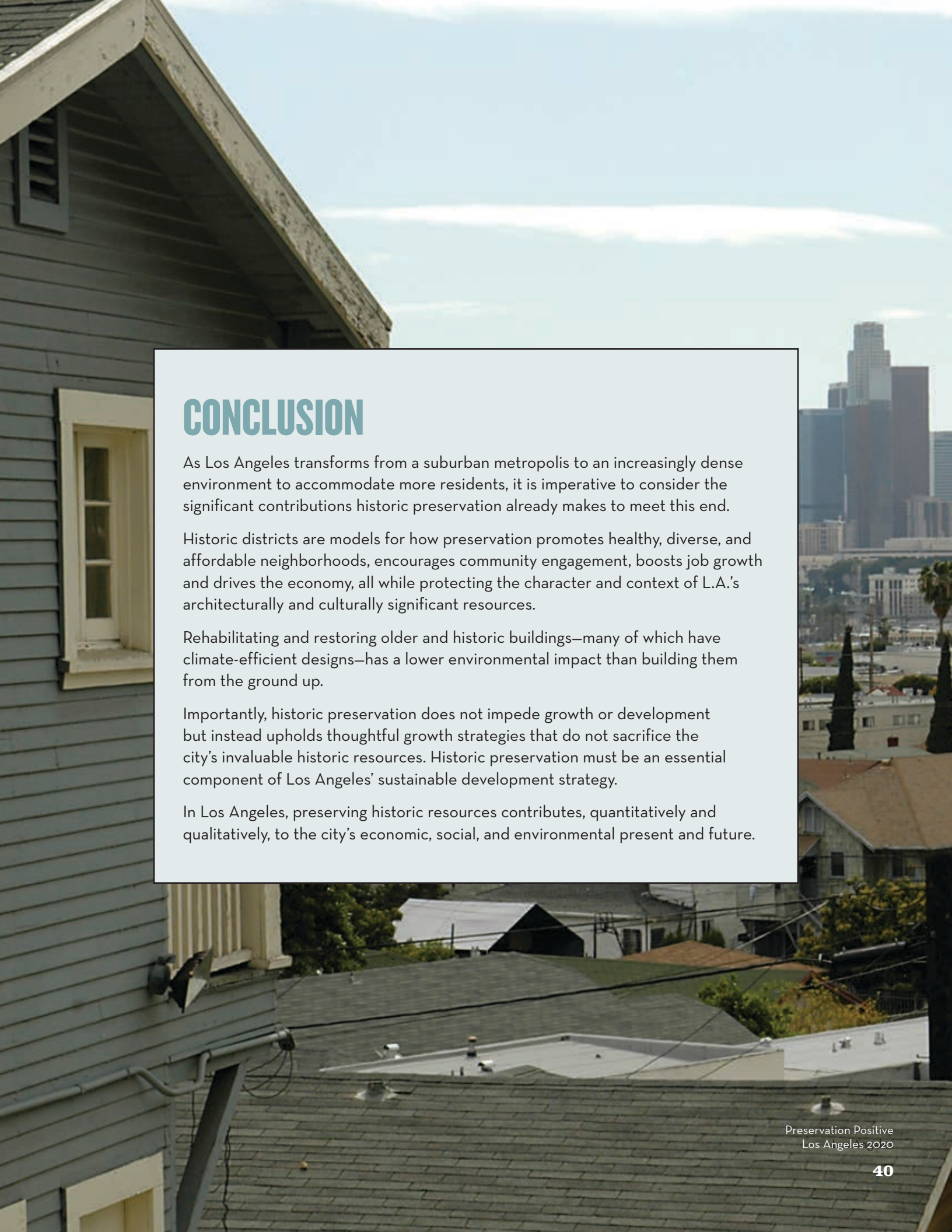
L.A.'s older, urban neighborhoods are already hard at work negating the effects of the UHI, as they provide a dense source of tree cover. A study released by the nonprofit organization TreePeople found that there was a "statistically significant inverse relationship between tree canopy and year built, with a noticeable drop-off in the percent tree canopy on homes built after 2000."[80]

This is due to what the TreePeople study terms the "founders effect." According to the study, "trees and construction do not mix," because existing vegetation is often removed as residential lots are graded, and new, young trees planted within the new development. This results in a tree canopy that does not reach its maturity until decades later. In HPOZs, the average year built of single-family properties is 1929, making them prime locations for robust, fully developed, and protected tree cover.

YEAR BUILT IN RELATION TO PERCENT TREE CANOPY FOR SINGLE-FAMILY RESIDENTIAL HOMES IN LOS ANGELES COUNTY



SOURCE: "Los Angeles County Tree Canopy Assessment," TreePeople, 2016



CONCLUSION

As Los Angeles transforms from a suburban metropolis to an increasingly dense environment to accommodate more residents, it is imperative to consider the significant contributions historic preservation already makes to meet this end.

Historic districts are models for how preservation promotes healthy, diverse, and affordable neighborhoods, encourages community engagement, boosts job growth and drives the economy, all while protecting the character and context of L.A.'s architecturally and culturally significant resources.

Rehabilitating and restoring older and historic buildings—many of which have climate-efficient designs—has a lower environmental impact than building them from the ground up.

Importantly, historic preservation does not impede growth or development but instead upholds thoughtful growth strategies that do not sacrifice the city's invaluable historic resources. Historic preservation must be an essential component of Los Angeles' sustainable development strategy.

In Los Angeles, preserving historic resources contributes, quantitatively and qualitatively, to the city's economic, social, and environmental present and future.

APPENDIX 1

Demographics by Historic Preservation Overlay Zone, Race 2016

HPOZ	White	Black	Asian	Other
52nd Place Tifal Brothers Tract	25%	12%	0%	62%
Adams - Normandie	20%	15%	6%	59%
Angelino Heights	58%	2%	16%	24%
Balboa Highlands	72%	2%	20%	6%
Banning Park	72%	0%	0%	27%
Carthay Circle	83%	3%	7%	7%
Carthay Square	70%	10%	4%	15%
Country Club Park	29%	8%	32%	30%
El Sereno-Berkshire Craftsman	42%	1%	21%	36%
Gregory Ain Mar Vista Tract	75%	0%	10%	15%
Hancock Park	75%	3%	13%	9%
Harvard Heights	21%	11%	10%	59%
Highland Park - Garvanza	45%	2%	10%	42%
Hollywood Grove	73%	3%	21%	3%
Jefferson Park	22%	31%	3%	44%
La Fayette Square	24%	51%	8%	17%
Lincoln Heights	29%	0%	32%	39%
Melrose Hill	47%	2%	7%	45%
Miracle Mile	47%	20%	14%	19%
Miracle Mile North	89%	1%	4%	7%
Oxford Square	34%	9%	34%	22%
Pico - Union	33%	4%	7%	57%
South Carthay	76%	7%	4%	13%
Spaulding Square	72%	7%	9%	12%
Stonehurst	94%	0%	6%	0%
Sunset Square	73%	6%	7%	13%
University Park	26%	5%	15%	54%
Van Nuys	32%	6%	9%	53%
Vinegar Hill	49%	17%	6%	27%
West Adams Terrace	17%	48%	3%	31%
Western Heights	25%	30%	9%	36%
Whitley Heights	71%	2%	2%	25%
Wilshire Park	19%	5%	48%	28%
Windsor Square	49%	3%	39%	10%
Windsor Village	26%	6%	54%	14%
All HPOZ	**39%**	**10%**	**14%**	**37%**

SOURCE: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, Table B02001, Race.

APPENDIX 2

Demographics by Historic Preservation Overlay Zone, Hispanic 2016

HPOZ	Hispanic
52nd Place Tifal Brothers Tract	43%
Adams - Normandie	72%
Angelino Heights	46%
Balboa Highlands	13%
Banning Park	53%
Carthay Circle	10%
Carthay Square	17%
Country Club Park	48%
El Sereno-Berkshire Craftsman	45%
Gregory Ain Mar Vista Tract	40%
Hancock Park	11%
Harvard Heights	72%
Highland Park - Garvanza	74%
Hollywood Grove	5%
Jefferson Park	62%
La Fayette Square	21%
Lincoln Heights	70%
Melrose Hill	71%
Miracle Mile	17%
Miracle Mile North	8%
Oxford Square	46%
Pico - Union	85%
South Carthay	12%
Spaulding Square	10%
Stonehurst	11%
Sunset Square	14%
University Park	68%
Van Nuys	74%
Vinegar Hill	56%
West Adams Terrace	43%
Western Heights	39%
Whitley Heights	19%
Wilshire Park	36%
Windsor Square	7%
Windsor Village	17%
All HPOZ	**54%**

SOURCE: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, Table B02001, Hispanic.
The United States Census Bureau does not define Hispanic origin as race, but rather "the heritage, nationality, lineage, or country of birth of the person or the person's parents or ancestors before arriving in the United States." The study uses the terms "Latinx" as an inclusive alternative.

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METHODOLOGY

This analysis relied on data from CoStar, Los Angeles County, the City of Los Angeles, online research platforms, newspaper and social media outlets, and in-person stakeholder interviews. Population, demographics, and job data from the U.S. Census Bureau.

Unless otherwise noted, all photos are credited to Adrian Scott Fine and the Los Angeles Conservancy.

ABOUT THE TEAM

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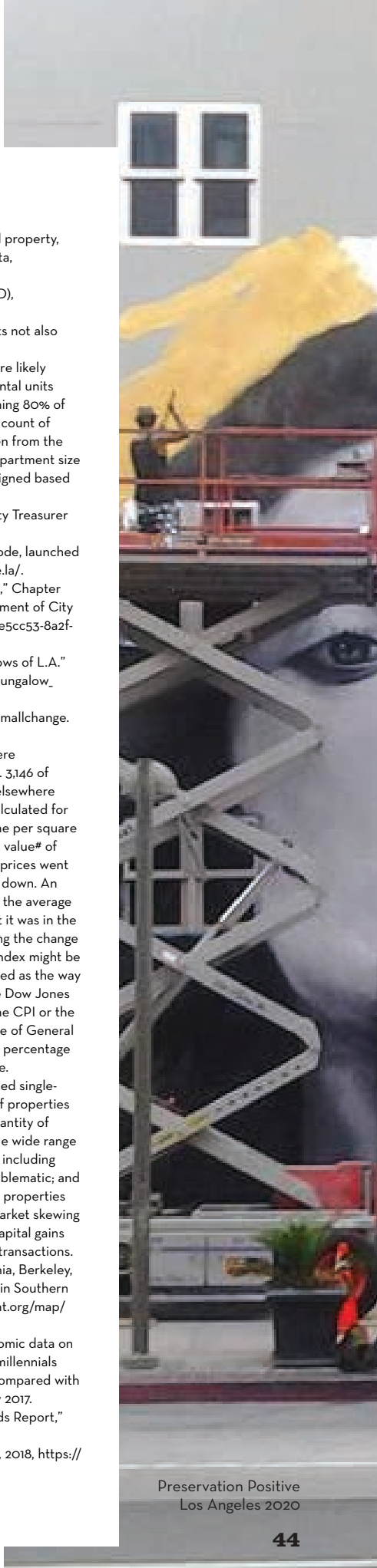

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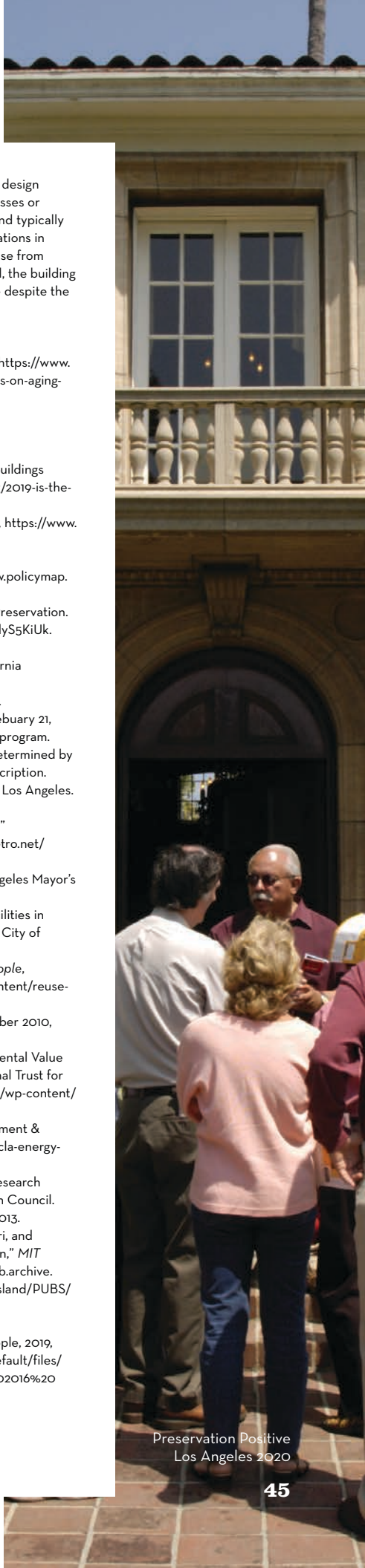

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