

A SNAPSHOT REVEALS 28 YEARS OF FADING + RESTORED HISTORY

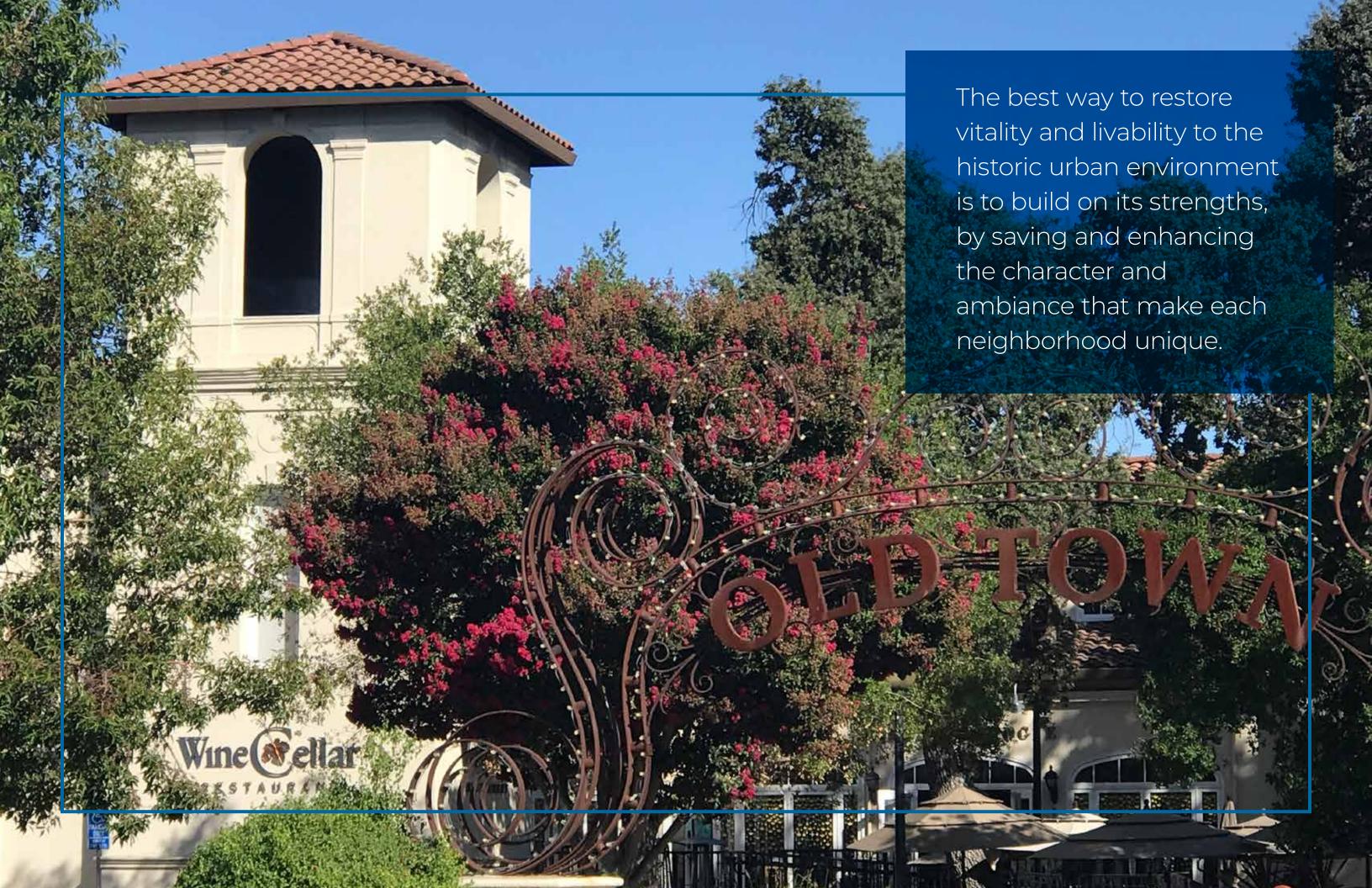




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INTRODUCTION

What makes Los Gatos most distinctive, setting it apart from other bay area towns? Its rich and unique history dating back to the mid-1800's–John Forbes first built his mill supporting an agricultural community; the arrival of the train in the early 1900's which brought new waves of residents. These newcomers to Los Gatos came from San Francisco, building their summer homes as places to escape cold, foggy weather; and they came from other states drawn by the temperate climate, growing economy, and the beauty of the foothills. Such rich history is filled with famous residents, from wealthy socialites and farm machinery inventors, to politicians, writers, artists, and business people.

Noteworthy residents included John Steinbeck, author of the great American novel *The Grapes of Wrath*, and Apple's cofounders. Today it is home to many professionals from Silicon Valley tech companies, and others who enjoy the beautiful surroundings that helps them decompress from the intensity of their work.



PRESERVING THE <2% OF LOS GATOS HOMES IN HISTORIC NEIGHBORHOODS:

Our historic architecture are indeed the physical monuments whispering the story of our past. They are far more than just good examples of early American architecture. They craft our distinctiveness and help define our town with timeless visual appeal. Without them, Los Gatos, with 98% of its ranch-style architecture homes, would just be another bay area suburb. Our town law recognizes this powerful truth as set forth in the Los Gatos historical preservation code that is written to protect and preserve the rich cultural legacy of our historic homes that constitute less than less than 2% of all Los Gatos homes, lest it slip away, falling prey to the bulldozer in pursuit of more modern structures.

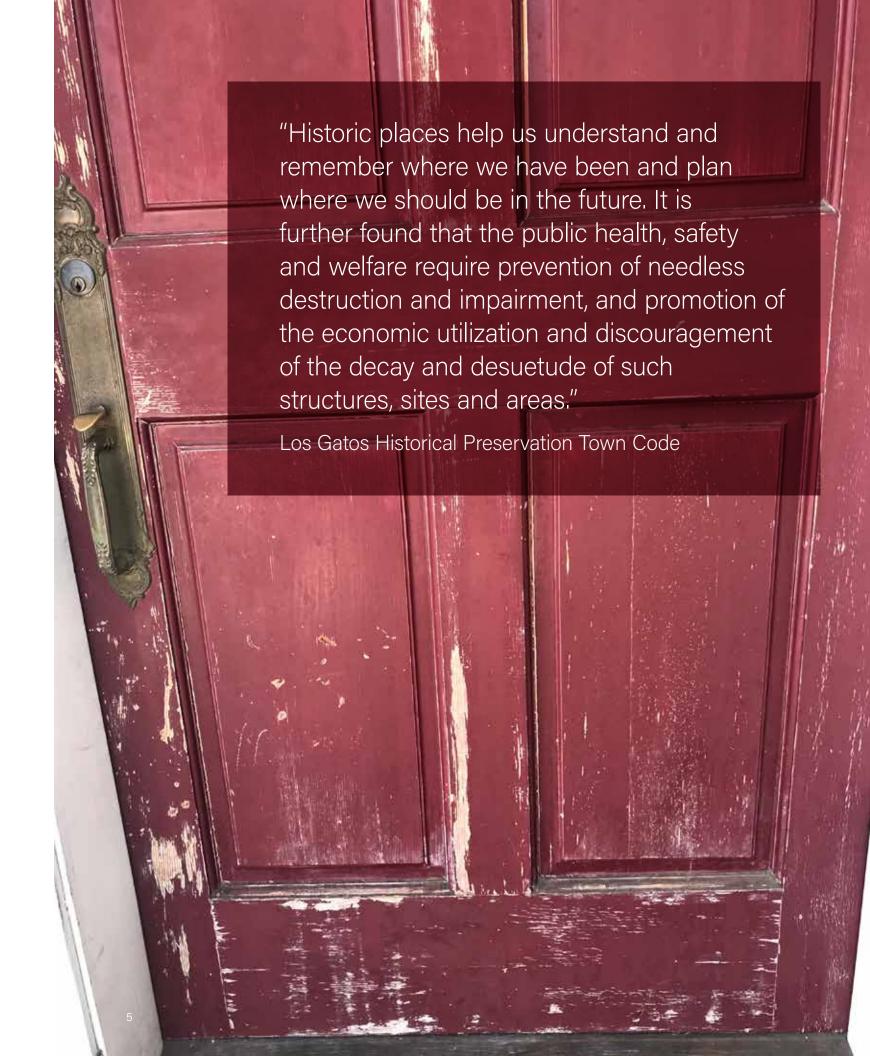
Yet this survey reveals that this is exactly what has happened to 16.5% of those historic homes in the intervening years since 1991, and that <u>left undeterred</u>, this <u>loss will climb to 37% by 2030</u>. At some point we risk hitting the tipping point where there's no longer a sufficient number of historic homes remaining to constitute having a historic neighborhood. Then who are we?

This tremendous, irreplaceable loss of historic homes has occurred despite Los Gatos historic preservation laws stipulating otherwise:

"Historic places help us understand and remember where we have been and plan where we should be in the future. It is further found that the public health, safety and welfare require prevention of needless destruction and impairment, and promotion of the economic utilization and discouragement of the decay and desuetude of such structures, sites and areas."

THE SIGNIFICANCE OF THE 1991 LOS GATOS HISTORIC SURVEY:

1991 was a notable year thanks to the efforts of then Mayor Sandy Decker, who provided the funding for the town's first historical survey. That survey, now housed in the town library, captures a great deal of material on the character, architectural style, and history of many historical homes, including chronicling the residents that lived there up to that time. Another important task that the survey accomplished was capturing a snapshot of the historic home inventory that existed at the time. 1991 gave us an all-important baseline with which to compare our present-day historic home inventory, to discover what has changed over a period of nearly three intervening decades.



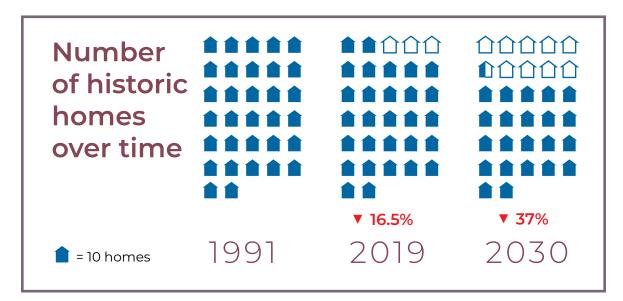
2019 HISTORIC SURVEY - AN UPDATED SNAPSHOT OF LOS GATOS HISTORY:

This 2019 historic survey builds on the snapshot taken in 1991, revealing what has physically changed, along with the type of change that has transpired in the intervening years. Did these historic homes receive the protections bestowed upon them from the Los Gatos historical preservation code? And, what is the present condition of these historic homes? Are they beautifully preserved or have the ravages of time chipped away at their luster?

This 2019 historical survey set out to answer these and other questions to reveal where we are today and how we got here; its key findings provide insights and guidance for the future governance and planning of Los Gatos.

IN BRIEF, HERE'S WHAT WE LEARNED:

The data collected and analyzed reveals an alarming number of historic homes in our historic neighborhoods has disappeared (16.5%) over the past nearly three decades! In calendar year 2019 we are seeing an accelerated rate of homes being approved for removal from the historic inventory which means they are being cleared for replacement. Extrapolating from the current rate of HPC-approved 'removals' reveals that a full 37% of Los Gatos historic homes existing in 1991 will be replaced by the year 2030.



☐ The survey also reveals varying degrees of decay present in many historic homes, over 25%, due to neglect and deferred maintenance, sometimes due to a property owner renting out their property, but more frequently due to the financial inability of the homeowner to make the needed repairs and maintenance.

16.5% + 25%

DISAPPEARED DECAYED

What we also find is that decaying homes eventually become vanishing homes. Being 'beyond repair' is an often-cited reason for requesting demolition approval of a historic home. Finding the money to do the needed repair work is harder than ever for many homeowners, due to the recent changes in the federal tax code and the skyrocketing costs of home building and rehabilitation.

A painful reality is that the maintenance costs for historic homes are far higher than that of a modern structure; this is in part why many home buyers shy away from buying a historic home. It's also a prime reason why the state of California enacted its historic preservation economic incentives act (Mills Act) in 1972 to assist homeowners with maintaining these historical homes to help offset these burdensome costs associated with preserving history. In the absence of these economic incentives, it becomes alluring after examining the costs, to replace rather than reposition proportion and

In the absence of these economic incentives, it becomes alluring after examining the costs, to replace rather than rehabilitate historic properties, and indeed that oftentimes has happened in Los Gatos in the past 28 years as our historic structures, one by one, slowly vanished from the built landscape scene.

This is the prime reason that
California enacted its historical
preservation economic incentives
act in 1972, TO HELP OFFSET THESE
'COSTS OF PRESERVING HISTORY'.



- While there are many shining examples of wonderfully rehabilitated and preserved homes in Los Gatos that have been accomplished by property owners with the economic means and interest to do so, what the survey still finds is a high variation in the physical condition of homes in our historic neighborhoods. These neighborhoods contain both excellent examples of historic preservation coexisting with homes in a fatigued condition. At times even replaced with homes whose architecture is anything but historic in its character or style, standing distinctly apart from the historic homes surrounding them. This inconsistency serves to lower the historic integrity and perceived value of the entire neighborhood.
- Many historic homes, when put up for sale in Los Gatos, take far longer to sell than non-historic homes for several reasons most notably an understanding by prospective homebuyers that often times they would be inheriting the high costs of addressing years or even decades of deferred maintenance costs, before they could even move in. This is the prime reason that California enacted its historical preservation economic incentives act in 1972, to help offset these 'costs of preserving history'.

The inextricable link between historic preservation and economic vitality brings into focus the crucial role of our historic neighborhoods and downtown to the future revitalization of our town's economy and retaining the distinctive character that attracted so many of its residents here to begin with. Never has this been more important, as towns surrounding Los Gatos benefit as recipients of historic preservation economic incentives and other external investment funds. Together those economic forces have attracted visitors and retail business away from the Los Gatos economy. Restoring our town's historic core, both residentially and commercially, will contribute to helping reverse that trend. In the end, historic preservation should be thoughtfully planned and executed, with clearly-defined goals and accountability for its achievement.

Most importantly, this survey and its key findings point to the need for Los Gatos to finally embrace California's historic preservation economic incentives, known as the Mills Act. The Mills Act has already been adopted by over a hundred towns throughout our state providing collectively over a billion dollars of funding to those towns.

How do we get there?

Adopting the Mills Act requires a simple vote by our town council, and would open the door to significant funding to address the decay issues stemming from deferred maintenance, as well as help fund the ambitious rehabilitation projects that would restore our historic neighborhoods back to their once gleaming state. On par with the best of historic neighborhoods in Palo Alto, whose residents have long embraced utilizing these state-sponsored historic preservation incentives to bring their homes back to its pristine condition. What once saved the historic Hotel Del Coronado from demolition, and has restored over 1,000 historic homes in San Diego since, can bring tremendous economic benefits to the historic town of Los Gatos, and avert further loss of our surviving history.

And like other towns that have experienced a high measure of success with economic vitality gained through historic preservation, these successes should be celebrated and held up high as something that our town should be proud of achieving together. Building on the key learnings from this study, the Los Gatos Historical Society looks forward to partnering with the town council to help create a formalized historic preservation plan that will raise the quality of living for the residents of its historic neighborhoods, and hence benefit all of Los Gatos.



Homeowners cannot get the job of historic preservation done all by themselves.
Municipal government needs to become an 'active partner' in achieving that aim.



CHAPTER 1: LOS GATOS HISTORICAL PRESERVATION TOWN CODE REVEALED

The forebears of our town, in creating the town's historic preservation code, saw early on that the rich history of Los Gatos was already disappearing, often to fire, and other times to neglect, back in the 1920's when the code is believed to have been created. In the town code, there is a clear statement of problem definition followed by a statement of intention, as to how the town government should pursue actions and policy that prevent the unnecessary loss of the irreplaceable physical structures which visually tell the story of our past.

SPECIFICALLY, THE INTRODUCTORY SECTION IN THE LOS GATOS HISTORIC PRESERVATION TOWN CODE BEGINS WITH:

Historic places help us understand and remember where we have been and plan where we should be in the future. To this end, preservation is a valuable planning tool which can increase property values, promote and revitalize urban cores, and foster a sense of community pride. Los Gatos, the Gem of the Foothills, is a community filled with quaint historic neighborhoods and a vibrant historic downtown.

The introduction, with some wishful thinking, then goes on to say:

Preservation of these resources is evidenced by the ongoing efforts of long-time residents and newcomers.

Likely this would have been true some time ago, perhaps in the 1930's and 1940's, when the town code was given serious attention, and historic preservation was acted upon as a priority.

For many historic-property owners, <u>deferred</u> <u>maintenance is the norm</u>, and a desire to rehabilitate and preserve their homes is overshadowed by the reality of the extraordinarily high costs associated with attempting to do so.

What this 2019 historic survey distinctly finds, is that preservation of these historic resources is NOT evidenced by the ongoing efforts of long-time residents, except for a small percentage that have both the economic means and the desire to do so.

For many historic-property owners, <u>deferred maintenance is the norm</u>, and a desire to rehabilitate and preserve their homes is overshadowed by the reality of the extraordinarily high costs associated with attempting to do so. The costs to undertake a historic home renovation project has skyrocketed over the past several years, putting it effectively out of reach for all but the most financially well off. This super-high cost to rehabilitate and restore, together with the enormous property taxes whose income tax deductions are now unfortunately limited by the latest revision of the federal tax code, makes it harder than ever for most homeowners to be the good stewards of their historic properties that they aspire to be. A rehabilitation project that would have cost \$500k in 2009 could today cost over a million dollars. Our historic neighborhoods are suffering more than ever by these overwhelming forces.

HERE IS THE LOS GATOS HISTORIC PRESERVATION TOWN CODE AS STATED IN SEC. 29.80.215 - BEGINNING WITH A CLEARLY WORDED PROBLEM STATEMENT:

It is hereby found that structures, sites and areas of special character or special historical, architectural or aesthetic interest or value have been and continue to be unnecessarily destroyed or impaired, despite the feasibility of preserving them.



CONTINUING ON WITH A CLEAR STATEMENT OF INTENTION TO ADDRESS THE KNOWN PROBLEM:

It is further found that the public health, safety and welfare require prevention of needless destruction and impairment, and promotion of the economic utilization and discouragement of the decay and desuetude of such structures, sites and areas. The purpose of historic preservation is to promote the health, safety and general welfare of the public through:

- 1. The protection, enhancement, perpetuation and use of structures, sites and areas that are **reminders of past eras**, events and persons important in local, State, or National history, or which provide **significant examples of architectural styles** of the past or are landmarks in the history of architecture, or which are unique and **irreplaceable assets** to the Town and its neighborhoods, or which provide for this and future generations examples of the physical surroundings in which past generations lived.
- 2. The development and maintenance of appropriate settings and environment for such structures.
- 3. The **enhancement of property values,** the stabilization of neighborhood and areas of the Town, the **increase of economic and financial benefits to the Town** and its inhabitants, and the promotion of tourist trade and interest.
- 4. The enrichment of human life in its educational and cultural dimensions by serving aesthetic as well as material needs and fostering knowledge of the living heritage of the past.

In addition to mandating that the town-governing body take actions to prevent further loss of historic structures, there is an additional provision in the town code to deter continued deterioration and decay, with a clear understanding that these are precursors to demolition. The problem is that this part of our historic preservation code has been ignored or forgotten for several decades – contributing to ongoing decay which has served as a precursor to demolition in so many cases.

HERE IS THE FINAL PART OF THE TOWN CODE AIMED AT ADDRESSING THE DECAY ISSUE IN SEC. 29.80.315 - 'DUTY TO KEEP IN GOOD REPAIR':

The owner, lessee, and any other person in actual charge or possession of a pre-1941 structure, designated landmark or structure in the LHP or landmark and historic preservation overlay zone **shall** keep all of the exterior portions in good repair as well as all of the interior portions which are subject to control by the terms of the designating ordinance, and all portions whose maintenance is necessary to prevent deterioration or decay of any exterior portion.

The Historic Preservation town code also stipulates the formation of a historic preservation committee which should make recommendations to the planning commission.

The town code states: The Committee is composed of professional and lay members with demonstrated interest, competence or knowledge in historic preservation. Committee members shall be appointed from among the disciplines of architecture, history, architectural history, planning, archeology or other historic preservation-related disciplines such as urban planning, American studies, American civilization, cultural geography or cultural anthropology to the extent that such professionals are available in the community.

While the HPC today consists largely of interested lay members in historic preservation, who care deeply about preserving the town's history, there is little in the way of any formal or professional backgrounds that are rooted in historic preservation disciplines. Adding even one or two members with that desired background would go a long way to creating a better-informed committee and lead to more enlightened decisions that take into account the broader historic preservation context.

CHAPTER 2: SCOPE AND INTENT OF 2019 HISTORIC SURVEY

Like the 1991 historic survey, the scope of this study encompasses the historic districts of University/Edelen, Almond Grove, Broadway, Fairview Plaza, plus parts of the historic neighborhoods of Glenridge/Bachman Park. Unlike the 1991 survey, for the 2019 survey we have expanded the scope to include several other crucial historic neighborhoods including Creffield Heights/San Benito and East Los Gatos neighborhoods adjacent to Los Gatos Boulevard including the streets around Alpine/Johnson/Loma Alta/Pine.



It's clear from the summary report of the 1991 survey that these other historic areas were excluded simply due to a lack of available funding at the time. Yet these other neighborhoods, or streets within neighborhoods are rich with historic architecture and character. Efforts were made to therefore take a wider aperture picture of the town's historic inventory, in order to fully understand and appreciate the breadth of the town's history.

THIS YEAR'S SURVEY LOOKED AT SEVERAL ASPECTS OF OUR HISTORIC NEIGHBORHOODS:

- 1. The existence or replacement of a historic home that existed at the time of the 1991 survey
- 2. The condition of the historic homes, paying particular attention to the type and extent of the decay and deterioration that was present, and hence threatening the future existence of that historic property
- 3. The types of property owners which lent insight into the reasons behind the observed conditions

WHAT WE SOUGHT TO UNDERSTAND IN PARTICULAR WERE THE ANSWERS TO TWO QUESTIONS:

- 1. How much had changed since 1991, given the last survey provides a clear snapshot of that time?
- 2. What has been the impact of the town's current approach to historic preservation?

This is a crucial question because the town's approach, at least for the past few decades, has lacked a proactive vision or direction with specific goals aimed at integrating historic preservation with the future vision of Los Gatos. Instead, action and attention has been winnowed down to the more tactical focus of the historic preservation committee acting as a review board for homeowner requested changes.

Unlike many other historic towns in California, this passive approach to historic preservation lacked a clear, proactive vision or goals around how to leverage the town's greatest distinguishing assets for economic vitality and to create a coherent story that binds the residents of our historic neighborhoods together.

What we sought to discover, was the consequences of taking such a relatively handsoff approach to historic preservation for such an extended period of time.



CHAPTER 3: SURVEY METHODOLOGY

The first step taken in producing this survey was to identify the sources of data that would provide an accurate understanding of what presently exists, and second, what previously existed at the time of the 1991 survey. The 1991 survey required not only looking back at existing records, but interviewing homeowners who had a 'living memory' of their home's past.

To these ends <u>we conducted interviews</u> with town historians, builders, architects, realtors, property owners (both residents and landlords), renters, and former town officials.

We also researched the 1991 Survey, Santa Clara County records, the Los Gatos historic preservation town code, and online records documenting decisions and actions from prior town council, planning commission, and historic preservation committee meetings. Finally, a physical survey of the historic neighborhoods was conducted to capture the most up-to-date information. This information yielded a rich, composite snapshot of our present-day town and how it has evolved over the past several decades since the last survey. We also researched how other nearby towns in California have approached historic preservation, including Campbell, Saratoga, and San Jose.

In addition, we investigated the impact on how <u>economic incentives that put</u> <u>preservation into action have achieved notable successes</u> in bringing up neighborhoods where historic homes were previously at the economic margin. San Diego was a prime example with an in-depth economic study conducted by economists at the UC San Diego. Today it has achieved over 1,000 Mills Act contracted historic-homes. Another city, Anaheim, with its 366 Mills Act contracted historic homes, about a quarter of its total historic stock, has created new pride and economic vitality in its historic neighborhoods, celebrating successes each year in a video that showcases their great accomplishments.

The data was then analyzed and wherever possible, quantified, to provide a measurable assessment of what has transpired over the past nearly three decades in Los Gatos. We looked at how other towns' notable successes provide key learnings and guidance for how the town of Los Gatos can begin to align its actions with the mandate of historic preservation memorialized in the town code.

CHAPTER 4: KEY FINDINGS FROM 2019 HISTORIC SURVEY

Unlike the 1991 survey which was conducted with the intention of discovering the in-depth history of each property being researched, along with the inhabitants both present and past of each home, the 2019 survey focused primarily on the condition of the properties as well as the determination of whether the property was still historically intact, or whether the historic home had been demolished and replaced with a non-historic home.

To achieve the latter, the property owner would have had to have made a case in front of the historic preservation committee (HPC) as to why the house should no longer be considered historically significant and hence removed from the town's historic inventory list, and would have had to have received HPC approval for doing so. In addition, this decision would then have had to been reviewed by the planning commission and finally approved by town council.

While there is undoubtedly cases where a pre-1941 structure would have had little historic value due to its insignificant architectural characteristics, it seems implausible that this same determination could have realistically applied to so many demolished homes. And in the unlikely scenario that this was simply a prudent pruning away of those homes less deserving of protection, then it serves to reason that the smaller remaining inventory of homes should be protected at all costs. Yet the data reveals that the current trend toward demolishing historic homes is actually accelerating today, and this is indeed troubling.

Here are a few case illustrations of the more detailed data collected in this recent historic survey. They each tell a story that is part of the collective learnings provided by the survey.

CASE 1: THE BEAUTIFUL BUT 'REQUESTED TO BE BULLDOZED' CASE OF 62 ELLENWOOD:

One clear validation of this observation is a very recent decision by the historic preservation committee to approve the owner-requested removal of the 1925-built house at 62 Ellenwood from the historic inventory list as a prelude to demolition - to make way for a far bigger, new house. This historic home is in stellar condition, so it's not a matter of decay. To the extent that the owners wanted to improve the property, rehabilitation would have offered plenty of leeway to make major improvements including enlarging the house. But the owners happen to have a moderate sized house



on a gargantuan sized .75 acre lot, and given the economics of real estate in Los Gatos, their desire to replace a 3512 SF house with a far larger house is economically logical. But rehabilitation would have given them ample room to rearchitect and expand the house without destroying it, albeit at a greater cost and with less creative freedom that starting anew.

While that HPC outcome was made on a split decision between the committee members, with the committee chairperson being a staunch objector to that decision, it reveals the lack of crystal-clear guidelines that would effectively remove what is often a high degree of personal subjectivity from such decisions. With each subsequent reconfiguration of HPC membership, there have been leanings to one side or the other as a result of this highly subjective interpretation of the broad guidelines established by the US Department of the Interior in its publication "The Secretary of the Interior's Standards for the Treatment of Historic Properties, with Guidelines for Preserving, Rehabilitating, Restoring & Reconstructing Historic Buildings", authored by Anne Grimmer and Kay Weeks.

These guidelines intentionally leave room for interpretation by individual towns due to the unique character of each historic community. But in the case of Los Gatos, the town has never formalized a concrete set of Los Gatos specific guidelines that would create a more consistent, repeatable set of decisions by the HPC. If these guidelines were rooted in both preservation and architectural foundation, a measure of objectivity could be injected in making decisions that forever change the built landscape.

CASE 2: THE MAGNIFICENTLY RESTORED ITALIANATE, OVERTURNED PORCH DECISION CASE OF 45 BROADWAY:

A good example of this subjectivity is a magnificent historic house in the Broadway district whose Italianate architecture, circa 1885 is stunning. This was an old, tired house that had been previously altered in a non-authentic manner sometime in the decades prior, and the new owners wanted to restore it to its original architecturally authentic splendor, yet rehabilitate it by adding improvements that made it more suited to today's lifestyle, something encouraged by the US Dept of the Interior guidelines authors. Initially the HPC ruled that it was unacceptable to add a porch that wraps around the side and the rear of the house. What the reasoning for that decision is unclear. When a slight change in the composition of the HPC occurred, a new decision was rendered giving the approval for the side/rear porch addition. And several years later, with the major reconstruction completed, it is clear as day that the earlier misguided decision was rightfully overturned.

Today, we find a magnificent historic house that beautifully reflects the Italianate style of its era, complete with a wonderful side/rear porch that nicely

complements the front elevation. This is a great example of the creative use of rehabilitation, making the 1885 Italianate house ideally suited to today's lifestyle, an improvement that would be emphatically applauded by the authors of the US Department of the Interior's guidelines.



CASE 3: THE HEAVILY OBSTRUCTED 'ADAPTIVE REUSE' CASE OF 15 UNIVERSITY:

The US Department of the Interior Guidelines makes it very clear that rehabilitation is a far more desirable outcome than to leave historic properties lying dormant, and of no economic value to society. This scenario played out at one of the oldest surviving residential properties in Los Gatos. Today, the property is owned by the grandchildren of the couple that lived there in the early 1900's. Back then, Jacques and Therese Libante enjoyed an enviable commute living right next door to his place of business at 11 University running the Gem City French Laundry, and historic photos of old Los Gatos show him and his family enjoying life back when Los Gatos was a very small town.

His granddaughter, Juliet Libante, encouraged by the guidelines set forth by the US

Dept of the Interior, sought to rehabilitate the turn-of-the-century stone house, which resides near one of the busiest commercial intersections in downtown Los Gatos. Several years ago, she presented her plans for the adaptive reuse of the property to create a retail space that preserved and celebrated the architectural features of the building.

While the basic idea was accepted, the HPC and Los Gatos Planning at the time placed untenable technical conditions on its rehabilitation



that essentially made it economically unfeasible to create the 'adaptive use' that is so encouraged by historic preservationists today. Unlike examples where so many decisions were made to demolish historic structures that could have been saved, in this case the sentiment blew the other direction. The conditions imposed on her in order to create a new economic use for the property were so severe that it became an impenetrable wall blocking any progress. That sadly to this day leaves a valuable historic asset unnecessarily idled and contributing nothing to the benefit of our town's economic vitality.

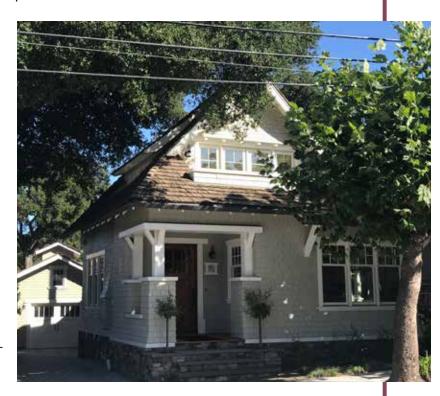
CASE 4: THE BEAUTIFULLY RESTORED, BUT TAX PENALIZED CASE OF 26 BAYVIEW (AND OTHERS LIKE IT):

This Los Gatos homeowner loves living in historic Almond Grove, and loves living in a historic home with its rich connection to the past. He recently undertook a painfully expensive restoration that took well over a year and it turned out beautifully, being among the most prized properties in the Almond Grove neighborhood. Not only does he get to enjoy a wonderful house, but the entire neighborhood benefits as well. But it not only cost him dearly to finance the reconstruction project for on top of that, he got severely penalized for his preservation efforts by being hit with a tripling of his property taxes.

No wonder so few historic property owners, even those with the financial wherewithal, want to undertake these projects that demonstrably improve our historic neighborhoods. This is a prime example of how the Mills Act, while not diminishing property taxes to an extreme like Prop 13 does, would at least provide partial property tax relief that would incentivize more historic property owners to take the plunge of rehabilitation, knowing they would not get so heavily penalized for doing so. Los Gatos needs more success stories like 26 Bayview and economic incentives that take the sting out of undertaking these projects is long overdue. With the Mills Act, properties taxes would have still risen but not to

a punitive extent that would deter homeowners from doing what is good for their neighborhood and the town's historic legacy.

This is the single biggest
reason why property owners
with the financial means,
typically avoid performing the
highly desired rehabilitation
work that would improve our
historic neighborhoods – the
California property tax
code penalties serves as a
powerful deterrence to historic
preservation!



CASE 5: THE ABANDONED HOME BLIGHT CASE OF 94 FI I FNWOOD:

This historical residence, on the corner of Hernandez and Ellenwood in the Glenridge neighborhood has a long-storied history, most recently being used commercially as an elder-care home. The condition of the property was so run down that at some point the town building code was rightfully enforced, likely for safety reasons, which resulted in the business being shuttered and the residents moved elsewhere for their own welfare. But that was at least five years ago, and since then, the property has been completely abandoned - the blight of the neighborhood. Perhaps a year ago, the deteriorated turquoise blue stucco exterior of the structure was removed exposing the original wood structure to the elements.

This property has been essentially left to rot. The town historic preservation code is abundantly clear – the 'duty to maintain in good repair' is completely absent, and after five plus years,

nothing has been
done to address
this enforceable
issue. This is a
prime example
of how historical
homes disappear
due to extreme
decay from sheer
intentional neglect,
combined with lack of
enforcement.



Photo of the long-abandoned property at 94 Ellenwood, smack in the middle of the Glenridge historic neighborhood. Where is the town historic preservation code enforcement?

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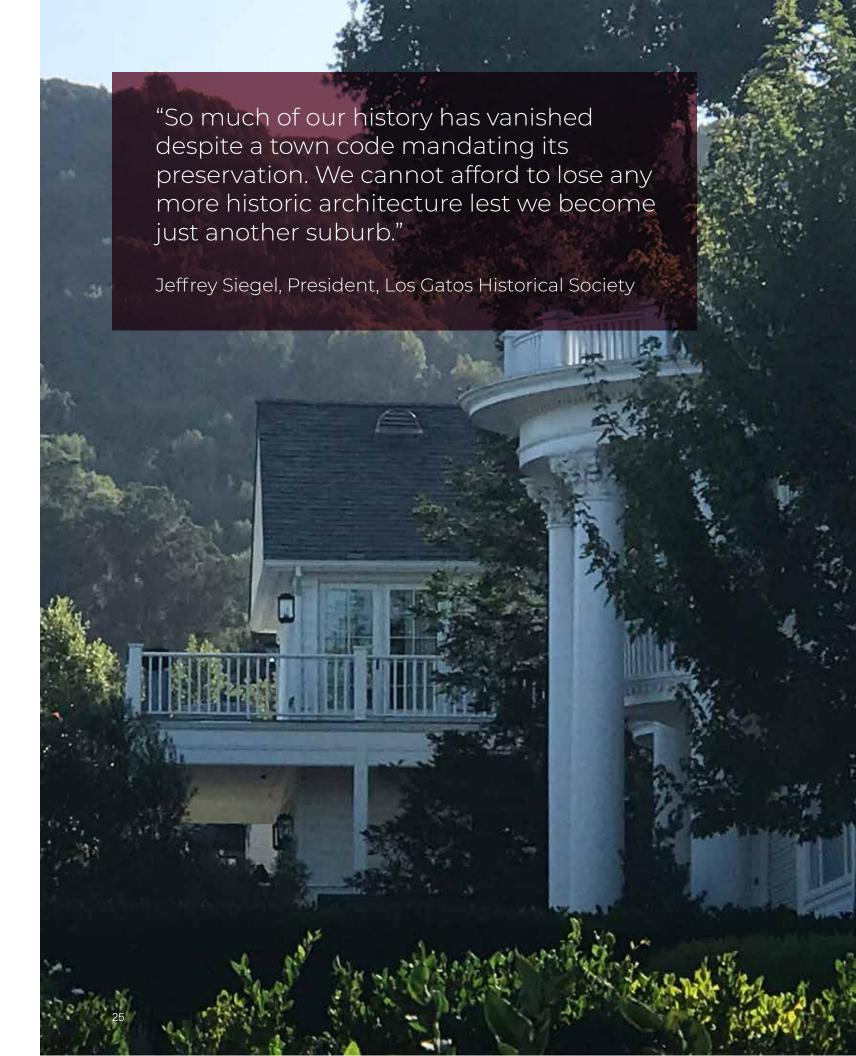
THE NEED FOR MORE DEFINITIVE HISTORICAL PRESERVATION GUIDELINES:

The effort to provide more precise, clear, definitive guidelines specific to the context of Los Gatos historic structures is something best undertaken by a resource with a historic preservation background, and would add immeasurable value to the effectiveness of the HPC. This is even more crucial when considering the layman representation on the HPC that today functions without formal historical-preservation expertise.

In looking more broadly over other cases and decisions rendered by the HPC spanning the past three decades, it apparent that many wise decisions were indeed made to approve or recommend rehabilitation of many historic properties, and those neighborhoods are all the better for those improvements. The end results of so many rehabilitated properties are truly stellar as is visibly evident in walking through our historic neighborhoods. Yet as we have seen, well deserving project like 15 University never got off the ground because of the impenetrable obstacles thrown in their path, which makes the entire town poorer by keeping a historic asset sidelined rather than contributing to the economic vitality of the town.

That said, it also is clear that the decision to grant the demolition of over 16% of historic properties by the HPC over the past 28 years was overly aggressive, and incongruent with the spirit and intent of the town's historic preservation law.

Property owner motivations for wanting to demolish their historic homes abound but the primary drivers are typically: 1) it's far more expensive to repair and rehabilitate a historic property than to simply bulldoze it and start anew, and 2) particularly with larger lots, is the desire to replace a small house with a much larger home, often times two or even three times the size. While the motives for this are comprehensible given the pure economics - the cost of the land in Los Gatos, and the value per square foot of building a larger home, which has caused many a developer to salivate at the profit potential of replacing the old with something new, bigger, and more modern; there is a costly cultural and economic trade-off with losing the irreplaceable historic structures that speak as living monuments to the town's past. Rehabilitation offers the most promising method of historic preservation for many Los Gatos properties. Whereby the old is improved with a renovation that honors the style of the original house.



TYPES OF HISTORIC PROPERTY OWNERS:

It's important to understand these very different types of historic property owners in order to gain a deeper insight into the condition of their homes. At times, the composition of property owners can materially affect the character of the neighborhood, both visually and to the extent that there is a neighbor connection among its inhabitants. For example, someone who is renting may have a different sense of belonging or contributing to their neighborhood. Absentee property owners may maintain their properties well, but there is nothing but a ghost to relate to as neighbors. And some long-timers that are essentially house poor either lack the means or the motivation to bring their homes up to a well-preserved condition, which has a negative economic impact on the surrounding neighborhood.

In this study, we identified several types of historic property owners including:

1. Long-timers—These homeowners have lived in Los Gatos either all or most of their lives. They love the historic Los Gatos neighborhood they live in, and while often owning their homes outright, are at times house poor in that they are left with little discretionary income to maintain and preserve their property. These homeowners are the primary beneficiaries of Prop 13 and enjoy super-low property taxes. Given the fixed incomes that many live on, even with the low Prop 13 property taxes, they have limited finances with which to maintain their homes.

Given the fixed incomes that many live on... they have limited finances with which to maintain their homes.

- 2. Newcomers—These are people, often tech executives, who have moved to the bay area for a highly rewarding job, and have the financial wherewithal to buy into the pricey Los Gatos real estate market. They are attracted to neighborhoods that allow them to have easy walking access to our historic downtown as well as the great schools if they have school aged children. They are also among the highest property tax payers.
- **3. Landlords**—Not all historic properties are lived in by their property owners. Sometimes its renting out a carriage house, or space above a garage while they live in the main house, or they rent out the main house while they live in a smaller dwelling on the same property, or perhaps live in another property that is either on an adjacent property or even a few streets away. Others have second homes they live in elsewhere while renting out their historic Los Gatos property rather than

selling it. They typically have lived in historic Los Gatos for many decades and were fortunate to have bought property before the town's property values soared. Some of these landlords are younger having inherited their historic property along with its superlow property taxes. And while they live off of the cash flow generated by these properties, it's not unusual to see the properties in varying degrees of deferred maintenance or even great disrepair with deterioration that threatens the integrity of the structure being rented. In the best of cases, historic rental properties become the long-term homes for some tenants, in one known case, for over 30 years. In worse cases, properties are rented on a month to month basis, with very high turnover, and exist in sadly decrepit physical conditions who's only redeeming qualities are low rental prices, month to month leases, and the good fortune of being surrounded by a wonderful neighborhood. But these rental properties are not positive contributors to their neighborhood, and as such, bring down the value of surrounding properties.

4. Los Gatos Migrants—These are people who have lived in Los Gatos for quite a while, but have more recently migrated from the suburban ranch home suburban part of town to a historic neighborhood, either because of their love for historic architecture and tree-lined neighborhoods, or because they relish the lifestyle of easily walking into downtown.

HISTORIC PROPERTY OWNERS

LONG-TIMERS



newcomers

LANDLORDS



LOS GATOS MIGRANTS



MID-TIMERS



ABSENTEE PROPERTY OWNERS

EXPLOITIVE INVESTORS

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They wait until the time that sufficient irreversible damage is done so they can make their case for bulldozing their historic home to make way for a new home, situated right in the heart of a historic neighborhood whose character is forever impacted by this loss.

- 5. Mid-timers—These are people who have lived in their historic Los Gatos home for a decade or more, moving here at a time when property values were somewhat more affordable, and often in well-paying professions such as tech, law, or healthcare. While they did not grow up or reside in Los Gatos for many decades like the long-timers, they have lived here long enough to have enjoyed the appreciation of their homes as great investments while still paying far higher property taxes compared to the newcomers.
- 6. Absentee property owners—These are people who own a property in a historic neighborhood, but don't actually live in their homes, except for perhaps a short period of time of the year. In some cases, they have simply 'parked' their money here as a long-term investment with no desire to ever rent the property. In other cases, their historic Los Gatos home is considered a secondary, or even tertiary home that is visited infrequently, perhaps during a particular season of the year, or when they are in town to visit family. These homeowners have a significant amount of wealth, pay relatively high property taxes, but are content with having their historic Los Gatos home to visit when it suits them.
- 7. Exploitive investors—Fortunately there are not many of these in the historic Los Gatos neighborhoods but there are certainly a few. They own the homes that have been abandoned and left to rot. They wait until the time that sufficient irreversible damage is done so they can make their case for bulldozing their historic home to make way for a new home, situated right in the heart of a historic neighborhood whose character is forever impacted by this loss.

KEY SURVEY FINDINGS—IRREPLACEABLE LOSS AND DECAY ON A PERVASIVE SCALE.

Despite having a town legally written code that speaks clearly to mandating that the town governing body treat historic preservation as a top priority, even going as far as to instruct town officials to take actions that avoid any further unnecessary loss of historic structures:

- Massive Loss—We have lost 16.5% of our historic homes over the past 28 years since the first historic survey was completed in 1991, and now with a newly accelerating rate, we are on track to lose 37% of our historic homes by 2030. This is alarming and has detrimental and irreversible economic consequences for Los Gatos.
- Pervasive Decay—Decay in many cases leads to vanishing homes that are replaced by homes that may or may not appear historic, but in any event are now irreplaceably gone. Decay in historic homes is prevalent throughout our historic neighborhoods with well over 25% in varying degrees of decay from deferred maintenance or outright deterioration that threaten their longevity. A more detailed study that focuses on the extensiveness and types of decay is warranted and necessary in order to fully establish a quantifiable baseline that gauges the dangers of further delay in addressing this troubling yet avoidable issue.







...well over 25% in varying degrees of decay from deferred maintenance or outright deterioration...



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- Abandoned homes are the blight of the neighborhood—Beyond homes that have areas of decay such as a front porch, or weathered siding, some homes were discovered to have actually been left to rot, exposed to the elements as an intentional way to accelerate their deterioration, and hence set the stage for eventually being bulldozed to make way for a new home. This becomes a blight on the entire neighborhood, sometimes for five to ten years, or longer until that home is demolished. A good example is the house at 74 Ellenwood in the Glenridge/Bachman neighborhood.
- Strong desire to restore their historic homes yet lack funds—Many homeowners who were interviewed for the survey expressed frustration with not having the economic means to address the deferred maintenance of their beloved properties. They have the desire to live in a beautifully maintained home but lack the financial resources to address the need. A majority of these people are in strong favor of Los Gatos adopting the Mills Act and openly wonder why this hasn't happened long ago. Unfortunately, due to the dramatically rising costs in recent years of restoring even sections of a deteriorating historic house, the number of weather-worn homes is on the rise.

- Rental 'cash cow' properties—Some property owners, who have inherited their properties and use them for rental income, have little incentive or desire to maintain and preserve the properties. For them, these historic monuments are merely 'cash cows' that allow them to live off the income generated, with no thought or concern about the devastating deterioration that has progressed far along.
- Successful rehabilitation and preservation—Other property owners, more economically well off have done fantastic jobs of rehabilitating their homes, creating beautiful properties that really shine and bring up the neighborhood around them. There are several examples of inspired rehabilitation of historic homes in Los Gatos that show what is possible when the historic property owner has the economic means and interest to undertake the difficult and expensive effort to fully restore or rehabilitate a home to its original beauty while improving its livability for modern day life. A good example is the stunning restoration of 7 Palm Avenue. In some cases, where the original home lacked architecturally distinguishing features, or whose poor design severely limited the livability of the house, newly built, historically crafted rehabilitations have been tastefully designed, showcasing the architectural style and highest craftsmanship that has brought new splendor to the neighborhood.
- Economics driving Replacement over Rehabilitation—Some property owners, like the real estate developers that were prevalent after the great economic downturn of 2008, are eager to bulldoze their historic properties in order to replace them with larger homes, sometimes two to three times in size from the historic home they wish to replace. The last decade has witnessed multiple projects of this type. The best that can be hoped for in these circumstances, is that the newly built house would at least resemble an architecturally accurate historic home. Sadly, this has not always turned out to be the case with many historic homes demolished and replaced with newer non-historic styled homes that while beautiful in their own right, lack the cohesiveness with their surrounding neighborhood.
- Historic homes face an uphill resale market—Many historic properties that have been listed for sale in 2019, have often sat on the market for far longer periods of time than the market overall would indicate, often because new home buyers are reluctant to take on the high investment required upfront of fixing up the historic property before they could ever move in, plus the ongoing high maintenance costs. This requires a special type of buyer who relishes the thought of rehabilitating a piece of architectural history, and can afford to be both patient and generous in

the investments they make post-purchase. Other historic homes, already beautifully restored, have also proven to be a difficult resale, due to what would be considered imperfections to today's buyers, such as lacking a garage or having a single-car garage. This leaves a slim percentage of prospective homeowners willing to pay top dollar yet live with these imperfections.



A good example of these is the property at 7 Palm which has been listed for sale for several months already despite having been exceptionally well restored, with a perfectly landscaped backyard designed for an ideal social lifestyle. Yet the few missing elements to having a perfect house in this example is the lack of a garage, not entirely uncommon in historic homes, and an atypical upstairs bedroom configuration. A newly built house would avoid these 'historic imperfections'.

"Historically and economically we're trending the wrong way, at an accelerating rate."

Lee Fagot, Los Gatos resident & Town Advisory Board member Another example is the house at 4 Glenridge. While Glenridge is perhaps the most desired street in the Glenridge neighborhood containing some of the most prized homes in Los Gatos, the poor condition of this particular house reflects decades of disrepair and decay. A fresh coat of paint on the exterior only disguises what it found in the interior and rear exterior of the home. Any prospective buyer will need to brace themselves for undertaking a major and costly project that will likely last a long time before they could move in. This is not what the town of Los Gatos governing body should want to see in its relatively small, but essential historic neighborhoods. Economic incentives are a proven tool for altering this history-built landscape in the best of ways.

CHAPTER 5: CHALLENGES OF PRESERVING LOS GATOS HISTORY

The reason so many towns throughout California and across the country have taken deliberate means to protect and preserve their fading history is because there are strong prevailing forces acting against doing so together with the extraordinary value that these historical properties brings to their town. In the bay area, construction costs have skyrocketed, oftentimes making it less expensive to bulldoze and build new than to surgically go in and restore and rehabilitate a property. One recent historic property owner, looking to rehabilitate 800 square feet of attic space, received multiple proposals that were over a million dollars to undertake that work. That's \$1,250 per square foot!

History is expensive to maintain



Rehabilitation costs =

\$1,250/square foot



Exterior repainting =

\$35,000+

Even repainting the exterior of a historic house, with all of its fine details and old-world building materials, could cost well over \$25,000 to repaint today with same homeowners reporting prices of over \$35,000. Repairing or restoring a front porch, depending on the scope of work involved, could run well over \$60,000. And with historic homes, while aluminum-clad wood windows would be a far better investment in terms of their durability to withstand the weather and daily use, the town planning department requires the historic homeowner to use double-hung wooden windows which have a far shorter lifespan than their more modern-day improved counterparts, and frowns on replacing

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weather-worn front porch wooden planks with more durable materials like brick.

So if it is far more expensive to maintain, and if bulldozing and rebuilding new is a far better economic investment than pouring money into restoration and rehabilitation of old, it becomes clearer why there are few interested buyers for historic homes and why these homes are often sitting on the market longer awaiting a prospective buyer willing to deal with all of these prohibitive factors. And these realities get considered by buyers at a time when property taxes are on the rise while recent federal income tax laws drastically reduce the property tax deduction, leaving even less after-tax dollars for reinvesting in one's home.

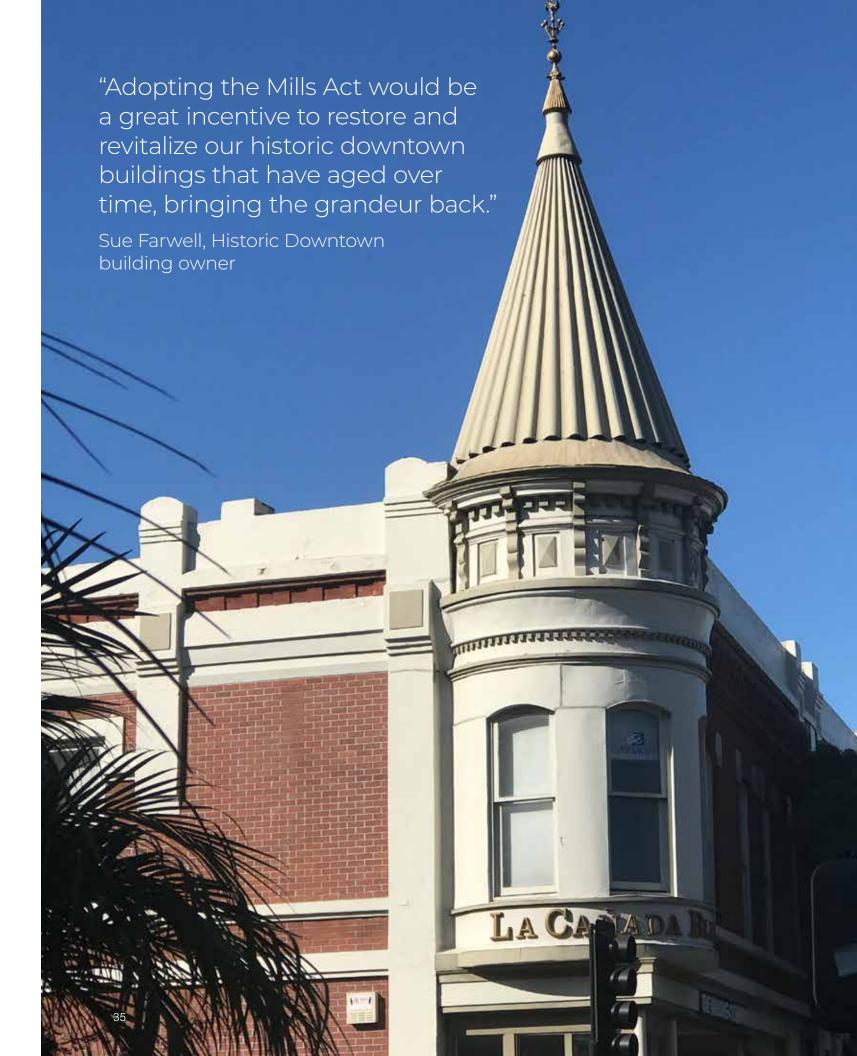
These are just a few examples why owning and maintaining a historic house is not for everyone, especially when the property owner is expected to become a steward of the home's history. It also provides insight into why achieving historic preservation goals for a town requires a concerted plan that nearly always involves economic incentives. And why the quality of many Los Gatos historic homes continues to decay in the absence of these incentives.

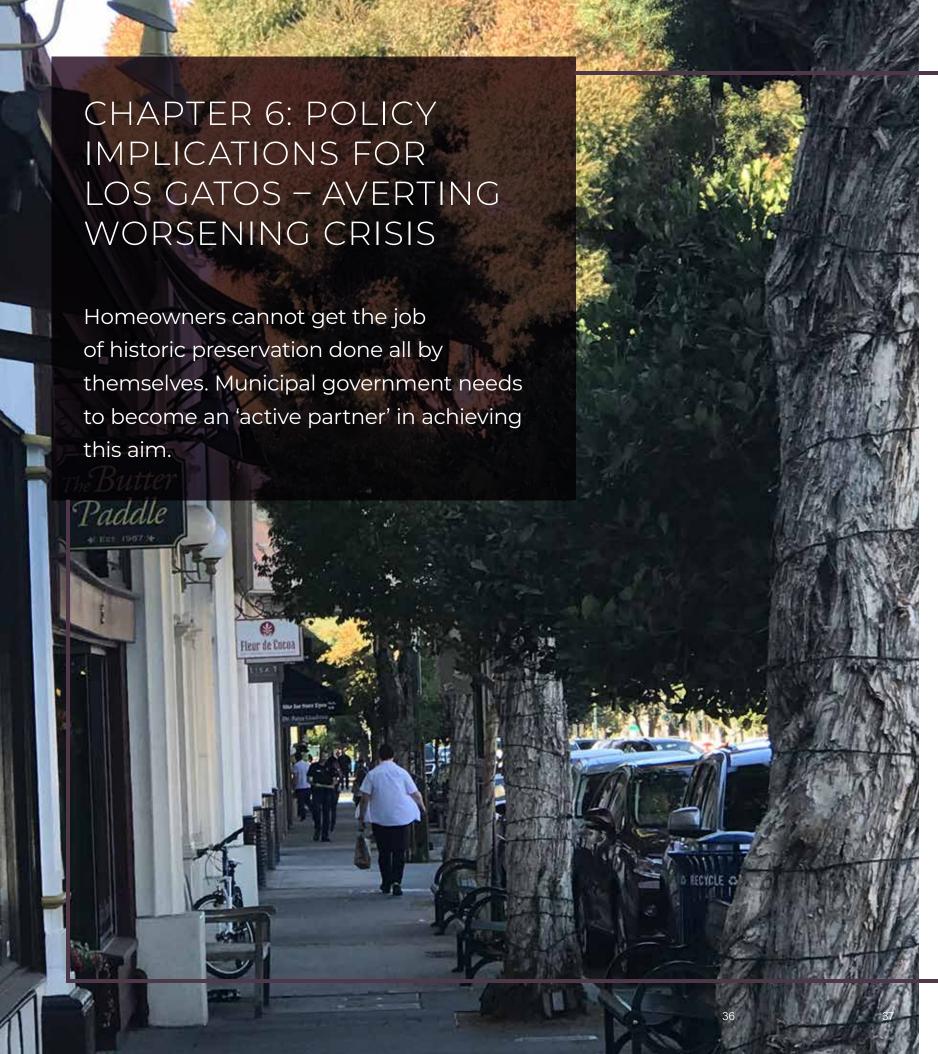
This bears repeating: Homeowners cannot get the job of historic preservation done all by themselves.

Municipal government needs to become an 'active partner' in achieving that aim which is absolutely core to the town's distinctiveness and identity.

The long-established Los Gatos historic preservation town code makes abundantly clear - when historic homes are well preserved, for present and future generations - it shines as a beacon of history for the town making both the property owner and the town better off culturally and economically.







Los Gatos has a culturally rich and unique history which distinguishes the town from the many other towns surrounding it. From the early agricultural settlers to the arrival of the train bringing residents of San Francisco looking for a warmer summer home, to many other residents that moved here from other parts of the country drawn to its beautiful foothill location and temperate climate. From writers like John Steinbeck who wrote The Grapes of Wrath, the Pulitzer prize winner for great American historical literature, to agricultural machinery inventors and the earliest days of Apple, Los Gatos has a truly unique and rich history.

That history is physically captured in its architectural structures that tell the story of the past, but comprises less than 2% of our residences and commercial properties. The forebears of our town wrote with great clarity creating the town's historic preservation code. But the unfortunate truth so vividly revealed by this survey, is that the town code, written to offer a clear mandate and statement of intent for what the town government should achieve in protecting these architectural monuments of our past, has been mostly forgotten for a very long time. What once back in the 1920's was a call to action, to put the historic preservation code into action as a living, breathing guide that formed policy and governing body actions, today is merely words collecting dust, no longer actively referred to, nor guiding the priorities and actions of the town.

As a result, there have been <u>significant unintended consequences</u>, as the town over the past 28 years has experienced tremendous and irreplaceable loss, which continues into today and will continue into the future left unabated. The policy implications are clear and compelling. By refamiliarizing the town council and staff with the code as written and its clear intentions, by formulating a serious historic preservation plan, with clear goals and actions, and by embracing economic incentives like every other historic town of our size, this troubling situation can be averted to prevent further unnecessary and irreplaceable loss. It's important to recognize that time is of the essence and there is a high cost to slow response to a preservation crisis such as this one.

SO, WHAT THEN ARE THE POLICY IMPLICATIONS FOR CONTINUING TO IGNORE OR NEGLECT OUR TOWN'S STRONGLY WRITTEN HISTORIC PRESERVATION CODE?

For one, it's clear that the irreplaceable loss of so much of our historic residential property is an unintended consequence of a lack of priority focus on historic preservation by the town governing body.

The authors of this study hope that regaining a deeper and clear understanding of the linkage between historic preservation and economic vitality provides the wake-up call that turns this situation around. Los Gatos must elevate historic preservation as a chief strategic imperative in formulating its future economic and cultural vision and plans.

By no longer thinking of historic preservation as an afterthought to town governance, but rather seeing it for what it really is, which is the seed for future economic vitality, the town of Los Gatos could engineer a turnaround that would raise our stature among other towns and create an even more appealing place for people to live. In contrast, if we let this crisis continue unabated, and allow the situation to worsen, even more irreplaceable structures will forever disappear. And this will most certainly make our town poorer, both culturally and economically.

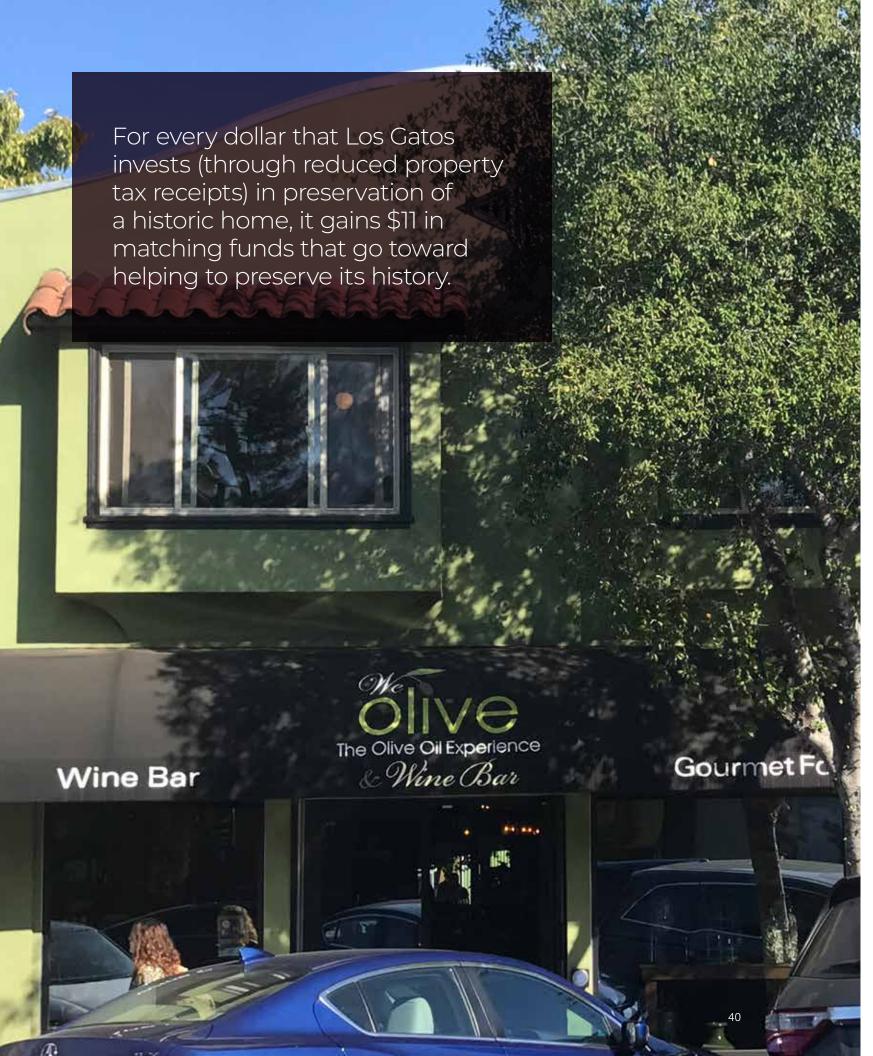
INACTION HAS A COST:

At the current rate of historic structure loss, the town will lose a full 37% of its historic homes by 2030. This is a crisis thrust upon us by decades of lost focus on the highly valued assets of our past that essentially defines our town. To avert further damage requires thoughtful, effective, and swift action. What's also clear is that without a strong historic preservation plan complete with clear goals and actions, and accountability for achieving results, Los Gatos runs the risk of becoming just another suburb. A shift in policy that aligns with the town's historical preservation code would go a long way toward addressing this crisis.

"Adopting the Mills Act would worst case be tax neutral over time"

Mike Wasserman, Santa Clara County Superintendent & former Los Gatos Mayor





ACTION HAS AN EXTRAORDINARILY HIGH ROI:

The positive, more hopeful message to offer here is that the cost of action is relatively low, and the ROI for the town embracing historic preservation economic incentives is extraordinarily high, which explains in part why over a hundred other towns in California have already embraced the Mills Act and as a result, have revitalized their historic neighborhoods in ways that are producing great economic and cultural returns.

Financial analysis shows that on average, it would cost the town of Los Gatos lost property tax revenue of about \$1,000 per year for Mills Act contracted homes, while more than recouping that investment in a few short years as the neighborhood-wide valuations increase producing a net positive property tax influx of revenues to the town. This is evidenced by the comprehensive economics study conducted by economists at UC San Diego that studied the effects of 805 Mills Act homes in 2008 showing that neighborhood-wide property values in its Mills Act related historic neighborhoods rose well above and beyond the market value increase of other neighborhoods. For every dollar that Los Gatos invests (through reduced property tax receipts) in preservation of a historic home, it gains \$11 in matching funds that go toward helping to preserve its history.

With the town of Los Gatos enjoying an increase of \$1.2M in property tax receipts each year, having the financial wherewithal to cover the cost of a Mills Act program is not in question. If we could achieve the goal of 50 historically preserved, Mills Act funded contracts within five years, an achievable goal provided there is a strong education and community outreach, similar to what the city of Anaheim has done through having an outsourced resource, the projected cost to the town budget would be approximately \$50,000. That \$50,000 reduction in property tax revenues pales in comparison to the \$600,000 in matching funds provided from adoption of the Mills Act. This produces a return on investment of 1,100%.

And if we calculate the property tax gains, over time, across the entire neighborhood of 6%, the net positive ROI would be probably the single highest return project of any the town could consider. Not unlike what San Diego, Anaheim, Palo Alto, and other towns serious about historic preservation have achieved.

CHAPTER 7: CONCLUSIONS AND PRESCRIPTIVE RECOMMENDATIONS

In particular, there are a few tools and policy directives that would prove to be highly effective in helping the town governing-body to prevent any further unnecessary loss of history in Los Gatos. Here are nine specific recommendations that would go a long way to improving the achievement of the historic preservation mandate as set forth in the town's historic preservation code:

First, adopt the Mills Act, quickly, and approve the first wave of historic home contracts before the end of the year, such that the Santa Clara County Tax Assessors office can apply the property tax reassessments in time for 2020. With priority given to the oldest historic homes.

Second, begin to enforce compliance with the 'Duty to Maintain in Good Repair' statute, particularly for those properties that are in states of heaviest decay. But understand that for many homeowners, only with the economic incentives of the Mills Act will they have the financial means to address years of deferred maintenance.

Third, create a clearer set of guidelines to support the HPC in making its determinations of what to rehabilitate versus what to demolish. Some homeowner requests are for demolition, and while some may be warranted, many others are worth rehabilitating rather than demolishing.

Fourth, for homes that are truly eligible for reclassifying as non-historic, due to their lack of notable architecture and other factors, create a process that requires review of new architectural plans to ensure that they fit with the historic character of the neighborhood.

Fifth, fund a detailed Physical Condition Survey identifying the homes that are suffering most from deferred maintenance and decay, classifying the degree and type of decay associated with each property. And redo that survey every year to ensure that progress is made on reversing this destructive factor.

Sixth, fund the staffing (internally or outsourced) required to administer an accelerated Mills Act program with strong community outreach and support.

This will help residents to partially offset the costs associated with the Duty to Maintain in Good Repair.

Seventh, publish the historic inventory list like so many other towns have done, removing it from the veils of secrecy that is the current status quo, revealing the 1.5% for public knowledge.

Eighth, begin celebrating the successes of this historic preservation turnaround vis a vis applying the Mills Act with an annual video showcasing the results that are restoring our town to its former glory.

Ninth, as the Los Gatos code on historic preservation stipulates, add to the HPC members of the community with backgrounds in historic preservation or related disciplines such as architecture, cultural anthropology, and American civilization to the extent that such professionals are available in the community. This would go a long way to having more sophisticated discussions and decisions with regard to the rehabilitation, adaptive reuse, or demolition of pre-1941 homes.

Conclusion: It's time to follow in the footsteps of so many other historic towns, including many of those surrounding Los Gatos, in becoming more proactive and intentional in putting historical preservation at the core of envisioning and acting to make possible the future that would best serve the residents of our beloved historic town. The alternative is further loss of our rich history and taking a step closer to becoming just another soul-less suburb in the bay area.





ABOUT THE LOS GATOS HISTORICAL SOCIETY

The Los Gatos Historical Society was founded by historic preservationists to help preserve and protect the quality of life and promote the economic vitality of our town's historic neighborhoods and downtown. We believe that what makes Los Gatos most distinctive is its rich history which today is survived by less than 2% of the town's residential and commercial structures.

Our mission includes preserving the rapidly shrinking pool of architecturally significant homes and raising the desirability of living in the history-rich section of town. We also serve an advocacy role in working as partners with the town's governing body in shaping town policy and priorities in support of the rehabilitation and adaptive reuse of our town's historic structures toward economic revitalization.

Our priorities include bringing attention to the disappearance of so many irreplaceable historic homes and advocating for economic incentives that would encourage rehabilitation and adaptive reuse of these surviving monuments that would benefit both property owners and the town.

By committing ourselves to the above, we stay true to the spirit and legal doctrine of Los Gatos historical preservation code, created by our forebears who recognized that without our historic buildings and neighborhoods, Los Gatos becomes just another tract-home suburb. That suburban constitutes 98% of all Los Gatos homes. The 2% that represents our surviving history remains essential to our distinctiveness and identity.