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Title: Action on Historic Resource Inventory Property Designation and Historic Preservation Agreement (Mills Act Contract) for 794 Park Court

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Attachments: 1. Mills Act Contract, 2. Historical and Landmarks Commission Staff Report of June 3, 2021, 3. PC Staff Report 8-25-21 Action on Variance at 794 Park Court

Date	Ver.	Action By	Action	Result
10/26/2021	1	City Council and Authorities Concurrent	Approved	Pass

REPORT TO COUNCIL

SUBJECT

Action on Historic Resource Inventory Property Designation and Historic Preservation Agreement (Mills Act Contract) for 794 Park Court

COUNCIL PILLAR

Promote and Enhance Economic, Housing and Transportation Development

BACKGROUND

Property Owner Megan L. Carter is requesting that her residential property at 794 Park Court be added to the City’s Historic Resource Inventory (HRI) and that the City approve a Mills Act Contract for the property. The State of California enacted legislation that allows owners of historically designated properties to enter into a “Mills Act” contract with the legislative bodies of local agency jurisdictions, pursuant to Government Code Section 50280. Mills Act Contract properties then qualify for property tax reduction incentives contained in the California Revenue and Taxation Code. The purpose of a Mills Act Contract is to offer owners of historically significant properties an economic incentive to maintain and preserve the historic physical integrity of their properties, which thereby also increases the aesthetic and economic health of the surrounding neighborhood and the City. A 10-Year Restoration and Maintenance Plan is required to document specific maintenance and preservation activities proposed to be undertaken by the property owners for the duration of the Contract property in exchange for those tax savings.

The subject property is not currently listed on the City’s HRI. A condition for application of a Mills Act Contract is approval for listing of the property on the HRI. The property owner submitted a State Department of Parks and Recreation (DPR) form evaluating the significance of the structure, which is required to qualify the property for listing.

The proposed Mills Act Contract was considered by the Historical and Landmarks Commission (HLC) at its meeting on June 3, 2021, in conjunction with an application for a Significant Property Alteration (SPA) Permit submitted for approval by the Community Development Director, for the remodel and 324 square foot addition to the home. The application for the proposed 324 square foot bedroom and bathroom addition to an existing two bedroom and one-bathroom home also required a Variance to interior side and rear yard building setbacks, which was reviewed and approved by the City's Planning Commission on August 25, 2021. No comments were received from the public during the public comment periods or at the hearings conducted by both HLC and the Planning Commission. The HLC reviewed the Historical Survey and proposed 10-Year Restoration and Maintenance Plan. The HLC recommended that the property be added to the City's HRI, and recommended Council approval of the requested Mills Act Contract. The HLC also approved issuance of a historic bronze plaque inscribed with "1925" appearing as the year of construction, upon the City Council's approval of the Mills Act Contract.

DISCUSSION

The proposed property has been determined to have historical significance that would be protected through a Mills Act Contract as indicated through a State Department of Parks and Recreation (DPR) form. The evaluation of the historical and architectural qualities of the property support the conclusion that the property is eligible for listing on the HRI.

The Statement of Justification and proposed Mills Act Contract with exhibits (Attachment 1), including the DPR form and the Proposed 10-year Restoration and Maintenance Plan, demonstrate sufficient intent by the property owners to invest in the property consistent with the purpose for Mills Act Contracts. The City conducts periodic review of Mills Act Contract properties to verify that property owners are performing the maintenance and preservation activities described in the 10-year Restoration and Maintenance Plan.

The City Council established a process for evaluating Mills Act Contract requests on September 4, 1993 (Resolution No. 5843), that set a limit of five contracts per year. In 2004, the City Council increased the number of allowable contracts to ten per year. If approved, the subject proposal would be the City's third Mills Act Contract in 2021.

The staff reports from both the June 3, 2021 HLC meeting and the August 25, 2021 Planning Commission meeting are also attached for reference (Attachments 2 and 3, respectively).

ENVIRONMENTAL REVIEW

The action being considered, placement of property into the Mills Act program, is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15331 (Class 31 - Historical Resource Restoration / Rehabilitation), which exempts projects limited to maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the Secretary of the Interior's Standards.

FISCAL IMPACT

The amount of the property tax reduction depends upon the property, location, size, and comparable properties in the area. Currently, the assessed value of the property is approximately \$526,180 and the annual property tax is approximately \$6,300 (Source: Santa Clara County Assessor's Office). The City receives approximately 10% of the base property tax. The Mills Act tax reduction is based on an income capitalization method (ICM) calculation based on the average monthly rent, average

maintenance costs, and an amortization schedule to arrive at a reduced appraisal value resulting in lower property taxes. The anticipated reduction in taxes would be 20% to 70% based on the County's evaluation of the property's age, condition, and local market value factors in accordance with the formula set by state law. Based on the latest information available, the estimated annual fiscal impact to the City for this individual Mills Act Contract would be a decrease of property tax revenue in the range of \$126 to \$441. The actual future fiscal impact may be greater due to the reassessment of property value by the County upon a transfer of ownership.

As the current Council policy allows up to 10 Mills Act Contracts to be approved each year, the cumulative economic impact for multiple Mills Act Contracts does not significantly reduce the overall property tax income for the City.

COORDINATION

This report has been coordinated with the Finance Department and the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

1. Add the subject property to the City's Historic Resource Inventory (HRI); and
2. Authorize the City Manager to execute a Historic Preservation Agreement (Mills Act Contract) including a 10-Year Restoration and Maintenance Plan for the property at 794 Park Court with property owner Megan L. Carter.

Reviewed by: Andrew Crabtree, Director of Community Development
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Historic Preservation Agreement including 10-Year Restoration and Maintenance Plan (Mills Act Contract)
2. Historical and Landmarks Commission Staff Report of June 3, 2021
3. Planning Commission Staff Report of August 25, 2021