



Agenda Report

19-819

Agenda Date: 8/20/2019

REPORT TO COUNCIL

SUBJECT

Action on Request for a Mills Act Contract for 1217 Harrison Street

BACKGROUND

Suyog Kotecha and Vartika Jain, the home owners of the residence at 1217 Harrison Street, are requesting the approval of a Mills Act Contract, also known as a Historic Property Preservation Agreement, with the City and adoption of an associated 10-Year Restoration and Maintenance Plan. 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 and following. Mills Act Contract properties then qualify for property tax incentives contained in the California Revenue and Taxation Code. The purpose of a Mills Act Contract is to offer owner(s) 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 Contract property.

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 first or second Mills Act Contract in 2019.

The property owners submitted an updated State Department of Parks and Recreation (DPR) form evaluating the significance of the structure. The evaluation of the historical and architectural qualities of the property allow the conclusion that the property remains eligible for continued listing in the Historic Resources Inventory.

The project request was considered by the Historical and Landmarks Commission (HLC) at its meeting on November 1, 2018. No comments were received from the public during the public comment period. One of the owners, Suyog Kotecha, was present for the discussion. The HLC reviewed the Historical Survey and proposed 10-Year Restoration and Maintenance Plan. The HLC recommended Council approval of the requested Mills Act Contract, including the adoption of the 10-Year Rehabilitation and Maintenance Plan. The HLC also approved issuance of a historic bronze plaque inscribed with "c.1891" appearing as the year of construction, upon the City Council's approval of the Mills Act Contract.

DISCUSSION

The applicants' Statement of Justification and the proposed Mills Act Contract with exhibits, including the DPR and the Proposed 10-year Restoration and Maintenance Plan (Attachment 1), 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.

Furthermore, based upon information provided by the applicant and the updated Historic Survey (DPR Form), the subject property has enough historical value as to warrant use of a Mills Act Contract to promote the ongoing preservation of the property.

The staff report for the HLC meeting is attached for reference (Attachment 2).

ENVIRONMENTAL REVIEW

Placement on the Historic Resources Inventory and the Mills Act program is exempt from the CEQA environmental review requirements per CEQA Section 15331, 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 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 \$1,620,000 and the annual property tax is \$17,943 (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 80% 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 base property tax revenue in the range of \$359 to \$1,435, resulting in a decrease between \$359 and \$1,435 in City tax revenue.

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>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Authorize the City Manager to execute a Mills Act contract and adopt the 10-Year Restoration and Maintenance Plan associated with the Historic Property Preservation Agreement for the property at 1217 Harrison Street, with property owners Suyog Kotecha and Vartika Jain; PLN2018-13566.

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
2. Historical and Landmarks Commission Staff Report of November 1, 2018
3. Statement of Justification