



## Agenda Report

21-557

Agenda Date: 7/13/2021

### REPORT TO COUNCIL

#### **SUBJECT**

Action on Historical Preservation Agreement (Mills Act Contract) for 834 Main Street

#### **COUNCIL PILLAR**

Promote and Enhance Economic, Housing and Transportation Development

#### **BACKGROUND**

Andrew and Rebecca Fung, the homeowners of the residence at 834 Main Street, are requesting approval of a Mills Act Contract, also known as a Historic Property Preservation Agreement, with the City which includes approval of a Ten-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 Ten-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 first Mills Act Contract for the 2021 calendar year and within the City's allowed number of ten contracts for 2021.

The subject property is currently listed on the City's Historic Resource Inventory (HRI). An updated State Department of Parks and Recreation (DPR) form evaluating the significance of the structure (Historical Survey) was prepared for the current proposal and concluded that the property retains sufficient integrity to merit continued listing on the Inventory.

The project request was considered by the Historical and Landmarks Commission (HLC) at its meeting on May 6, 2021. The HLC reviewed the Historical Survey and Proposed Ten-Year Restoration and Maintenance Plan and recommended Council approval of the requested Mills Act Contract.

#### **DISCUSSION**

The applicants' Statement of Justification and the proposed Mills Act Contract with exhibits including the DPR and the Proposed Ten-year Restoration and Maintenance Plan (attached) 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 Ten-Year Restoration and Maintenance Plan. The HLC also approved issuance of a historic bronze plaque inscribed with "c.1932" appearing as the year of construction, upon the City Council's

approval of the Mills Act Contract.

Based upon information provided by the applicant, the subject property has sufficient historical value as to warrant use of a Mills Act Contract to promote the ongoing preservation of the property. The staff report for the May 6, 2021 HLC meeting is attached for reference.

### **ENVIRONMENTAL REVIEW**

The Mills Act program is exempt from 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. The assessed value of the property in 2020 was \$852,952 and annual property taxes of \$10,244 (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 between 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 for the City for this individual Mills Act Contract would be a decrease of property tax revenue in the range of approximately \$205 to \$717.

As the current Council policy allows up to ten 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) <<mailto:clerk@santaclaraca.gov>>

### **RECOMMENDATION**

Authorize the City Manager to execute a Mills Act contract and adopt the Ten-Year Restoration and Maintenance Plan associated with the Historic Property Preservation Agreement for the property at 834 Main Street with applicants Andrew and Rebecca Fung; PLN2021-14790.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Historic Preservation Agreement Including 10-Year Rehabilitation Plan
2. Historical and Landmarks Commission Staff Report of May 6, 2021