



## Agenda Report

21-1479

Agenda Date: 12/7/2021

### REPORT TO COUNCIL

#### SUBJECT

Action on Historic Preservation Agreement (Mills Act Contract) for 1390 Madison Street

#### COUNCIL PILLAR

Promote and Enhance Economic, Housing and Transportation Development

#### BACKGROUND

Property owner Giacomo Russo is requesting a Historical Preservation Agreement (Mills Act Contract) for the property located at 1390 Madison Street. The property is currently listed on the City's Historic Resource Inventory (HRI). 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 proposed Mills Act Contract was considered by the Historical and Landmarks Commission (HLC) at its meeting on October 7, 2021. The HLC reviewed the Historic Survey Resources Report (also referred to as a State Department of Parks and Recreation form, or DPR form) and proposed 10-Year Restoration and Maintenance Plan, and recommended Council approval of the requested Mills Act Contract.

#### DISCUSSION

Through the survey evaluation the subject property has been determined to have historical significance that would make it eligible for a Mills Act Contract as indicated by the DPR form. The property is zoned R1-6L-HT (Historic Combining) which allows either single family residential use or commercial use as a bed and breakfast inn. The property was operated for many years as a historic property bed and breakfast inn and was recently returned to use as a single-family residence. The survey evaluation of the historical and architectural qualities of the property support the conclusion that the property remains eligible for continued listing on the City's 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 fourth Mills Act Contract in 2021.

The staff report from the October 7, 2021 HLC meeting is attached for reference (Attachment 2).

### **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 \$2,244,000 and the annual property tax is approximately \$26,739 (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 \$535 to \$1,872. 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) <<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 Historic Preservation Agreement (Mills Act Contract) including a 10-Year Restoration and Maintenance Plan for the property at 1390 Madison Street with property owner Giacomo Russo.

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 October 7, 2021