



Agenda Report

22-1383

Agenda Date: 12/6/2022

REPORT TO COUNCIL

SUBJECT

Action on Historic Resource Inventory Property Designation and Historical Preservation Agreement (Mills Act) for 324 Madison Street and Class 31 CEQA Exemption

COUNCIL PILLAR

Promote and Enhance Economic Housing and Transportation Development

BACKGROUND

Property owners, Stephanie and Tommy Tran, applied for listing of the property located at 324 Madison Street on the City's Historic Resource Inventory (HRI) and approval of a Preservation Agreement (Mills Act Contract) for the property. The subject property is located on the west side of Madison Street and in the Old Quad historic neighborhood. The existing residence on the property is a 1,393 square-foot, one-story, Mediterranean Revival house constructed in 1936 or 1938. The property has a detached one-car garage built in 1955, a newer open-shed roof addition attached to the garage on the north side, and a newer shed structure that is less than 120 square feet.

A requirement of the Mills Act is that the building must be a qualified structure, listed on either a local, State, or National register. The property owners must also demonstrate a plan to restore and rehabilitate the property. The property owners have submitted the requisite application, including a Historic Survey (DPR 523A Form) of the property for determination of eligibility to the HRI, Statement of Justification for the request, and a 10-Year Restoration and Maintenance Plan for evaluation of the proposed workplan to restore, rehabilitate, and maintain the property. The Mills Act Contract with 10-Year Restoration and Maintenance Plan and supporting documents are made part of the Historical and Landmarks Commission staff report, included here as Attachments 1 and 2 respectively, and reviewed at the November 3, 2022 Historical and Landmarks Commission meeting.

Following review of the application, staff report, and public testimony, the Historical and Landmarks Commission recommended that Council approve the addition of 324 Madison Street to the City's HRI; approve the Mills Act Contract; and adopt the Ten-Year Restoration and Maintenance Plan for the subject property.

DISCUSSION

The purpose of the Mills Act Contract is to offer owner(s) of historically significant properties an economic incentive to maintain and preserve the historical 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 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 10 per year. If approved, the subject property would be the seventh for 2022 and within the City's allowed number of ten contracts for 2022.

The historic survey prepared for the property details the criteria for evaluation and listing of a potentially historic resource and concludes that the property is eligible for listing on the City's HRI based on cultural, architectural, and geographic criteria. The property owner's Statement of Justification along with the 10-Year Restoration and Maintenance Plan demonstrate the property owner's intent to invest in the subject property consistent with the purpose of Mills Act Contracts.

ENVIRONMENTAL REVIEW

The Mills Act program is exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15331 of the CEQA Guidelines (Class 31 - Historical Resource Restoration / Rehabilitation). Class 31 consists of 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 for the Treatment of Historic Properties ("SOI Standards"). The Project will result in the restoration and rehabilitation of the 1930's structure consistent with the SOI 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 \$1,185,880 (6/30/2022 information) and the annual property tax is approximately \$14,093 (2022/2023 value) (Source: Santa Clara County Assessor's Office). The City receives approximately ten percent (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 tax reduction would be 20 percent to 70 percent based on the County's evaluation of the property's age, condition, and local market value factors in 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 \$281 to \$986. The actual future fiscal impact may be greater due to the reassessment of property value by the County upon 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 contract does not significantly reduce the overall property tax income for the City. The Mills Act contract is the seventh such request in 2022.

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

1. Adopt a Class 31 Exemption under CEQA Guidelines Section 15331;
2. Approve the addition of the property located at 324 Madison Street to the City's HRI; and
3. Authorize the City Manager to execute a Mills Act Contract and adopt the 10-Year Restoration and Maintenance Plan associated for the property at 324 Madison Street.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Rajeev Batra, City Manager

ATTACHMENTS

1. Mills Act Contract and 10-Year Restoration and Maintenance Plan
2. Historical and Landmarks Commission Staff Report of November 3, 2022