



Agenda Report

19-1058

Agenda Date: 11/5/2019

REPORT TO COUNCIL

SUBJECT

Action on Mills Act Contract for 908 Fremont Street

BACKGROUND

Todd and Kristy Rosenbaum, the homeowners of the residence at 908 Fremont 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 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 continue to merit listing on the Inventory.

The project request was considered by the Historical and Landmarks Commission (HLC) at its meeting on September 5, 2019. The HLC reviewed the Historical Survey and Proposed 10-Year Restoration and Maintenance Plan and recommended Council approval of the requested Mills Act Contract.

DISCUSSION

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 third for 2019 and within the City's allowed number of ten contracts for 2019.

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 (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 10-year

Restoration and Maintenance Plan. Notable work to be performed under the proposed 10-year Restoration and Maintenance Plan includes fumigation of the house, subterranean termite treatment, roof replacement and repainting.

Furthermore, 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 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. Currently, the assessed value of the property as of June 30, 2019 is \$1,632,000 and annual property taxes of \$19,122 (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 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 for the City for this individual Mills Act Contract would be a decrease of property tax revenue in the range of approximately \$382 to \$1,530. 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 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>> 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 908 Fremont Street with applicants Todd and Kristy Rosenbaum; PLN2019-13897.

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

ATTACHMENTS

1. Historic Preservation Agreement
2. Historical and Landmarks Commission Staff Report of September 5, 2019