



Agenda Report

19-1203

Agenda Date: 12/10/2019

REPORT TO COUNCIL

SUBJECT

Action on Mills Act Contract for 1591 Homestead Road

BACKGROUND

Allison Hilton and Lars Hilton, the home owners of the residence at 1591 Homestead, 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 fourth Mills Act Contract in 2019.

The proposed Mills Act Contract was considered by the Historical and Landmarks Commission (HLC) at its meeting on September 1, 2016. Peter Hilton appeared on behalf of the owners. Comments from members of the public supported the request for a Mills Act Contract. The HLC reviewed the Historical Survey and proposed 10-Year Restoration and Maintenance Plan provided in support of the request and recommended City Council approval of both the Contract and Maintenance Plan. The HLC also approved issuance of a historic bronze plaque inscribed with "c.1876" appearing as the year of construction, upon the City Council's approval of the Mills Act Contract.

DISCUSSION

The proposed project has been determined to have historical value that would be protected through a Mills Act Contract as indicated through a State Department of Parks and Recreation (DPR) form provided by the applicants to evaluate the significance of the structure. The evaluation of the historical and architectural qualities of the property support the conclusion that the property remains eligible for continued listing in the Historic Resources Inventory. Regular upkeep and maintenance of the property has occurred over the years and the property was part of the Santa Clara Home Tour in 2013.

A three-year delay occurred since the HLC hearing during which property ownership changed and non-permitted improvements to the property were corrected. The property ownership was transferred to Allison Hilton and Lars Hilton on April 30, 2018. At the HLC meeting Mr. Peter Hilton explained that the property was used as a multi-generational family residence. He noted that one of the reasons the family is seeking to enter into a preservation agreement is due to the loss of the Proposition 13 tax base.

The property was previously subject to a correction notice for an external stairway added at the rear of the house without benefit of permits. Architectural Review approval for the demolition of stairs at the rear of the house and replacement of the upstairs door with a window was granted on September 12, 2018. The building permits were finalized on November 19, 2018 and the correction issue was closed out. The architectural review approval was consistent with the HLC recommendation from September 1, 2016. Following completion of the code violations, staff continued processing the Mills Act contract request.

The Statement of Justification and proposed Mills Act Contract with exhibits, including the DPR and the Proposed 10-year Restoration and Maintenance Plan (Attachment 1 and 2), 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 and minutes for the September 1, 2016 HLC meeting is attached for reference (Attachment 3 and 4).

ENVIRONMENTAL REVIEW

The action being considered, placement of an historic 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 \$765,471 and the annual property tax is \$9,410 (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 property tax revenue in the range of \$193 to

\$771. 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>> 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 1591 Homestead Road, with property owners Allison Hilton and Lars A. Hilton; PLN2016-12028.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Statement of Justification
2. Historic Preservation Agreement Including 10-Year Restoration and Maintenance Plan
3. Historical and Landmarks Commission Staff Report of September 1, 2016
4. Historical and Landmarks Commission Minutes of September 1, 2016