



City of Chula Vista

Staff Report

File#: 15-0563, **Item#:** 10.

RESOLUTION NO. 2015-283 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE MILLS ACT AGREEMENT BETWEEN THE CITY OF CHULA VISTA AND THE PROPERTY OWNERS OF 88 K STREET, HISTORIC SITE #102, AND AUTHORIZING THE MAYOR TO SIGN SAID AGREEMENT

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

On May 29, 2001 City Council adopted a policy that allows the City of Chula Vista to enter into Mills Act contracts (Agreements) with owners of designated historic sites (Attachment 1). The Mills Act, which was incorporated into the City's Historic Preservation Program in 2011, is an important economic incentive program for property owners of qualified historic properties. Enacted in 1972, the Mills Act legislation grants participating local governments (cities and counties) the authority to enter into legally binding Agreements with owners of qualified historic properties who actively participate in the restoration and maintenance of their historic properties with the benefit of potential property tax relief. Staff has received one Mills Act Agreement application this year for 88 K Street; Historic Site #102, The Blanche Grainger House (Attachment 2).

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed project for compliance with the California Environmental Quality Act (CEQA).

Environmental Determination

The Development Services Director has determined that the project qualifies for a Class 31 Categorical Exemption pursuant to Section 15331 (Historical Resource Restoration/Rehabilitation) of the State CEQA Guidelines because the action adopts an agreement which preserves a historical resource. Thus, no further environmental review is required.

BOARD/COMMISSION RECOMMENDATION

At the December 2, 2015 Historic Preservation Commission (HPC) meeting, the HPC voted to recommend that City Council approve the resolution.

DISCUSSION

Background

State Government Code section 50280 *et seq.* vests approval of Mills Act Agreements in the legislative body of a city, which in the case of Chula Vista is the City Council. Prior to City Council consideration of a Mills Act Agreement, the Historic Preservation Commission reviews each Agreement and makes a recommendation to the Council on the adoption of the Agreement. Once

approved by the City Council, the Mayor executes the Agreement, and then it is forwarded on to the County Recorder's office for recordation.

The City of Chula Vista adopted the Mills Act Program because it recognized both the social and economic benefits of conserving historical resources, and that the conservation of important historical resources and reinvestment in older neighborhoods contributes to cultural tourism, civic pride, and a sense of place and continuity with the community's past. The Mills Act, which was incorporated into the City's recently adopted Historic Preservation Program in 2011, is one of the most important historic preservation incentive programs available to owners of historical resources.

Mills Act Agreements are ten (10) year contracts that renew by one (1) year annually. This means that, unless cancelled by the City or the property owner, there will always be ten (10) years remaining on the life of the Agreement. The Agreement runs with the property (not the property owner) so subsequent property owners are bound to the maintenance obligations of the Agreement, and will be assessed the Mills Act valuation of the property and will not be reassessed based on the purchase price paid for the property. Dependent on how long a property owner has owned a property, and other valuation factors, a property owner may not realize a significant tax savings when they first enter into the Agreement. However, property owners often still elect to enter into an Agreement because the Mills Act encourages the restoration, rehabilitation and long-term preservation of historical resources through contractual accountability.

88 K Street

88 K Street, The Blanche Grainger house is Historic site #102 on the City of Chula Vista Register of Historical Resources. This house is a Mission Style home that was built in 1924. The property owners of 88 K Street, recently purchased the home and are committed to restoring and preserving the character defining features and elements of this historic home. Staff has prepared an Agreement for the owners of 88 K Street, who have voluntarily applied to participate in the City's Mills Act Program (Attachment 3).

Staff, together with the homeowners, has determined a list of potential restoration and rehabilitation tasks to be completed to the property which are included in the Agreement. These tasks are expected to be completed over the next ten (10) years and include: repair and maintenance of the exterior stucco and ornamentation, structural reinforcement, repair of original casement windows, electrical upgrades, and replacement of fencing (Attachment 4). At such time that the all tasks have been completed or at the end of the initial 10 years, whichever occurs first, staff, together with the property owner will determine additional tasks, as necessary.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(11), for purposes of the Political Reform Act (Cal. Gov't Code §87100, *et seq.*).

Staff is not independently aware, and has not been informed by any City Council member, of any

other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The proposed Mills Act Agreement's provision of incentives to protect historical resources meets both the Connected Community goal and the Healthy Community goal as historic preservation promotes civic pride and sustainability through the recognition, protection, restoration, and rehabilitation of the limited resources that contribute to Chula Vista's rich heritage.

CURRENT YEAR FISCAL IMPACT

There are no current year fiscal impacts associated with the approval of this item. The Mills Act application fee paid by the property owners of 88 K Street covers all costs associated with processing the application.

ONGOING FISCAL IMPACT

The City receives \$0.147 of each property tax dollar and although the property tax revenue loss of each Mills Act property is relatively negligible, over time, if the City enters into Mills Act Agreements with significant numbers of property owners, the revenue impacts could incrementally become significant.

The County Assessor did an estimation of how much of a reduction the property owners of 88 K Street would receive as a result of entering into the Mills Act Agreement, and determined that the property tax assessment for 88 K Street with the Mills Act would be significantly lower than the current property tax assessment. The current property tax assessment is based on a value of approximately \$845,000.00, and with the Mills Act the assessment would be approximately \$335,000.00. This translates into a \$6,000 per year savings in property taxes realized by the property owner. This would result in a net loss of \$882.00 in property tax dollars to the City for the 2016 tax year from entering into a Mills Act Agreement with the owners of 88 K Street, at this time. However, the property is subject to the 2% increase under Proposition 13, and therefore the net loss may be further reduced over time.

The Mills Act formula is based upon several factors, some which fluctuate with the real estate market (i.e. mortgage interest rates); therefore, tax benefit to the property owner and a net loss to the City of some property tax dollars may fluctuate over time. However, as stated above the property tax revenue loss as a result of an individual Mills Act Agreement is anticipated to be negligible.

ATTACHMENTS

1. Council Policy Number 454-01; Mills Act Policy
2. Mills Act Application
3. Mills Act Agreement
4. Mills Act Agreement Attachment B
5. Photo of 88 K Street, Historic Site #102

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Staff Contact: Lynnette Tessitore-Lopez; Project Manager