



# CITY OF CORONADO

## CITY COUNCIL STAFF REPORT

October 4, 2022

{{section.number}}b

### **PUBLIC HEARING: CONSIDERATION OF APPLICATIONS FOR HISTORIC RESOURCE PRESERVATION (MILLS ACT) AGREEMENTS FOR TEN (10) PREVIOUSLY DESIGNATED HISTORIC PROPERTIES**

#### **RECOMMENDATION:**

Approve Mills Act Agreements for 1156 Isabella Avenue, 749 C Avenue, 520 J Avenue, 563 Alameda Boulevard, 575 A Avenue, 620 1st Street, 855 Alameda Boulevard, and 500 J Avenue, with List of Improvements and Exclusions as recommended in Attachment 1; and deny Mills Act Agreements for 763 C Avenue and 654 J Avenue.

#### **BACKGROUND:**

A Mills Act Agreement is a contract between the property owner and the City, wherein the property owner agrees to preserve, and when necessary, restore and rehabilitate a designated historic resource throughout the term of the annually renewable ten (10) year agreement. In exchange, the property owner receives a reduction in property taxes. The Mills Act Program was adopted by the City Council in 2000 by Resolution No. 7736.

At its October 4, 2011 meeting, the City Council adopted Resolution No. 8524 implementing a change to the Mills Act Program that sets the maximum savings that a property owner receives with a Mills Act Agreement to 50% of the current, non-Proposition 13, property tax for Mills Act applications received beginning January 1, 2012. In 2018, the City Council adopted Resolution No. 8968 removing the previous fiscal cap of \$15,000 in the first year forgone property revenue, leaving the number of applications approved in each calendar year up to the discretion of the City Council.

#### **ANALYSIS:**

Estimates for first-year reduced property tax income to the City are included in Attachment 1. It should be noted that the reduced property tax income estimates do not include any exclusions that may be written into the agreements. Exclusions recommended by staff generally include non-historic elements of the property such as additions after the period of significance of the designation and accessory buildings that do not contribute to the historic significance of the property. The process of reducing the Mills Act tax savings as a result of exclusions is not done by the City of Coronado; it is done after the Mills Act Agreement is recorded and taken over by the County Tax Assessor. When an exclusion is written into a Mills Act Agreement, the County Tax Assessor gives the property a blended Mills Act valuation, which results in a lower tax savings for the property owner and a lower fiscal impact to the City. Exclusions and lists of improvements associated with each property on the waiting list, as recommended by the HRC and staff, are included in Attachment 1

Per City Council direction, all applications currently prioritized and added to the waiting list have been scheduled for formal consideration by the City Council at this public hearing, as required by Section 84.10.100 of the Coronado Municipal Code. Photographs of each of the properties are included as Attachment 3.

There are two properties, 763 C Avenue and 654 J Avenue, for which approval is not recommended. The City's Historic Preservation Program Guidebook states the following in the Mills Act Agreement section: Historic Resources with a Mills Act Agreement are held to a higher standard of preservation because of the property tax reduction provided to the property owner. Property owners interested in applying for a Mills Act Agreement should carefully evaluate the extent of alterations proposed to the residence. Alterations or additions, even if approved by the Historic Resource Commission prior to a Mills Act application, may make the residence ineligible for a Mills Act Agreement. Both 763 C Avenue and 654 J Avenue have undergone major modifications and demolition of original materials resulting in a substantial loss of architectural integrity. The HRC recommended with a vote of 5-0 that the City Council deny a Mills Act Agreement for 763 C Avenue. For 654 J Avenue, the motion to recommend that the City Council approve a Mills Act Agreement failed with a vote of 2-1-2. For additional background on these two properties, please see the staff reports and minutes from the HRC consideration of these applications that are included as attachments 4 and 5.

For Mills Act Agreements approved by the City Council, staff will draft Agreements tailored to each individual property per the recommendations indicated in Attachment 1, and with the appropriate calculations to comply with City Council Resolution No. 8524. The agreement will be signed and notarized by the City and property owner, recorded at the County Recorder's Office by the end of the calendar year, and take effect in 2023.

**FISCAL IMPACT:**

To the City General Fund: If the Council approves Mills Act Agreements for all properties currently prioritized and on the Mills Act Waiting List recommended for approval by the Staff and the Historic Resource Commission, the estimated first-year reduction in property tax revenue to the City will be approximately \$20,900 (Attachment 1). Properties for which no fiscal impact is expected in the first year is due to assessment under Proposition 13 rather than the Mills Act Restricted Value. Should these properties change ownership and no longer see a greater benefit from Proposition 13 assessment, the City would see a fiscal impact as a result of assessment under the Mills Act Restricted Value. Attachment 2 contains the Cumulative to Date Fiscal Impact Report of all recorded Mills Act Agreements since the program was implemented in 2001. The City's General Fund balance includes \$500,000 committed to Historic Preservation for the purpose of mitigating impacts of reduction in property tax revenues to the City. To the Successor Agency to the Community Development Agency of the City of Coronado (SA): The first-year impact to the SA, if all properties are approved, will be an estimated cumulative tax increment loss of approximately \$232,077 (\$42,000 plus 5% interest x 5 years). If Council approves Mills Act Agreement as recommended by Staff, the cumulative tax increment loss would be approximately \$209,974 (\$38,000 plus 5% interest x 5 years). This translates into a reduction in the amount of excess tax increment that can be used to early retire the 2018 Tax Allocation Refunding Bonds (TARBS). The TARBS are expected to be outstanding for five more years and this reduction in tax increment will reduce the ability to early retire the TARBS.

**ALTERNATIVE:**

The City Council may approve or deny any of the Mills Act applications.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT:**

Approval of Mills Act Agreements is not a project subject to CEQA.

**PUBLIC NOTICE:**

Section 84.10.100 of the Historic Preservation Ordinance requires that the City Council consider Mills Act Agreement applications at a noticed public hearing. A public notice was published in the

Coronado Eagle & Journal on September 21, 2022, and was mailed to all property owners within 300 feet of the subject properties (Attachment 6).

**ATTACHMENTS:**

1. Mills Act waiting list with estimated first year impact to City, proposed List of Improvement items and exclusions
2. Cumulative Fiscal Impact Report
3. Photographs
4. 763 C Avenue – HRC Staff report (without attachments) and meeting minutes
5. 654 J Avenue – HRC Staff report (without attachments) and meeting minutes
6. Public Notice
7. Additional Information from Property Owners

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