



CITY OF CORONADO

CITY COUNCIL STAFF REPORT

October 17, 2023

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PUBLIC HEARING: CONSIDERATION OF AN APPLICATION FOR A HISTORIC PRESERVATION (MILLS ACT) AGREEMENT FOR 1325 6TH STREET (CONTINUED FROM OCTOBER 3, 2023)

RECOMMENDATION:

Approve a Mills Act Agreement for 1325 6th Street with restorations and exclusions as recommended by staff and the Historic Resource Commission.

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.

Per City Council direction, all applications currently prioritized and added to the waiting list were scheduled for formal consideration by the City Council at a public hearing, as required by Section 84.10.100 of the Coronado Municipal Code. At the meeting on October 3, 2023, the City Council approved Mills Act Agreements for 241 J Avenue, 710 J Avenue, 710 Glorietta Boulevard, 1015 Adella Avenue, and 1100 Isabella Avenue with restoration and exclusions as recommended by staff and the Historic Resource Commission and continued the consideration of the Mills Act application for 1325 6th Street to the next regular meeting.

ANALYSIS:

Estimated first year reduced property tax income to the City is included in Attachment 1. The estimate does 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 the property, as recommended by the HRC and staff, are included in Attachment 1.

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:

General Fund: If the Council approves the Mills Act Agreement, the estimated first-year reduction in property tax revenue to the City will be approximately \$6,519 (Attachment 1). Attachment 2 contains the Cumulative to Date Fiscal Impact Report of all recorded Mills Act Agreements since the program was implemented. This report shows that the fiscal impact to the City last year was \$980,584, and to date the cumulative fiscal impact since the start of the program in 2001 is \$7,195,172. 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 estimated cumulative tax increment loss is approximately \$27,076 (\$6,519 x 4 years). Although this would reduce the excess tax increment that can be used to early retire the 2018 Tax Allocation Refunding Bonds (TARBS), it is not expected to impact the originally projected early maturity timeline of 2027.

ALTERNATIVE:

The City Council may approve or deny the Mills Act application.

CALIFORNIA ENVIRONMENTAL QUALITY ACT:

Not Applicable.

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 20, 2023, and was mailed to all property owners within 300 feet of the subject properties.

ATTACHMENTS:

1. Estimated First Year Impact to City, Proposed List of Improvement Items and Exclusions
2. Cumulative Fiscal Impact Report
3. Photographs
4. Public Comment

Submitted By: Community Development Department / Tricia Olsen