



Staff Reports

File #: 2059-2019, **Version:** 1

To: Honorable Mayor and Members of City Council
From: Vincent Smith, Community Development Director
Prepared By: Jose Cortez, Assistant Planner

TITLE:

Preservation of Qualified Historical Property at 1130 First Street

RECOMMENDED ACTION:

Authorize the City Manager, on behalf of the City, to execute the Mills Act Historic Preservation Agreement for the Gordon Building at 1130 First Street.

DISCUSSION:

BACKGROUND

The City has received a request for approval of a Mills Act Contract on a property that is being restored. The Mills Act Contract is requested for the purpose of obtaining financial resources to help off-set the cost of repairs that the owners incurred in their efforts to restore and preserve the subject historic building and for ongoing preservation of the building. No new work is proposed with this request. The Applicant was issued a building permit on January 4, 2019 and was granted a Historic Clearance for such work. The scope of work associated with the Historic Clearance included interior demolition, miscellaneous interior repairs, and exterior repairs including restoration of windows and other defining features. A more detailed description of the work is provided in Section 3 of this report. The work is expected to be completed in the second half of 2020. The full restoration plan is further described in the Project Description and the Restoration Plan, attached as Attachment 2 and Attachment 3, respectively.

MILLS ACT CONTRACT REVIEW

Mills Act: The Mills Act was adopted by the State legislature in 1972. The Mills Act provides a means for an owner to reduce property taxes on a historic property in exchange for an agreement with a local government entity that the owners maintain the property's historic character. The purpose is to encourage the renovation and maintenance of historic properties throughout the State by providing a tax incentive. It is similar to the Williamson Act which encourages the preservation of agricultural land in return for a lower property tax rate.

The Mills Act enables local governments to enter into a voluntary contract with owners of historic properties. The City is not obliged to enter into a contract even if the properties are eligible. The contract extends for an initial term of 10 years. It will automatically renew each year on its anniversary date creating a new 10-year agreement unless the property owner or the City provides a notice of non-renewal. In such case, the contract will terminate at the end of the current 10-year term

or the applicable renewal term. In order for a property to be eligible, it must be listed on the National Register of Historic Places, the California Register of Historic Places, or on a local inventory. The subject property is eligible because, although it is not listed on the National Register of Historic Places, it is listed on the City's local historic inventory.

Responsibility of Parties: The property owner must agree to restore (if necessary) and maintain the property in a manner appropriate to its historic character. The local government is responsible for monitoring the property to ensure that the agreed to restoration and/or maintenance has been performed. Many communities use the Secretary of Interior's Standards for Rehabilitation as their restoration standard. However, each community makes its own determination as to what will be required of property owners.

Should the City determine the property owner has breached the terms of the contract, the City can bring legal action against the owner or simply cancel the contract. If the contract is cancelled for this reason, a penalty of 12.5% of the market value of the property at the time of cancellation is assessed. Although the contract is initially made between the property owner and the City, it remains with the property even after it is sold. When the property transfers, it is not re-assessed at its new market value, thereby allowing the new property owners to enjoy a pre-existing reduced tax rate. This can contribute to the overall value of the historic property.

SCOPE OF REVIEW

The Mills Act Contract and associated Rehabilitation, Restoration and Preservation Plan requires review and approval by the City Council. However, any restoration or reconstruction work proposed in conjunction with a Mills Act Contract request is subject to the provisions of the City's Historic Preservation Ordinance and may require review and approval of a Certificate of Appropriateness by the Cultural Heritage Commission. A draft of the Mills Act Contract and Rehabilitation, Restoration and Preservation Plan is attached to this report (see Attachment 1).

The Mills Act Contract request for 1130 First Street does not include improvements that require approval of an additional Certificate of Appropriateness.

GENERAL PLAN AND ZONING

No modifications are proposed to site use, density or building setbacks. The Restoration Plan is consistent with General Plan and Zoning requirements.

VERIFICATION OF ELIGIBLE HISTORIC STATUS

The subject property is on the City's Historic Resources Inventory as a Local Landmark (LLM). This Local Landmark Property is also officially named the Gordon Building. The Renaissance Revival commercial building was originally built circa 1920 and originally housed the Empire Theater. The building has also been utilized for medical offices and retail. In 1935 the building was expanded and remodeled to provide consistent treatment of the door and transom trim seen in place today. The building has gone through several remodels, particularly with the ground level retail storefronts. As a result of the 2014 earthquake the Gordon Building received structural damage and is currently undergoing repairs of the extensive earthquake damage. More information regarding the history of the property may be found in the supporting documentation within the Applicant's Rehabilitation, Restoration, and Preservation Plan (see Attachment 2).

CULTURAL HERITAGE COMMISSION MEETING SUMMARY

On October 10, 2019 the Cultural Heritage Commission held a public hearing and reviewed the Mills Act Contract request. The Commission's primary role was to determine whether the site continues to have historic integrity for historic status eligibility and is in compliance with the Secretary of the Interior Standards for Rehabilitation in order to make a recommendation to the City Council regarding the proposed Contract. The Commissioners heard no public comment regarding the Mills Act Contract. After closing the public comment and deliberation, the Cultural Heritage Commission unanimously passed a motion recommending approval of the Mills Act Contract.

FINANCIAL IMPACTS:

The recommended action would result in a reduction in the City's share of annual tax revenue. The tax revenue is estimated to be reduced from the current \$8,462 per year to approximately \$2,538 per year. (see Attachment 3). Because the initial term of the contract is ten years and the term is extended automatically each year for an additional year unless a notice of non-renewal is provided by the owner or the City, the reduction would continue for at least ten years. Once a notice of non-renewal is provided by the City or owner, the property tax reduction would cease upon the expiration of the remaining term of the contract.

CEQA:

The Community Development Director has determined that the Recommended Action described in this Agenda Report is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15331, which exempts projects that rehabilitate, restore, preserve and conserve historical resources in a manner consistent with the Secretary of Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring and Reconstructing Historic Buildings.

DOCUMENTS ATTACHED:

ATCH 1: Draft Mills Act Contract, Property Description, Site Plan and Preservation Plan

ATCH 2: Plans and Supporting Documents

ATCH 3: Table 1 - Estimated Property Tax Reduction

NOTIFICATION:

Legal notice of the public hearing was published in the Napa Valley Register at least 10 days prior to the hearing date.