



Staff Reports

File #: 317-2020, **Version:** 1

To: Honorable Mayor and Members of City Council
From: Vincent Smith, Community Development Director
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TITLE:

Preservation of Qualified Historical Property at 1221 Seminary Street

RECOMMENDED ACTION:

Authorize the City Manager, on behalf of the City, to execute a Mills Act Historic Preservation Agreement for the property at 1221 Seminary Street and determine that the actions authorized by this item are exempt from CEQA.

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. The work identified on the Ten Year Rehabilitation Plan (see Attachment 3) was previously reviewed by the Cultural Heritage Commission as part of a Certificate of Appropriateness approved by City Council on June 16, 2020.

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, be listed on the California Register of Historic Places, or be listed on a local inventory. The subject property is eligible because it is listed on the National Register of Historic

Places and 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. For Mills Act Contract requests, the Cultural Heritage Commission's primary role is to determine whether the site continues to have historic integrity and is therefore eligible for a Mills Act Contract. The Commission's expertise in reviewing historic properties and associated restoration/rehabilitation work is provided to the City Council for their review of the *Ten Year Rehabilitation Plan* required to be submitted for each new Contract. A draft copy of the Mills Act Contract and *Ten Year Rehabilitation Plan* has been attached to this report for the Council's review (see Attachments 1 and 3, respectively).

The Mills Act Contract request for 1221 Seminary Street does not include improvements that require approval of an additional Certificate of Appropriateness. Any additional improvements will be reviewed in accordance with NMC Chapter 15.52.

ANALYSIS

The proposed *Ten Year Rehabilitation Plan* does not propose new work that would be subject to an additional Certificate of Appropriateness. Previous and future rehabilitation projects are fully described in the *Ten Year Rehabilitation Plan* and outlined below:

- Emergency repairs - shoring, bracing, cribbing towers.
- Relocation of the resource on the property.
- Addition of two accessory buildings to the north and south of the resource.
- Rehabilitation of historic elements.

- Rebuild interior framing, new plumbing, electrical, and HVAC.
- Installation of passive solar hot water heating.
- Ongoing repairs and maintenance.

In order to be considered eligible for the subsequent tax year assessment, a contract must be approved and recorded at the County by the end of the calendar year.

GENERAL PLAN AND ZONING

No modifications are proposed to site use, density or building setbacks. The Rehabilitation 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) property within the Calistoga Avenue Historic District. The residential structure, known as the Thomas Earl House, was originally built circa 1861 and has been used for residential purposes. A Use Permit, Certificate of Appropriateness and Planned Development Overlay was approved by City Council on June 16, 2020 to authorize a bed and breakfast inn on the property.

CULTURAL HERITAGE COMMISSION MEETING SUMMARY

On October 12, 2020 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 \$2,470 per year to approximately \$1,482 to \$741 per year, depending upon the level of reduction based on expenditures for improvements by the owner. (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:

City Staff recommends that the City Council determine that the Recommended Action described in this Agenda Report is exempt from CEQA pursuant to CEQA Guidelines Section 15301, which exempts minor alterations to existing structures, Section 15308, which exempts actions taken by regulatory agencies for the protection of the environment and 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 with Description, Site Plan, 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.