



CITY OF GLENDALE, CA

REPORT TO THE HISTORIC PRESERVATION COMMISSION

August 20, 2020

Hearing Date

Review of Proposed Procedure for Implementing Mills Act Program for Contributing Properties in Designated Historic Districts

Subject

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Staff Member

Project Summary

Staff proposes a series of recommendations to implement City Council's direction to offer Mills Act Property Tax Reduction contracts for certain contributing historic district properties that require significant restoration of historic features, structural repair, and/or system upgrades. The proposal establishes:

- a timeline for submittal and review of applications, and processing and recording contracts;
- application submittal requirements; and
- a process for ranking applications, based on the type, amount, public benefit, and expense of work proposed, for consideration by the Historic Preservation Commission (HPC) and City Council.

The goal is to identify and prioritize properties for which the tax reduction benefit can help offset the cost of significant work that will, in return, provide a tangible benefit to the City by restoring historic features and/or addressing issues that could impact the properties' ongoing safety or viability.

Environmental Review

The project is exempt from CEQA review as a Class 8 "Actions by Regulatory Agencies for Protection of the Environment" exemption pursuant to Section 15208 of the State CEQA Guidelines because it provides for the enhancement and protection of contributing properties in historic district overlay zones.

Staff Recommendation

Planning staff requests that the Historic Preservation Commission review and comment on the following recommendations for implementing a program, to begin in 2021, to grant Mills Act contracts, on a competitive basis, to the owners of contributing properties in historic district overlay zones. HPC comments will be forwarded to City Council, which will consider information about the new process at the time it hears a general update on the status of the City's current and pending historic districts at its meeting currently scheduled for October 13, 2020.

Background

At the request of City Council, Planning staff provided a report in April 2016 regarding the possibility of extending the Mills Act Property Tax Reduction program to owners of contributing properties in designated historic district overlay zones, in addition to the current practice of issuing contracts for properties listed on the Glendale Register of Historic Resources (Exhibit 1). After researching the practices of other cities and considering issues specific to Glendale's districts, staff presented a series of options and recommendations and Council directed moving forward with the following concepts for an expanded program:

- Allow Mills Act contracts for properties that are historic district contributors and that are not otherwise eligible for the Glendale Register (GR);
- Establish property valuation caps for district contributor Mills contracts of \$1.5 million for single-family properties and \$3.0 million for other property types;
- Process no more than six Mills Act contracts per year unless staff time is available for additional processing;
- Prioritize contracts for up to four Glendale Register properties per year, whether inside or outside of historic districts (Mills applications may be for previously listed GR properties but are more commonly considered concurrently with GR nominations);
- Prepare up to two contracts for district contributors per year. Additional contracts may be prepared if less than four Glendale Register contracts are approved in a calendar year or as staff time allows;
- Establish an annual application submittal and processing schedule for Glendale Register nominations, district contributor Mills Act applications, and Mills contract processing to distribute work evenly throughout the year.
- Develop a merit-based application review system to allow staff to provide ranked recommendations of Mills Act applications for consideration by the Historic Preservation Commission (HPC) and City Council; and that
- HPC and Community Development Director design review authority encompass all exterior portions of contributing Mills Act property in line with the treatment of GR properties.

Review and Processing Timeline

Staff's initial concern, reflected in several bullets above, that the volume of applications coming in from historic districts would overwhelm available staff-time was, to date, unfounded. No interest in the new program was expressed until 2019, when one potential applicant asked about the program; a second property owner's inquiry was received in April 2020. This is most likely because historic district property owners had not learned about Council's 2016 decision regarding district contributors. To increase the pool of properties considered under the proposed merit-based review system, staff recommends that greater effort be made to publicize the program so that the owners of properties most likely to produce a public benefit facilitated by the Mills Act tax reduction are aware of the opportunity. Information provided by the City through its website, GTV6, and via informational materials, along with private efforts from local neighborhood associations, historic district proponents, and the Glendale Historical Society, would assist in this promotion.

In keeping with the policies of most cities in the region and the annual cycle inherent to the statewide Mills Act program, staff recommends that applications be considered on an annual schedule tied to the calendar year, with the program for contributors commencing in 2021. In the initial year, this will allow time for word of the program to spread among historic district property owners and increase the pool of worthy candidates. The timeline proposed in the next section will also allow staff to process Glendale Register and district contributor Mills Act applications in accordance with the annual numbers established by Council.

Merit-Based Review

Mills Act contract approvals for Glendale Register properties are not tied to an applicant's proposed work program. Instead, HPC and City Council consider each Mills Act application individually, with any work believed necessary to improve that property's historic character or physical condition being added as conditions of the Mills Act contract. While some contracts require significant work, generally performed within the first three to four years, others require little or no work because the property has few alterations or signs of deterioration. Because GR properties are among our most important historic resources and many are intrinsic to an understanding of the city's history, the Mills Act tax savings helps ensure they will remain in good condition for decades to come. No change is proposed for the Glendale Register Mills Act process at this time, though staff and HPC have previously discussed possible improvements relating to the ongoing inspection of the properties.

Historic district contributors, on the other hand, are not necessarily "historic" in their own right and are not typically eligible for the GR. Instead, when seen as component parts of a neighborhood that derive meaning from their shared history, they help establish the "sense of place" that makes our historic districts such desirable places to live and visit. While contributors are considered historic under CEQA, their importance is collective, rather than individual. This makes it difficult to establish that one is more important, or more worthy of a Mills contract, than any other. Establishing a policy of "first-come, first-served" for district Mills Act applications would be easiest to administer, but would lead to

inequities in the distribution of tax relief if there were no assessment of a property's specific preservation needs, the amount of work required to address them, and how this work will benefit the city.

The sheer number of district contributors also points toward the need for a merit-based review system. Today, there are 733 contributing properties in seven designated districts. For comparison, there are 111 privately owned properties listed in the GR. Two pending districts, South Cumberland Heights and Casa Verdugo are currently being surveyed, and a nomination for a third, Bellehurst, has been accepted by the City. Together, these contain 634 properties. If all three were designated and contained the required minimum of 60% contributors (which would be 380), there could soon be 1113 contributing properties in Glendale. It is likely this number would be considerably higher since, on average, 82% of current district properties are contributors. With so many potential candidates, a merit-based review system will provide an objective means to identify the properties that will benefit both owners and the city to the greatest degree.

Proposal for Implementing the Expanded Mills Act Program

The following items establish policy goals and a process for implementing the Mills Act program for historic district contributors per City Council's previous direction. They focus on how to provide a fair and objective assessment of properties' needs, applicants' proposed expenditures to fulfill their work plans, and the level of public benefit this work will provide.

Property Valuation

In 2016, City Council established a valuation cap of \$1.5 million for single-family district contributors to be eligible for the Mills Act. While property values have risen somewhat in the intervening years, staff believes this threshold remains appropriate and in keeping with the policies of other local jurisdictions. Council also established a cap of \$3.0 million for non-single-family properties but, at this time, none are found in the city's designated or pending historic districts.

Timeline

Mills Act contracts are processed on an annual cycle, with the County Assessor's Office requiring that all contracts approved within a calendar year be recorded with the County Recorder's Office by December 31st. Most local cities with Mills Act programs establish a timeline within each calendar year for application submission, review, and contract processing. Council previously approved a rough draft of the following annual timeline for district contributors, which staff will implement in 2021:

January 1 – May 31

- District Contributor Mills Act applications and submittals accepted.
(Glendale Register nominations and Mills applications will continue to be accepted and processed throughout the year).
- Preliminary review of applications for completeness.
- Conduct property inspections as time allows.

June – July

- Complete review and analysis of applications.
- Complete all property inspections.
- Verify relative accuracy of proposed expenditures with Building & Safety staff.
- Assign work plan points, determine expense-to-tax reduction ratios, and calculate final application scores.
- Prepare ranked list of all complete applications submitted by the deadline.
- Determine number of applications to be considered (based on number of Glendale Register nominations and availability of staff time).

July – September

- HPC hearing to review all district applications, consider staff's prioritized list and recommended number of contracts for the year, and vote on HPC recommendation to City Council.
- City Council hearing to review applications and HPC recommendation, and vote to authorize contracts for specific properties.

October - December

- Contracts prepared by staff, signed by property owners and City Manager, and recorded with County.

Application Form and Submittal Checklist

Because the application process for district contributors will require more information from applicants than the Mills Act application for Glendale Register properties, staff will prepare a new application form and submittal requirement checklist (discussed below) specifically for district contributors.

Required Submittals

The following items will be required to accompany the application to facilitate the City's review and help rank properties based on the merits of the proposed work plans:

Grant Deed and Legal Description

These real estate documents establish current ownership and the legal description that defines the extents of the property. They must include the County Recorder's recording number and date, information that is required for completing Mills Act contracts.

Tax Bill or Documentation of Purchase Price

Required to establish that the valuation of the property is below the threshold set by City Council. The valuation will also be used to calculate the estimated tax reduction to allow for comparison of tax benefit/work expenditure ratio (discussed below).

Photographs and Photo Key

Photos of all exterior portions of the property, including all building facades, accessory buildings, front and rear yards, fences, walls, and hardscape and landscape features

must be included since all portions of contributors receiving Mills Act contracts are subject to historic review (as opposed to the review for other district contributors, which includes only the parts visible from the street). The pictures must be keyed onto a site plan of the property. For properties receiving contracts, the photos and photo key will serve as baseline documentation of the conditions at the beginning of the contract. The key will also provide the basis for owners to re-photograph their properties every five years, which will allow the City to fulfill its state-mandated Mills Act inspection requirement. The application will contain information regarding the required resolution and submittal formats for the photographs.

Building Inspection Report

Applicants must submit a building inspection report prepared by a Certified Home Inspector. Work required to mitigate any significant issues found in the inspection should be included in the Proposed Work Plan. The Home Inspection report must be dated within the six months prior to the Mills Act application date. New reports must be submitted on a five-year cycle to assist with the City's inspection requirement and identify future work needs.

Termite/Dry Rot Report

Submit a wood destroying pests and organisms (WDO) inspection report prepared by a California Structural Pest Control Board licensee. Work required to mitigate any significant issues found in the inspection should be included in the Proposed Work Plan. The WDO report must be dated within the six months prior to the Mills Act application date. New reports must be submitted on a five-year cycle to assist with the City's inspection requirement and identify future work needs.

Work Plan

A detailed, line-item work plan, including all projects a property owner commits to completing if he or she is awarded a Mills Act contract. A blank template of the work plan form will be provided with the application form. For each work item, the plan will include a detailed description of the work, its location, whether it is visible from the street, the estimated cost, and the proposed completion date. Paid receipts and photographs of the work will be submitted to the city on an annual basis (within 30 days of the contract anniversary date) until completion of all work items to ensure owners are fulfilling the conditions of their contract.

Work completed prior to the contract date cannot be included in the work plan unless HPC recommends its inclusion at the Mills Act hearing. In addition, to enhance the fairness of the program, certain work items such as painting and roofing replacement, which are cyclical expenses for all homeowners regardless of their properties' historic status, are not considered except in cases of significant deterioration. For example, if a roof is not deteriorated at the time of application but the owner includes a future replacement in the work plan, it would be unfortunate to force the removal of a possibly still viable roof and put it in the landfill just to fulfill an item in a work plan timeline.

Staff Review and Analysis of Applications

Planning staff will review all applications, conduct site visits, provide an objective assessment of the relative importance and benefits of proposed work plans, determine an approximate expense-to-tax benefit ratio, and develop a final “score” for each property. Together, these will allow applications to be ranked in a way that will identify the best candidates for the tax reduction. The ranked properties will then be brought to HPC, and later Council, for consideration as Mill Act candidates.

Application Submittal and Site Visit

Staff will review all district contributor Mills Act applications as they arrive to determine if all submittal requirements are met. Incomplete applications will be returned and the owners will be able to resubmit anytime until the May 31 annual deadline. Staff will schedule a site visit for each property with a complete application. The visit will help verify that existing conditions are accurately depicted in the work programs and photographs. In addition, if staff identifies additional items that would bring the property closer to its original appearance, the owner may choose to add these to the work program prior to the HPC hearing.

Scoring System: Work Plan Points

Staff will develop a point-based scoring system to evaluate the proposed work programs based on the type of work, the property’s unique needs, and the work’s public benefit. Once a draft point system is complete, it will be brought to HPC for review and comment prior to implementation.

The system will reward properties that require significant amounts of work that would bring properties closer to their original appearance or address serious structural and systemic issues that could lead to extensive damage if not replaced or repaired. Examples include:

- replacing inappropriate wall or roof cladding;
- installing new wood or steel windows to replace inappropriate sash;
- repairing deteriorated character defining features or replacing them in kind;
- foundation, chimney, and other structural repairs;
- seismic retrofits; and
- replacing dangerous electrical and deteriorated plumbing systems.

Points would be proportional to the amount of work. For example, a proposal to install appropriate new windows throughout a house that lost its originals would receive more points than one calling for just one or two replacements. To reward projects with greater public benefit, work visible from the street would get more points than the same work that is not visible.

Scoring System: Expense-to-Tax Reduction Ratio (multiplier)

An applicant’s proposed expenditure should also factor into determining an application’s merits. Since owners can theoretically benefit from the Mill Act tax reduction for decades, those proposing the greatest expenditure in the first five or ten

years of the contract should be prioritized. For the purpose of establishing a level playing field for assessing the relative value of expenses to tax benefit, staff proposes establishing a baseline of a 50% tax reduction for all applications, as follows:

Valuation	Property Tax Estimate (1%)	Baseline Mills Tax (50%)	Savings Over 10 Years
\$1,000,000	\$10,000	\$5,000	\$50,000

Dividing the total proposed expenditure by the 10-year tax saving establishes the expense-to-tax ratio, which will then be used as a multiplier for the work plan points as shown in the following examples using the same million-dollar house with a 15-point work plan:

Expenditure (E)	Tax Savings (S)	Ratio (E/S)	Work Plan Points	Final Points
\$25,000	\$50,000	.5	15	7.5
\$50,000	\$50,000	1.0	15	15.0
\$75,000	\$50,000	1.5	15	22.5

Scoring System: Final Ranking

A property's final score is determined by multiplying the work plan points by the expenditure multiplier. Two properties with the same number of points could have different rankings if one cost significantly more than the other. required greater This provides a fair and objective means for weighing the severity of existing conditions, the amount of work needed, the public benefit of the work, and the expense involved to restore and safeguard worthy contributors in the city's historic districts.

Ultimately, HPC and City Council will decide which applications to select each year. Assuming that a number of applications are submitted in 2021, the point system will help assure applicants and the general public that the decision to award contracts is as objective as possible.

Exhibit

1. Report to City Council - April 12, 2016