



Administrative Report

H.16., File # 22-4241

Meeting Date: 6/7/2022

To: MAYOR AND CITY COUNCIL

From: BRANDY FORBES, COMMUNITY DEVELOPMENT DIRECTOR

TITLE

APPROVE AN HISTORIC PROPERTY PRESERVATION AGREEMENT WITH TERRY L. AND LEIGH W. GASPAROVIC, OWNERS, FOR THE PROPERTY LOCATED AT 719 ELVIRA AVENUE BEGINNING ON JUNE 7, 2022 FOR THE TERM OF TEN YEARS WITH AUTOMATIC RENEWAL EVERY YEAR THEREAFTER

EXECUTIVE SUMMARY

The Mills Act is a State law that enables cities to enter into agreements with the owners of officially designated historical buildings that, in exchange for assuring continued preservation, allow property owners to qualify for a property tax reduction. The property located 719 Elvira Avenue was designated as a landmark by the Preservation Commission on November 3, 2021. As such, this property qualifies for consideration of an Historic Property Preservation Agreement (aka Mills Act Agreement).

BACKGROUND

Since October 1992, the City Council has supported the approval of Historic Property Preservation Agreements with owners of properties designated as Local Historic Landmarks under the City's preservation program. This action was taken so that the Preservation Commission could outwardly promote the Mills Act to Redondo Beach property owners. This program has become the major incentive for property owners to apply for Local Historic Landmark designation under the City's Preservation Ordinance, and the number of Redondo Beach property owners interested in the Mills Act program has increased each year as more have become aware of its availability and potential tax benefits.

The subject property is located at 719 Elvira Avenue. The City's Historic Resources Survey identifies the property as a B-rated Craftsman built in 1924. Craftsman is the most prevalent historic architectural style in Redondo Beach. Character-defining features include a covered entry porch, horizontal wood siding and trim, wood double-hung windows, and a gable roof with exposed rafter ends. All of these features are exhibited on this house.

The main residence is 97 years old, far exceeding the minimum 50-year age requirement. The building is an ideal representation of the Craftsman architectural style. The property was also developed by a prominent settler of Redondo Beach with the Whiteside family connected to the Santa Fe train and the Redondo Beach School Board. Thus, the property is considered both architecturally significant and culturally significant for its connection to the Whiteside family. This structure reflects elements of the City's early cultural, social, and economic history, and it also serves

to make the property a valuable historical resource to the community. For all of these reasons, the property merits designation as a local historic landmark, and the Preservation Commission granted landmark status on November 3, 2021.

The proposed Historic Property Preservation Agreement is identical to other agreements previously approved by the City Council. The following is a description of the most pertinent provisions of the agreement.

The Mills Act requires that the initial term of the agreement be ten years. On the anniversary date of the agreement, it is automatically renewed for an additional year so that it has a continual ten-year time horizon. The City or the owner may call for the agreement to not be renewed prior to the anniversary date. If this happens, the agreement continues in effect until its current term expires, but the property will gradually be assessed more each year, incrementally raising the assessed value to match the market value until the agreement expires.

The agreement requires that the subject building be maintained and preserved in keeping with its historic character for the life of the agreement. As a designated landmark, exterior alterations will be subject to review and approval by the Preservation Commission. The Mills Act requires the agreement to "run with the property," and is binding upon subsequent property owners. The City may cancel the contract immediately (different from non-renewal) if it is found that the owner has failed to comply with the agreement's terms, or if the structure has been allowed to deteriorate to the point where it is no longer a qualified historical structure. Cancellation carries with it a penalty equivalent to 12.5 percent of the property's full market value.

The primary benefit of the agreement to the owners is the reassessment of the historical property by the County Assessor's Office based on a special formula within the Mills Act. The County Assessor, however, will not determine the actual reduction in assessed value until after the agreement is recorded.

Since the City's historic preservation program is completely voluntary, it is dependent upon providing tangible incentives to property owners. The Mills Act is proving to be the primary incentive that is encouraging owners to list their homes as landmarks and fulfill the program's objective of preserving Redondo Beach's historic character and identity. Since older homes are often in need of more upkeep, the tax benefits of the Mills Act provide owners with additional resources toward this objective.

COORDINATION

The preparation of the agreement has been coordinated with the City Attorney's Office.

FISCAL IMPACT

Based on reassessments which have been made for other properties in Redondo Beach with Mills Act agreements, a typical residence would be reassessed at approximately 60% of its current market value. This would reduce the owners' annual property taxes by approximately 40%. The actual amount of the tax reduction is dependent upon the property's current assessed value. For example, if the property is currently valued at \$1,000,000, the reduced property assessment would be in the range of \$600,000.

The City currently receives 16.6 percent of the total property taxes collected on a given property. Based on the above, the annual loss in property tax revenue to the City would be approximately \$660 for a \$1,000,000 property reassessed at \$600,000.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

Historic Property Preservation Agreement with Landmark Resolution