



AGENDA REPORT SUMMARY

Meeting Date: October 11, 2022

Subject HPA22-0001 – 151 Hawthorne Avenue

Prepared by: Jia Liu, Associate Planner

Reviewed by: Nick Zornes, Development Services Director

Approved by: Gabriel Engeland, City Manager

Attachment(s):

1. Resolution No. 2022-XX
2. Historic Resource Evaluation Report, Evans & De Shazo, Inc.
3. Mills Act Recommendation Letter, Evans & De Shazo, Inc
4. Historic Preservation Agreement

Initiated by:

Karen Scussel and Curt Riffle, Property owners of 151 Hawthorne Avenue

Previous Council Consideration:

None

Fiscal Impact:

The fiscal impact cannot be established as the assessed value for the recently Planning approved historical rehabilitation has not been completed by the Santa Clara County Assessor's Office. It is estimated that the City would see a 40 percent to 60 percent reduction in property tax revenue for the subject property annually after entering into the Mills Act Contract with the City. Based on the subject property's latest tax assessment in 2022, the tax reduction after the Mill Act Contract is estimated to be between \$4,280 and \$6,420 per year.

Environmental Review:

The approval of a Mills Act Contract is recommended to be considered categorically exempt from environmental review per Section 15331 (Class 31) of California Environmental Quality Act (CEQA). Class 31 projects consist of projects limited to maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings and all of the activities that would be undertaken in the Mills Act Contract would be consistent with these activities.

Reviewed By:

City Manager

GE

City Attorney

JH

Finance Director

JE



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Policy Question(s) for Council Consideration:

- Does the City Council wish to authorize the City Manager to execute a Mills Act agreement with the owners of 151 Hawthorne Avenue?

Summary:

- The owners of 151 Hawthorne Avenue, a Historic Resource, are seeking to execute a historic preservation agreement with the City for the historical rehabilitation project in order to allow for a property tax reduction under the Mills Act.
- The Mills Act allows cities to enter into contracts with property owners of historic structures for a reduction of property taxes in exchange for the continued preservation of the historic resource.

Staff Recommendation:

Move to adopt Resolution No. 2022-XX authorizing the City Manager to execute Mills Act agreement with property owners of 151 Hawthorne Avenue.

Purpose

Provides property owners a tax incentive in exchange for rehabilitation/restoration and ongoing maintenance of a historic resource within the City.

Background

A property owner may enter into a Mills Act agreement with the City in order to receive a reduced property tax rate from the County Assessor in exchange for the maintenance and preservation, restoration and rehabilitation, of their historic property or structure. The County Assessor sets the property tax rate based on an appraisal of the market value of the land and improvements. A site under a Mill Act agreement will receive a property tax reduction calculated by the County Assessor's office based on a formula under State law using the income that could be generated from the property. The City of Los Altos currently has Historic Preservation Agreements with 13 Historic Landmark and Historic Resource properties.

On January 15, 2022, the Planning Division received two applications from the property owners including a historical advisory review (H22-0001) for a historical rehabilitation project and a historical preservation agreement permit (HPA22-0001) for a Mills Act request for the Historic Resource at 151 Hawthorne Avenue. The historical rehabilitation project consisted of a 609 square-foot addition to the existing single-family residence, a 26 square-foot addition to the existing basement, a 544 square-foot, detached two-car garage, interior remodeling, and other site improvements. The Mills Act application, if granted by the Council, will allow the property tax reduction to support the owners for the rehabilitation and preservation to the historical resource.



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As outlined in the Historic Resource Evaluation Report and Mills Act Recommendation Letter prepared by the subject historian, Stacey De Shazo from Evans & De Shazo, Inc (Attachment 2 and Attachment 3, respectively), the Historic Resource Evaluation Report found that the proposed rehabilitation project including the additions, detached accessory structure, and other site improvements met the Secretary of the Interior’s Standards for the Treatment of Historic Properties – Rehabilitation Standards. The alterations and rehabilitation will not change the character defining features of the existing Craftsman bungalow design and will continue to maintain its historic integrity and convey an authentic representation of its historic significance. Therefore, the rehabilitation project will not impact the historical resource and is eligible for the Mills Act.

The Historic Resource Evaluation Report further discussed that the after the rehabilitation and exterior alterations, the structure will continue to maintain its historic integrity per the National Register’s seven aspects of integrity: location, design, setting, materials, workmanship, feeling, and association. The single-family residence remains in its original location where it was constructed. It sits in an immediate setting that still retains its feeling of an early twentieth century’s neighborhood. Although rehabilitation includes new additions and alterations of exterior elevations, staff found that the building has obvious visual integrity with its Craftsman Bungalow style by preserving or replacement in-kind of its character defining features on the façade including the one-story structure form, multi-front-gabled form, low-pitched roof with wide overhanging eaves, exposed rafters and beams, recessed porch set under an extending porch roof, battered porch columns, wood casement windows, and double-hung wood windows.

On August 8, 2022, the Historical Commission held public discussions to consider the two applications. The Commission discussed the merits of the request from the property owners, acknowledged the Historic Resource Evaluation Report prepared by the consulting historian, Stacey De Shazo from Evans & De Shazo, Inc., and found the rehabilitation project meets the Secretary of the Interior’s Standards for the Treatment of Historic Properties. Following the discussion, the Commission voted unanimously to approve the rehabilitation project and recommend that the City Council authorize the City Manager to execute a Mills Act agreement with the property owners at 151 Hawthorne Avenue¹.

Discussion/Analysis

Execution of a Historic Preservation Agreement with the City will make the historic resource eligible for a property tax reduction under the Mills Act. For the subject site, it is estimated that the City would see a 40 percent to 60 percent reduction in property tax revenue annually if this Mills Act request is approved by the Council. As the rehabilitation project just received Planning

¹ August 8, 2022 Historical Commission agenda reports of H22-0001 and HPA22-0001 can be accessed at <https://mccmeetings.blob.core.usgovcloudapi.net/losaltosca-pubu/MEET-Packet-38bef0923f5b45989a5d58fc649b0285.pdf>



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approval and has not started the building permit yet, the property value has not been reassessed by the Santa Clara County Assessor; therefore, staff is unable to determine the specific fiscal impact to the City. For reference purposes, the City took in approximately \$28,500,000 in property tax revenue in Fiscal Year 2020-21.

The standard term of a Historic Preservation Agreement is a ten-year period with an automatic renewal clause each year thereafter. However, both the City and the owner have a revocation clause in the agreement, and either party has ability to exercise their right to revoke the agreement should they desire to do so at a future date. The agreement also includes a requirement that all money saved on property taxes be invested into the maintenance, preservation, restoration and/or enhancement of the historic structure. The Historical Commission required a Schedule of Improvements for improvements to the subject site, which demonstrate funds will be used for: 1) ongoing efforts to maintain the historic structure and surrounding property, and 2) amortizes the cost of recent improvements to the historic structure. This Schedule is included as Exhibit B in the Draft Historic Preservation Agreement provided in Attachment 4.

Options

- 1) Option #1 - Authorize the City Manager to execute a Historic Preservation (Mills Act) Agreement with the owners of 151 Hawthorne Avenue

Advantages: Execution of the Historic Preservation Agreement will provide a financial incentive for the property owners to preserve and maintain a historic property in the city.

Disadvantages: Execution of the Historic Preservation Agreement will result in a reduction of approximately forty to sixty percent in annual property tax revenue collected from the property as a result of the Historic Resource being subject to the Mills Act.

- 2) Option #2 – Deny executing a Historic Preservation agreement with the owners of 151 Hawthorne Avenue

Advantages: The City would maintain the current annual property tax revenue as a result of the historic resource not being subject to the Mills Act

Disadvantages: The homeowners will be required to underwrite the full cost of preserving, maintaining, and rehabilitating the historic resource, which may not ensure retention of the historic integrity of the structure over time.

Recommendation



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The Historical Commission has recommended Option 1.