



City of Huntington Beach

File #: 19-1199

MEETING DATE: 12/16/2019

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Antonia Graham, Assistant to the City Manager

Subject:

Approve and authorize execution of a Mills Act Agreement between the City of Huntington Beach and Daniel Adam Murphy and Alyssa Ann Murphy for the purpose of providing property tax relief for owners of qualified properties who wish to use the savings to preserve/restore their historic property located at 713 Hill Street

Statement of Issue:

On November 3, 2014, the City Council adopted Resolution No. 2014-82 establishing the Mills Act Program. The Mills Act Program provides economic incentive to encourage the preservation of historic buildings. The Agreement between Daniel Adam Murphy and Alyssa Ann Murphy the City was the only Mills Act application received in 2019.

Financial Impact:

Negligible amount of property tax loss.

Recommended Action:

Approve and authorize the Mayor and City Clerk to execute the "Historic Preservation Agreement Containing Covenants, Conditions, and Restrictions Affecting Real Property by and between the City of Huntington Beach and Daniel Adam Murphy and Alyssa Ann Murphy for the Real Property Located at 713 Hill Street within the City of Huntington Beach (Mills Act Contract)."

Alternative Action(s):

Do not approve and direct staff accordingly.

Analysis:

In 1972, the State of California enacted the California Government Code Article 12, Section 50280, more commonly known as the "Mills Act." The Mills Act was enacted as an economic incentive program to encourage the preservation of historic buildings. This legislation provides property tax relief for owners of qualified historic properties who contract with the local government to abide by reasonable preservation requirements. The agreement between the property owner and the City allows the property to be assessed using a different methodology, which results in a reduction of

property taxes paid by the property owner. Over one hundred (100) cities throughout California have adopted Mills Act programs, including nine (9) in Orange County. The program is strictly voluntary and does not have any impact on those historic property owners who do not wish to participate.

The Mills Act requires property owners to enter into a ten (10) year agreement with the City. Property owners may save fifty percent or more on their property tax bill. The savings must be used toward renovation and maintenance of their property. The City will lose sixteen (16) percent of the property tax savings realized by the property owner. The County Assessor's Office calculates the actual savings by determining certain key elements. Commercial and residential properties are calculated differently. The factors include:

- Gross Income - Fair Rental Value
- Maintenance Costs
- Interest Risk as determined annually by the State Board of Equalization
- Risk - set by Mills Act Statute (4 percent residential and 2 percent commercial)
- Amortization Rate

On November 3, 2014, the City Council adopted Resolution No. 2014-82 establishing the Mills Act Program in Huntington Beach. A summary of the program is below:

- Up to ten (10) eligible applications are accepted each year on a first-come-first served basis and submitted to the City Council for approval. Approved agreements are then filed with the County by December 31st of each year in order to meet the property tax deadlines for a tax reduction in the following year.
- Eligibility will be limited to 260 properties identified in the Draft Huntington Beach Historic Context and Survey Report or any Federal or State official register of historically significant sites, places, and landmarks.
- The application fee of \$500 (as established in the Master Fee Resolution) will be paid at the time of application and if for any reason an agreement is not entered into, a portion of the fee will be refunded based on the amount of staff time spent on the application to that point.

In addition to approving the Resolution establishing the Program, the City Council also approved the template of the ten-year "Historic Property Preservation Agreement" between the City and property owners who wish to participate in the program. The agreement specifies the standards required for property improvement, required inspections of the work by the City, provisions for annual compliance, and remedies for breach of such agreement.

The application from Daniel Adam Murphy and Alyssa Ann Murphy for the property at 713 Hill Street was approved by the Community Development Department. As such, the Historic Property Agreement between the City and property owner is presented to City Council for approval. Once approved, this agreement will be filed with the County of Orange Tax Assessor's Office no later than December 31, 2019, in order for the property owner to receive the property tax reduction in 2020.

As required in the agreement, the property owner will be responsible to furnish any information the City deems necessary to determine ongoing compliance with the terms and provisions of the

agreement.

Environmental Status:

The Mills Act Program is not subject to the California Environmental Quality Act pursuant to Section 15061 (b) (3) because it can be seen with certainty that there is no possibility that it will have a significant effect on the environment.

Strategic Plan Goal:

Non-Applicable - Administrative Item

Attachment(s):

1. Historic Preservation Agreement Containing Covenants, Conditions, and Restrictions Affecting Real Property by and between the City of Huntington Beach and Daniel Adam Murphy and Alyssa Ann Murphy for the Real Property located at 713 Hill Street within the City of Huntington Beach, California 92648