



Office of the City Manager

CONSENT CALENDAR

November 18, 2014

To: Honorable Mayor and Members of the City Council

From:  Christine Daniel, City Manager

Submitted by: Eric Angstadt, Director, Planning and Development Department

Subject: Mills Act Contracts: 2506 Dwight Way, 2501 Telegraph Avenue, and 2509 Telegraph Avenue

RECOMMENDATION

Adopt three (3) Resolutions directing the City Manager to enter into Mills Act contracts for the properties located at 2506 Dwight Way, 2501 Telegraph Avenue, and 2509 Telegraph Avenue.

FISCAL IMPACTS OF RECOMMENDATION

Approving these contracts would reduce the property tax bills for the owners by an estimated total of \$21,924, \$9,716 and \$11,762 respectively in year one, approximately 30% of which would be diverted from Berkeley's tax revenue. These will be annual impacts to the City's tax revenue, as the contracts run for 10 years, renewing annually unless notice of nonrenewal is given. In turn, the work plans commit the owners to spending the anticipated tax savings in restoring the landmarked properties. The Mills Act also specifies procedures for cancellation of a contract for a breach of conditions.

These property tax savings are offered to create an incentive for owners to maintain their historic properties, to designate historic properties that are currently not protected, and to purchase and upgrade already dilapidated historic properties. Failure to approve these contracts might result in less maintenance of qualified historic structures, which might result in reduced property values for the surrounding properties, increased service calls associated with dilapidated or abandoned properties, and decreased public benefit derived from well maintained historic structures.

CURRENT SITUATION

On February 24, 1998, the City Council passed resolution number 59,355-N.S. which authorized the use of the Mills Act, California Government Code Section 50281 in the City of Berkeley. The Mills Act allows owners of historic properties to voluntarily enter into individual contracts with the City which provide property tax reduction in exchange for restoring their historic properties.

The Blood House, (formerly 2526 Durant Avenue), was designated as a City of Berkeley Landmark on September 13, 1999 and the Woolley House (2509 Haste Street) was

designated as a City of Berkeley Landmark on October 16, 1989. (These two structures will be relocated to the property at 2506 Dwight Way).

The City of Berkeley designated the E. P. King Building (2501 Telegraph) as a City of Berkeley Landmark on January 12, 2004 and the Soda Works Building (2509 Telegraph) as a City of Berkeley Landmark on April 12, 2004.

The owners of these three landmarked properties have applied for Mills Act contracts with the City in 2014 to take effect in 2015.

At its October meeting, the LPC reviewed the proposed Mills Act work plan for all three properties, and voted 7-1-0-0 (Yes: Beil, Belser, Brown, Hall, Linvill; Pietras, Wagley; No: Schwartz; Abstain: None; Absent: None) to approve the work plans and recommend that the City enter into Mills Act contracts for the restoration of the properties.

The following table displays the estimated property tax reductions for each of the proposed Mills Act properties, for each of the first ten contract years.

Address	Estimated annual property tax reductions for properties requesting Mills Act contracts									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2506 Dwight (2 Houses)	\$21,924	\$21,955	\$21,979	\$21,997	\$22,006	\$22,009	\$22,002	\$21,988	\$21,965	\$21,932
2501 Telegraph	\$9,716	\$13,868	\$13,219	\$9,378	\$9,249	\$9,111	\$8,963	\$8,806	\$9,225	\$8,461
2509 Telegraph	\$11,762	\$18,278	\$14,363	\$12,960	\$11,734	\$11,737	\$11,506	\$12,458	\$11,527	\$11,505

Attachments to this report contain a resolution and proposed work plan for each of these properties. Council approval will allow property tax reduction for these properties beginning January 2015, with the contracts automatically renewing annually unless notice of non-renewal is given by either party.

**BACKGROUND**

The Mills Act provides limited ad valorem tax relief at the discretion of host jurisdictions to encourage rehabilitation and on-going maintenance of historic resources. The County Assessor uses a formula, consistent with the provisions of the Mills Act, to determine the amount of property tax, which applies a capitalization rate to the calculated net operating income for the property enrolled in a Mills Act Program. The Mills Act applications include a ten-year work plan to restore and maintain the subject property. The total investment in the work plan is intended to equal or exceed the total amount of the property tax relief over the period. In Berkeley, City Landmark properties qualify to apply for Mills Act contracts.

In 2011 the legislation was amended to include more specific requirements regarding inspection, fees, and cancellation. The amended legislation clarifies that the legislative body may require fees for providing services pursuant to the Mills Act legislation; shall inspect the property prior to a new agreement and then every five years thereafter; and shall cancel the contract if it is determined that the owner has breached the conditions of the contract. As a result of these amendments, Land Use Planning fees for the approval and monitoring of the contract pursuant to the legislation were added in July 2012, and an ongoing inspection program is in place.

#### RATIONALE FOR RECOMMENDATION

In order to qualify for Mills Act consideration, 1) the property must qualify as historical, 2) the contract must adequately meet the requirements for Mills Act contracts as set forth in California Government Code Section 50820, and 3) the type of improvements outlined in the work plan must meet the City standards, which require that tax savings be used according to the rules and regulations outlined in the California Government Code, Section 50281 (b)(1).

These properties are eligible for Mills Act contracts because they are designated City of Berkeley landmarked properties. The contract format has been reviewed by the City Attorney's Office for conformance to all relevant City and State regulations prior to signature. Finally, the contracts include comprehensive work plans that the property owners have agreed to complete within the first ten-year contract period and that provide for each property's "use, maintenance and restoration as to retain its characteristics as property of historical significance," as provided for in the Mills Act and as authorized by the Berkeley City Council. The Landmarks Preservation Commission has concluded that the improvements listed in these work plans meet the standards adopted by the City Council, and the costs of the proposed improvements are anticipated to equal or exceed the tax savings afforded the owners.

#### ENVIRONMENTAL SUSTAINABILITY

Approval of the contracts would encourage historic resource rehabilitation, materials conservation, and construction and demolition waste diversion.

#### ALTERNATIVE ACTION CONSIDERED

The alternative action would be for the City to deny these Mills Act contracts with the applicants, which could potentially lead to the deterioration of landmarked properties, contrary to City policy to promote maintenance and restoration of historically significant structures.

#### CONTACT PERSON

Eric Angstadt, Director of Planning and Development, (510) 981-7401

Sally Zarnowitz AIA, Landmarks Preservation Commission Secretary, (510) 981-7429

Attachments

1. Resolution: 2506 Dwight Way
2. Resolution: 2501 Telegraph Avenue
3. Resolution: 2509 Telegraph Avenue
4. Work Plan: 2506 Dwight Way
5. Work Plan: 2501 Telegraph Avenue
6. Work Plan: 2509 Telegraph Avenue

RESOLUTION NO. ##,###-N.S.

MILLS ACT CONTRACT: JOHN GORDON & JANIS MITCHELL FOR THE MAINTENANCE AND RESTORATION OF A HISTORIC PROPERTY LOCATED AT 2506 DWIGHT WAY IN ORDER TO OBTAIN A PROPERTY TAX REDUCTION

WHEREAS, on February 24, 1998, the Berkeley City Council adopted Resolution No. 59,355-N.S. which authorized the use of Mills Act contracts; and

WHEREAS, on October 16, 1989, The Woolley House at 2506 Dwight Way (2509 Haste Street) was designated as a City Landmark and is eligible to take advantage of the Mills Act; and

WHEREAS, on September 13, 1999 , The Blood House at 2506 Dwight Way (formerly 2526 Durant Avenue) was designated as a City Landmark and is eligible to take advantage of the Mills Act; and

WHEREAS, on October 2, 2014, the Landmarks Preservation Commission reviewed the proposed project listed in the Mills Act Contract Application for 2506 Dwight Way. The Commission recommended that the City enter into a Mills Act contract with the property owner; and

WHEREAS, the City's Mills Act program requires each contract to be approved by the City Council and signed by the City Manager; and

WHEREAS, the City Council, in light of all the evidence, finds that the contract is consistent with the purposes of the Mills Act program.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a Mills Act Contract and any amendments with John Gordon & Janis Mitchell for the maintenance and restoration of the historic property located at 2506 Dwight Way in order to obtain a property tax reduction for a period of ten years, with a recorded copy of such contract and amendments to be on file in the Office of the City Clerk.

RESOLUTION NO. ##,###-N.S.

MILLS ACT CONTRACT: JOHN GORDON & JANIS MITCHELL FOR THE MAINTENANCE AND RESTORATION OF A HISTORIC PROPERTY LOCATED AT 2501 TELEGRAPH AVENUE IN ORDER TO OBTAIN A PROPERTY TAX REDUCTION

WHEREAS, on February 24, 1998, the Berkeley City Council adopted Resolution No. 59,355-N.S. which authorized the use of Mills Act contracts; and

WHEREAS, on January 12, 2004, the E. P. King Building at 2501 Telegraph Avenue was designated as a City Landmark and became eligible to take advantage of the Mills Act; and

WHEREAS, on October 2, 2014, the Landmarks Preservation Commission reviewed the proposed project listed in the Mills Act Contract Application for 2501 Telegraph Avenue. The Commission recommended that the City enter into a Mills Act contract with the property owner; and

WHEREAS, the City's Mills Act program requires each contract to be approved by the City Council and signed by the City Manager; and

WHEREAS, the City Council, in light of all the evidence, finds that the contract is consistent with the purposes of the Mills Act program.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a Mills Act Contract and any amendments with John Gordon & Janis Mitchell for the maintenance and restoration of the historic property located at 2501 Telegraph Avenue in order to obtain a property tax reduction for a period of ten years, with a recorded copy of such contract and amendments to be on file in the Office of the City Clerk.

RESOLUTION NO. ##,###-N.S.

MILLS ACT CONTRACT: JOHN GORDON & JANIS MITCHELL FOR THE MAINTENANCE AND RESTORATION OF A HISTORIC PROPERTY LOCATED AT 2509 TELEGRAPH AVENUE IN ORDER TO OBTAIN A PROPERTY TAX REDUCTION

WHEREAS, on February 24, 1998, the Berkeley City Council adopted Resolution No. 59,355-N.S. which authorized the use of Mills Act contracts; and

WHEREAS, on April 12, 2004, the Soda Works Building at 2509 Telegraph Avenue was designated as a City Landmark and became eligible to take advantage of the Mills Act; and

WHEREAS, on October 2, 2014, the Landmarks Preservation Commission reviewed the proposed project listed in the Mills Act Contract Application for 2509 Telegraph Avenue. The Commission recommended that the City enter into a Mills Act contract with the property owner; and

WHEREAS, the City's Mills Act program requires each contract to be approved by the City Council and signed by the City Manager; and

WHEREAS, the City Council, in light of all the evidence, finds that the contract is consistent with the purposes of the Mills Act program.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a Mills Act Contract and any amendments with John Gordon & Janis Mitchell for the maintenance and restoration of the historic property located at 2509 Telegraph Avenue in order to obtain a property tax reduction for a period of ten years, with a recorded copy of such contract and amendments to be on file in the Office of the City Clerk.





Attachment 5 - Work Plan

MILLS ACT PROPOSED WORK PLAN																		
Feature / Item	Location	Priority	Years	C/DF	Scope of Work (Condition / Treatment)	Current Exp. 2014	Total Expense 2015-2024	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total Expense (check sum)
		1 - 3	1 - 10	Y / N				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
E. P. KING BUILDING																		
2501 Telegraph Avenue																		
Berkeley, CA 94704																		
APN: 055 1839 001																		
Sheet # 2																		
					Subtotal Construction costs		\$197,350	\$7,100	\$55,550	\$50,000	\$20,700	\$9,400	\$8,600	\$8,300	\$9,000	\$17,700	\$11,000	\$197,350
					(Good, Fair, Poor condition for existing elements)													
Landscaping / Site	N.A.			N			\$0											\$0
(N) site landscaping	N.A.			N			\$0											\$0
(N) street trees & work in ROW	N.A.			N			\$0											\$0
(N) metal fence @ street	N.A.			N			\$0											\$0
(N) wood fence at property line	South PL	2	2	N	New PL fence between King Bldg and Woolley Hse.		\$3,500											\$3,500
(N) sidewalk / curb / gutter	N.A.			N			\$0											\$0
Building Exterior / Structure																		
New concrete foundation	Rear porch	2	2	N	(N) foundation related to reconstruction of porch		\$5,500											\$5,500
Seismic Upgrades	N.A.			N	(included in repair)		\$0											\$0
Repair / replace siding	Rear porch	1	2	Y	Poor cond. Rear facade and rear porch reconstruction		\$15,000											\$15,000
Repair (E) windows	South facade	2	2	Y	Poor cond. Repair window @ Soda Works PL		\$1,250											\$1,250
(N) windows in (N) locations	South/east facade	1	2	Y/N	Poor cond. Replace per blig. fire separation requirement		\$7,500											\$7,500
Reconstruct rear porch	east facade	1	2	Y	Poor cond. Repair / reconstruct rear porch and stair		\$15,000											\$15,000
Re-roof building	roof	2	3	N	Fair cond. Re-roof		\$25,000											\$25,000
Repaint exterior	all facades	2	3	Y	Fair cond. Complete repainting of building		\$17,500											\$17,500
Building Interior																		
Interior partitions	second floor	3	2 - 10	Y/N	Fair cond. Periodic maint. (Int. residential stair is C-DF)		\$2,500				\$500							\$2,500
Renovated bathroom	second floor	3	4, 9	N	Fair cond. Periodic upgrades to bathrooms all building		\$10,000				\$5,000							\$15,000
(N) bathrooms (4)	N.A.			N			\$0											\$0
Relocated kitchen	N.A.			N			\$0											\$0
(N) kitchens (2)	second floor	3	4, 9	N	Fair cond. Periodic upgrades to kitchens in res. units		\$5,000				\$2,500							\$7,500
Building Systems																		
Mechanical systems (HVAC)	second floor	3	4, 9	N	Fair cond. Maint. / upgrades to mech systems throughout		\$3,000				\$1,500							\$4,500
Plumbing systems	second floor	1	5, 10	N	Poor cond. Replace hot water system		\$3,000											\$3,000
Electrical systems	throughout	3	4	N	Fair cond. Periodic upgrades to electrical systems		\$3,500				\$3,500							\$7,000
Sprinkler system	N.A.			N	(N) fire connection and sprinklers throughout		\$0											\$0
Fire Alarm / Inspections	throughout	1	1 - 10	N	Annual maintenance / inspections		\$20,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$20,000
Code Mandated Upgrades (ADA)	N.A.			N			\$0											\$0
Property Management / Annual Maintenance																		
Property Management / Fees					Subtotal Maintenance Costs		\$60,100											\$60,100
Maint./ Repair (annual budget)					not included in calculations		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance					included in breakdown above		\$39,600	\$3,500	\$3,600	\$3,700	\$3,800	\$3,900	\$4,000	\$4,100	\$4,200	\$4,300	\$4,500	\$39,600
Utilities (elect, gas, water, trash)					not included in calculations		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vacancy Expenses					not included in calculations		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
					Related to turnover of units		\$20,500	\$1,600	\$1,700	\$1,800	\$1,900	\$2,000	\$2,100	\$2,200	\$2,300	\$2,400	\$2,500	\$20,500
1/1/02 - MillsActScopes.xls																		
Rev. LPC Meeting 10/2/2014																		

