



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 19, 2019

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARDS: 1 AND 2

SUBJECT: APPROVAL OF SEVEN MILLS ACT HISTORIC PROPERTY PRESERVATION AGREEMENTS FOR PROPERTY TAX REDUCTION AND CORRESPONDING PROPERTY IMPROVEMENTS WITH 1) JOHN E. BROWN AND NANCY LYNN JOHNSON; 2) TROY L. KURZ AND LAUREN K. KURZ; 3) ELIZABETH I. PRZYBYLSKI AND ERIN E. EDWARDS; 4) CHARLES ANTHONY AVILA AND NAOMI AVILA; 5) SHANMEI CLUB, LLC; 6) GEORGE L. THOMSEN AND PATRICIA LEE ESTRELLA; AND 7) DONALD R. BARNES AND VICTORIA L. BARNES, FOR A MINIMUM TERM OF TEN YEARS WITH ANNUAL AUTOMATIC RENEWALS

ISSUES:

Approve seven Mills Act Historic Property Preservation Agreements with 1) John E. Brown and Nancy Lynn Johnson, 4385 Houghton Avenue; 2) Troy L. Kurz and Lauren K. Kurz, 4159 Mission Inn Avenue; 3) Elizabeth I. Przybylski and Erin E. Edwards, 3124 Lime Street; 4) Charles Anthony Avila and Naomi Avila, 3252 Mission Inn Avenue; 5) Shanmei Club, LLC, 4161 University Avenue; 6) George L. Thomsen and Patricia Lee Estrella, 4630 Indian Hill Road, and 7) Donald R. Barnes and Victoria L. Barnes, 2530 Prince Albert Drive, for a minimum term of ten years with annual automatic renewals.

RECOMMENDATIONS:

That the City Council:

1. Approve seven Mills Act Historic Property Preservation Agreements for property tax reduction and corresponding property improvements with the following applicants for a minimum term of ten years with annual automatic renewals:
 - a. John E. Brown and Nancy Lynn Johnson, 4385 Houghton Avenue;
 - b. Troy L. Kurz and Lauren K. Kurz, 4159 Mission Inn;
 - c. Elizabeth I. Przybylski and Erin E. Edwards, 3124 Lime Street;
 - d. Charles Anthony Avila and Naomi Avila, 3252 Mission Inn Avenue;

- e. Shanmei Club, LLC, 4161 University;
 - f. George L. Thomsen and Patricia Lee Estrella, 4630 Indian Hill Road;
 - g. Donald R. Barnes and Victoria L. Barnes, 2530 Prince Albert Drive; and
2. Authorize the City Manager, or his designee to execute, the Mills Act Historic Property Preservation Agreements with 1) John E. Brown and Nancy Lynn Johnson; 2) Troy L. Kurz and Lauren K. Kurz; 3) Elizabeth I. Przybylski and Erin E. Edwards; 4) Charles Anthony Avila and Naomi Avila; 5) Shanmei Club, LLC; 6) George L. Thomsen and Patricia Lee Estrella, and 7) Donald R. Barnes and Victoria L. Barnes, including making minor non-substantive changes, and to sign all documents and instruments necessary to complete the transactions.

BACKGROUND:

The Mills Act, enacted by the State of California in 1976, grants local governments the ability to provide property tax abatements to the owners of qualified historical properties. To receive the property tax abatement, property owners must enter into an agreement that commits them to making capital improvements to rehabilitate, restore, preserve, or maintain their qualified historical property. In 2004, City Council adopted Resolution No. 20825 to implement the Mills Act Program (Program) in Riverside. The Program encourages preservation of designated historic districts and individual properties throughout the City. This, in turn, preserves property values and ensures preservation of the City's tangible links to the past for future generations. The Resolution limited the number of agreements in Riverside to seven per calendar year, to limit the fiscal impact of the Program. In 2007, a lottery was held as more than seven applications were received.

In December 2010, Resolution No. 22139 revised the program to allow flexibility in the number of agreements that the City could enter into each year. The Resolution sets an average of seven agreements per year, from inception of the program, but limits the agreements to no more than ten in any given year. While not included in either Resolution, on the current Program application, the average of seven agreements generally includes five residential properties and two commercial properties. Staff has discretion on the agreements, based on the Resolutions, which puts no limit on the specific number of residential or commercial agreements provided it does not exceed ten.

Since 2004, the City Council has approved 68 Mills Act Agreements for an average of 4.6 per year. One property has not renewed their agreement and will phase out of the program in 2022. In 2019, three properties were not compliant with the requirements of the program and the City will phase them out of the program, meaning their property taxes will increase to full taxation by 2028. Mills Act Agreements not being phased-out currently total 64, including 63 residential and one commercial property.

DISCUSSION:

For 2019, 13 Mills Act applications were received. Following a review of the criteria for a complete application, seven applications were deemed complete and met the City's requirements for Mills Act Agreements. This includes one commercial property, located at 3252 Mission Inn Avenue, and six single-family residential properties. The seven applications include ten-year plans that

total approximately \$871,800 in property maintenance and improvements. The additional seven agreements recommended for this year, if approved by City Council, will bring the total number of agreements to 75.

A summary of the proposed 2019 Mills Act properties are listed below:

Case #	Applicant	Property Address	Ward
P19-0413	John E. Brown and Nancy Lynn Johnson	4385 Houghton Avenue	1
P19-0445	Troy Kurz and Lauren Kurz	4159 Mission Inn Avenue	1
P19-0454	Elizabeth Przybylski and Erin E. Edwards	3124 Lime Street	1
P19-0479	Charles Anthony Avila and Naomi Avila	3252 Mission Inn Avenue	2
P19-0494	Shanmei Club, LLC	4161 University Avenue	1
P19-0500	George Thomsen and Patricia Lee Estrella	4630 Indian Hill Road	1
P19-0519	Donald R. Barnes and Victoria L. Barnes	2530 Prince Albert Drive	2

FISCAL IMPACT:

The Mills Act Program supports maintaining or increasing property values as property tax savings are required to be reinvested in the property. Existing staff administer and maintain the Mills Act Program, and the City will not incur any direct costs for administration of the Program. The applicants paid the \$404 application and \$3,274 contract initiation fees established by City Council.

The Mills Act Program results in reduced property tax revenue to the City. The City’s share of the property tax collected by the County is approximately 12%. For the 68 properties currently in the Program, the estimated reduction in property tax revenue will be approximately \$21,299, an average of \$313 per property, for fiscal year 2019-2020. The fiscal impact in future years is dependent on tax rates and the number of properties in the Program. The seven new Mills Act Agreements will result in an estimated \$2,191 property tax reduction to the City beginning fiscal year 2020-2021, bringing the estimated fiscal impact to approximately \$23,490 in fiscal year 2020-2021.

Prepared by: David Welch, Community & Economic Development Director
 Certified as to availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
 Approved by: Rafael Guzman, Assistant City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Mills Act Agreement with John E. Brown and Nancy Lynn Johnson
2. Mills Act Agreement with Troy L. Kurz and Lauren L. Kurz
3. Mills Act Agreement with Elizabeth I. Przybylski and Erin E. Edwards
4. Mills Act Agreement with Charles Anthony Avila and Naomi Avila
5. Mills Act Agreement with Shanmei Club, LLC
6. Mills Act Agreement with George L. Thomsen and Patricia Lee Estrella
7. Mills Act Agreement with Donald R. Barnes and Victoria L. Barnes

8. Resolution No. 20825
9. Resolution No. 22139