



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 10, 2020

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARDS: 1 AND 3
DEPARTMENT

SUBJECT: APPROVAL OF NINE MILLS ACT HISTORIC PROPERTY PRESERVATION AGREEMENTS FOR PROPERTY TAX REDUCTION AND CORRESPONDING PROPERTY IMPROVEMENTS WITH: 1) JAMES P. GLEASON AND LEIGH ENGEL GLEASON; 2) RONALD W. LEHMAN AND LARKE URBAN-VIVAS; 3) JANE ELLEN JOY; 4) SHANMEI CLUB, LLC; 5) HISTORIC MISSION INN CORPORATION; 6) RIVERSIDE PACKING HOUSE, LLC; 7) ANDREW VILLALOBOS AND SOFIA VILLALOBOS; 8) KATHLEEN M. FALCO BANDA, TRUSTEE OF THE FAMILY TRUST OF KATHLEEN M. FALCO BANDA DATED NOVEMBER 8, 2017; AND 9) PETER SUROWSKI AND RHIANNON LITTLE - FOR A MINIMUM TERM OF TEN YEARS WITH ANNUAL AUTOMATIC RENEWALS

ISSUE:

Approve nine Mills Act Historic Property Preservation Agreements with: 1) James P. Gleason and Leigh Engel Gleason, 2926 Lime Street; 2) Ronald W. Lehman and Larke Urban-Vivas, 3680 Beechwood Place; 3) Jane Ellen Joy, 3650 & 3658 Larchwood Place; 4) Shanmei Club, LLC, 3354 Orange Street; 5) Riverside Packing House, LLC, 3230 Vine Street; 6) Historic Mission Inn Corporation, 3649 Mission Inn Avenue; 7) Andrew Villalobos and Sofia Villalobos, 3625 Bandini Avenue; 8) Kathleen M. Falco Banda, Trustee of the Family Trust of Kathleen M. Falco Banda Dated November 8, 2017, 5065 Rockledge Drive; and 9) Peter Surowski and Rhiannon Little, 3858 Redwood Drive - for a minimum term of ten years with annual automatic renewals.

RECOMMENDATIONS:

That the City Council:

1. Approve nine 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. James P. Gleason and Leigh Engel Gleason, 2926 Lime Street;
 - b. Ronald W. Lehman and Larke Urban-Vivas, 3680 Beechwood Place;
 - c. Jayne Ellen Joy, 3650 & 3658 Larchwood Place;
 - d. Shanmei Club, LLC, 3354 Orange Street;

- e. Riverside Packing House, LLC, 3230 Vine Street;
 - f. Historic Mission Inn Corporation, 3649 Mission Inn Avenue;
 - g. Andrew Villalobos and Sofia Villalobos, 3625 Bandini Avenue;
 - h. Kathleen M. Falco Banda, Trustee of the Family Trust of Kathleen M. Falco Banda Dated November 8, 2017, 5065 Rockledge Drive; and
 - i. Peter Surowski and Rhiannon Little, 3858 Redwood Drive; and
2. Authorize the City Manager, or his designee, to execute the Mills Act Historic Property Preservation Agreements, 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 (Resolution - Attachment 10) 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 (2010 Resolution - Attachment 11) revised the Program to allow flexibility in the number of agreements that the City could enter into each year. The 2010 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 of these Resolutions, on the current Program application form, staff requests information on the type of application – residential or commercial. The average seven agreements generally include five residential properties and two commercial properties. The Resolutions do not put a limit on the specific number of residential or commercial agreements provided the total does not exceed ten. As such, staff has discretion to balance the number of residential and commercial agreements to be processed.

Since 2004, the City Council has approved 75 Mills Act Agreements (Agreements) for an average of five 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. The Agreements not being phased-out currently total 70, including 68 residential properties and two commercial properties.

DISCUSSION:

For 2020, nine Mills Act applications were received and deemed complete, and meet the City's requirements for the Agreements. This includes seven residential properties and two commercial

properties. The nine applications include ten-year plans that total approximately \$8,486,000 in property maintenance improvements. The nine agreements recommended for this year, if approved by City Council, will bring the total number of Agreements to 84.

A summary of the proposed 2020 Mills Act properties and City tax impacts are listed below:

No.	Case #	Applicant	Property Address	Ward	Estimated Tax Savings	Estimated City Tax Impact
1	P20-0313	James P. Gleason and Leigh Engel Gleason	2926 Lime Street	1	\$2,352.72	\$282.33
2	P20-0315	Ronald W. Lehman and Larke Urban-Vivas	3680 Beechwood Place	1	\$1,939.44	\$232.73
3	P20-0332	Jayne Ellen Joy	3650 & 3658 Larchwood Place	1	\$3,602.00	\$432.24
4	P20-0383	Shanmei Club, LLC	3354 Orange Street	1	\$2,881.00	\$345.72
5	P20-0384	Riverside Packing House, LLC	3230 Vine Street	1	\$6,568.04	\$788.16
6	P20-0392	Historic Mission Inn Corporation	3649 Mission Inn Avenue	1	\$359,970.00	\$43,196.40
7	P20-0393	Andrew Villalobos and Sofia Villalobos	3625 Bandini Avenue	1	\$3,545.69	\$425.48
8	P20-0398	Kathleen M. Falco Banda, Trustee of the Family Trust of Kathleen M. Falco Banda Dated November 8, 2017	5065 Rockledge Drive	3	\$2,777.00	\$333.24
9	P20-0414	Peter Surowski and Rhiannon Little	3858 Redwood Drive	1	\$2,895.07	\$347.41

FISCAL IMPACT:

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

The City's share of the property tax collected by the County is approximately 12%. For the 75 properties currently in the Program, the estimated reduction in property tax revenue is approximately \$23,490, an average of \$313 per property, for fiscal year 2020-2021. The fiscal impact in future years is dependent on tax rates and the number of properties in the Program.

The nine new Mills Act Agreements could result in an estimated \$46,384 property tax reduction to the City starting fiscal year 2021-2022. This would bring the estimated fiscal impact to approximately \$69,874 in fiscal year 2021-2022.

Prepared by: David Welch, Community & Economic Development Director
 Certified as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachment:

1. Mills Act Agreement with James P. Gleason and Leigh Engel Gleason
2. Mills Act Agreement with Ronald W. Lehman and Larke Urban-Vivas
3. Mills Act Agreement with Jane Ellen Joy
4. Mills Act Agreement with Shanmei Club, LLC
5. Mills Act Agreement with Riverside Packing House, LLC
6. Mills Act Agreement with Historic Mission Inn Corporation
7. Mills Act Agreement with Andrew Villalobos and Sofia Villalobos
8. Mills Act Agreement with Kathleen M. Falco Banda, Trustee of the Family Trust of Kathleen M. Falco Banda Dated November 8, 2017
9. Mills Act Agreement with Peter Surowski and Rhiannon Little
10. Resolution No. 20825
11. Resolution No. 22139