



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2019 OCT 10 PM 3:55

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: William A. Gilchrist
Director, PBD

SUBJECT: 2019 Mills Act Contract
Recommendations

DATE: September 30, 2019

City Administrator Approval

Date:

10/10/19

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution, As Recommended By The Landmarks Preservation Advisory Board, Approving Twelve (12) Mills Act Contracts Between The City Of Oakland And The Properties At 418 Jefferson Street, 6028 Broadway Terrace, 6475 Colby Street, 1263 Trestle Glen Road, 619 Mariposa Avenue, 2600 Best Avenue, 678 18th Street, 360 Van Buren Avenue, 1000 Sunnyhills Road, 412 Monte Vista Avenue, 3007 Telegraph Avenue, And 492 Staten Avenue, Pursuant To Ordinance No. 12987 C.M.S., To Provide Property Tax Reductions In Exchange For Owners' Agreement To Repair And Maintain Historic Properties In Accordance With Submitted Work Programs And Approving Total City Tax Revenue Reduction Estimated To Be Above \$25,000 Per Year.

EXECUTIVE SUMMARY

Approval of this resolution will authorize agreements between the City of Oakland and the twelve historic properties recommended for approval by the Landmarks Preservation Advisory Board at its July 8, 2019 meeting (**Attachment A**). Upon receipt of each property's executed contract, the Alameda County Assessor is directed by State law to re-assess the value of the property according to the formula established in the Mills Act, which will likely result in a reduction of property tax. The entire amount of the tax reduction—estimated at \$155,365 total for the twelve properties—is required to be reinvested in maintenance, rehabilitation, and preservation of the properties according to an approved work program. The estimated initial annual loss of City tax revenue is \$42,384 total for the twelve properties (27.28 percent of the total estimated tax reductions). Unless contracts are terminated, properties remain subject to the Mills Act assessment formula in perpetuity. Since the Mills Act contract commits an owner to a ten-year work program of improvements that might not otherwise have been made, taxes gradually rise even under the Mills Act formula to reflect those improvements and compensate for the revenue loss.

Item: _____
CED Committee
October 22, 2019

The properties recommended for Mills Act contracts are:

- **418 Jefferson Street**, MA19-001 (Council District 3 – Gibson McElhaney)
- **6028 Broadway Terrace**, MA19-002 (Council District 1 – Kalb)
- **6475 Colby Street**, MA19-003 (Council District 1 – Kalb)
- **1263 Trestle Glen Road**, MA19-004 (Council District 2 – Fortunato Bas)
- **619 Mariposa Avenue**, MA19-005 (Council District 2 – Fortunato Bas)
- **2600 Best Avenue**, MA19-006 (Council District 6 – Taylor)
- **678 18th St**, MA19-007 (Council District 3 – Gibson McElhaney)
- **360 Van Buren Avenue**, MA19-008 (Council District 3 – Gibson McElhaney)
- **1000 Sunnyhills Road**, MA19-009 (Council District 2 – Fortunato Bas)
- **412 Monte Vista Avenue**, MA19-010 (Council District 1 – Kalb)
- **3007 Telegraph Avenue**, MA19-011 (Council District 3 – Gibson McElhaney)
- **492 Staten Avenue**, MA19-012 (Council District 3 – Gibson McElhaney)

BACKGROUND / LEGISLATIVE HISTORY

The Mills Act program is a preservation incentive created by the State of California in 1972-76 (Sections 50280-90 of the California Government Code and Section 439.2 of the California Revenue and Taxation Code) that allows reductions of property tax assessments for historic properties if the owner contracts with the local government to preserve the property, maintain its historic characteristics and complete any restoration work, if necessary.

Over 90 California cities and counties are using the Mills Act as a catalyst for neighborhood revitalization. While there have been Federal tax credits and local facade grants for commercial properties, the Mills Act program is one of the few preservation incentives that is also available to owners of single- and multi-family residential properties. According to the California State Office of Historic Preservation, "The Mills Act is the single most important economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners" (http://ohp.parks.ca.gov/?page_id=21412).

Adoption of a Mills Act program in Oakland was one of the incentives recommended in the Historic Preservation Element of the Oakland General Plan adopted by City Council in 1994 (Resolution No. 70807 C.M.S.; Action 2.6.1 of the Element). Investigation of a Mills Act program was one of the mitigations in both the West Oakland and Central City East Redevelopment plans in the early 2000s.

Finding that the Mills Act program meets numerous General Plan Land Use goals and policies, including housing rehabilitation, preservation of community character and identity, sustainability, revitalization, and image, and that the property tax revenue loss was negligible in light of the benefits, Oakland adopted a pilot Mills Act program in 2006 (Ordinance No. 12784 C.M.S.) and a permanent program in 2009 (Ordinance No. 12987 C.M.S.) (**Attachment B**).

Oakland's 2009 Mills Act ordinance limits City tax revenue reductions from new contracts to \$25,000 per year outside Redevelopment areas, plus additional revenue reductions in Redevelopment areas (\$25,000 per Redevelopment area per year up to \$250,000, and an additional \$250,000 in the Central Business District). The ordinance provides that Mills Act

revenue reductions may exceed the limits with City Council approval. Due to rising property values, the end of Redevelopment, and growing awareness of the Mills program, approval was needed in 2018 to exceed the \$25,000 "City revenue" limit and will be needed again in 2019. Important aspects of the Mills Act program, established by State legislation and reflected in the Model Mills Act Contract (**Attachment C**), include:

- The Mills Act program is a voluntary program.
- The Mills Act contract is between the City and the owner of a designated historic structure.
- The initial contract is for ten years. At the end of each year, the term is automatically extended one year, unless the owner or the City gives notice not to renew. If notice of non-renewal is given, the contract remains in effect for the balance of the current ten-year term.
- The penalty for breach of contract is 12.5 percent of the current property value.
- The basic State requirement is that the owner preserve, rehabilitate, and maintain the historical and architectural character of the property. Oakland's program further requires that the property tax savings be invested back into the property according to an approved work program that is recorded as part of the contract.
- The contract runs with the property, that is, its obligations automatically transfer to each new owner and the property is not reassessed to full market value upon sale.
- The contract provides for periodic inspections to determine the owner's compliance with the terms of the agreement.
- The tax reduction will vary depending on a number of factors. The largest tax reductions occur for properties purchased or reassessed in recent years and at high market values.

Oakland's first seven Mills Act contracts were adopted in 2008 and went into effect with the 2009-2010 tax assessment year. Since that time, 60 contracts have been approved and executed. The proposed twelve new contracts, if approved, will go into effect for the 2020-2021 tax assessment year and will bring the total to 72. The owners will experience tax reductions estimated to total \$155,365, resulting in an estimated first-year revenue reduction of around \$42,384 (the City's share of property taxes is 27.28 percent). For the second time, this estimate exceeds the limit of \$25,000 per year "City revenue" reduction for new Mills Act contracts. Prior to 2018 (2008-17), first-year revenue loss estimates for new contracts ranged from \$1,885 in 2011 to \$10,740 in 2015, averaging \$5,260 a year over the first ten years of the program.

The guiding principle behind the Mills Act is that improvements made by reinvesting the tax savings will gradually raise property values and make up for the initial losses, even at the lower Mills Act tax rate. In addition, it is expected that construction work performed under the contracts will support the local economy and that improvements will inspire other projects in the neighborhood. Two Mills Act projects for large Central Business District properties (Cathedral Building, 1605 Broadway, Mills Act 2010; Girls Inc., 512 16th Street, Mills Act 2011) provided

almost immediate revenue gains to the City as these long-underutilized buildings were purchased, improved, and reassessed. Figures for small residential properties are more difficult to track, given the relatively short time the program has been in place and the extreme fluctuations in property prices and market rents, but a review of sample online tax histories for properties that entered the program from 2008 to 2017 appears to confirm the expected pattern of a significant reduction followed by gradual increases.

The applications proposed for approval for 2019 Mills Act contracts are all City of Oakland Designated Historic Properties, one in an S-7 (Preservation zone) district designated in 1992 and the rest designated as Heritage Properties by the Landmarks Board on July 8, 2019. Nine are small residential properties of one to two units. Three are larger multi-unit and commercial properties. Construction dates range from 1869 to 1931. Short summaries of each property follow. Photos and more detail can be found in the Landmarks Board staff report (**Attachment A**).

ANALYSIS AND POLICY ALTERNATIVES

This is the twelfth year of Oakland's ongoing Mills Act program. Mills Act participants to date have corrected deferred maintenance, reversed inappropriate modernizations, and carried out full-scale adaptive reuse projects, thereby furthering General Plan goals and policies including housing rehabilitation, neighborhood preservation, sustainability, and revitalization. The 2019 properties are an unusually well-qualified group. Over half are already on the Local Register by virtue of Survey ratings or Landmarks Board action. Two are now fulfilling direction from the Landmarks Board to previous owners to pursue designation and Mills Act contracts as a preservation tool, when the buildings were threatened a decade ago. Three are picking up research begun in the 1980s in the Cultural Heritage Survey's early Central District and Adams Point surveys. Several are the first Mills applications in their neighborhoods. The applications are all extremely well researched and presented, distinctive in style, and make valuable contributions to the City's (and the applicants') knowledge of Oakland history, buildings, neighborhoods, and research sources and techniques. The complete 2019 Mills Act and Heritage Property applications can be seen in the July 8, 2019 Landmarks Preservation Advisory Board packets at <https://www.oaklandca.gov/meetings/july-8-2019-landmarks-preservation-advisory-board-meeting>, items 03 and 04.

Summary of Proposed Properties

418 Jefferson Street, MA19-001, William Read House, 1869-70

418 Jefferson is an unusual example of a simple 1860s high-gabled farmhouse, "modernized" in or around the 1870s with an Italianate bay. It represents Oakland's very earliest neighborhood along the waterfront and is in the Bret Harte Boardwalk District, placed on the Landmarks Board's Preservation Study List in the 1980s. The applicant has updated the early research on the building and neighborhood through Depression-era decay, Bay Area Rapid Transit (BART) and freeway construction in the 1950-60s, and the pioneering Boardwalk adaptive reuse project in the 1960s. The work program will correct a century of deferred and low-cost maintenance by repairing original siding and woodwork and replacing non-historic plywood siding and vinyl and aluminum sash.

6028 Broadway Terrace, MA19-002, Leroy Goodrich House, 1916

6028 Broadway Terrace is significant for its Folk-Craftsman architecture and rustic setting, for its association with long-serving civic leader Leroy Goodrich, and as part of a group of notable houses along Broadway Terrace that escaped the 1991 hills fire. The work program corrects deferred maintenance with work that respects the property's rustic character, including foundation work (seismic and drainage), complete electrical system update, and repair of doors and windows. This is the first Mills application in the North Hills area.

6475 Colby Street, MA19-003, Charles and Mary Hummer House, 1907

This distinctive house combines archetypal Craftsman features—wide bracketed eaves, shingled exteriors, prominent dormers, multi-paned windows—with a uniquely lavish use of clinker brick, thanks to its original owner-builder's occupation as a brick mason. The Fairview Park tract on the Berkeley border was marketed just in time for the building boom after the 1906 earthquake and developed as a neighborhood of remarkably high-quality Craftsman homes. Work program includes seismic reinforcement as well as ongoing repair and maintenance of the clinker brick veneer, diamond-patterned wood-sash windows, and roof. This is the first Mills application in the Fairview Park District.

1263 Trestle Glen Road, MA19-004, Sloane House Model Home, 1922

This two-story "Italian villa" is in the Lakeshore Highlands tract subdivided in 1917 as an Olmsted-designed "residence park." The is one of four model homes (1260 to 1279 Trestle Glen) built for developer W.H. Leimert's 1922 "Complete Homes Exposition," an elaborate marketing campaign coordinated with builders, furniture and appliance dealers, and utility companies. This house retains some of the 1922 high-tech electrical and plumbing features shown in the campaign's "educational" publicity. The longtime owner's work program focuses on the divided light casement windows, which will be repaired or reproduced in kind. This is the seventh Mills Act project on Trestle Glen, the nucleus of a possible historic district designation.

619 Mariposa Avenue, MA19-005, Chapin and Morris Spec House, 1908

This large Craftsman-Tudor house sits near the summit of Oakland Avenue in the Linda Vista Terrace tract and exemplifies the area's character as an architectural showplace of the 1890s-1900s. Developers Lewis E. Chapin and Henry C. Morris built many well-appointed East Bay houses in fashionable styles during the post-Earthquake building boom, and this house exemplifies their careful attention to detail and quality construction. The work program includes restoration of exterior millwork, brick repointing on base and chimneys, and window, door, and roof repairs. This is the second Mills Act project in the Linda Vista/Rose Garden neighborhood and a potential catalyst for other restoration work on the block.

2600 Best Avenue, MA19-006, Charles and Coral Quayle House, 1922

This unusual Dutch Colonial house is notable for its developers, its original owners, and its architectural uniqueness on a prominent site in Maxwell Park. Maxwell Park was subdivided in 1920-21 by John Maxwell, who insisted that the new homes "must bear the stamp of artistic individuality," achieved here by architect Francis Harvey Slocombe, best known for Period Revival/Mother Goose houses. Original owner/resident Coral Quayle typified the civic activism of the first generation of women voters, leading efforts for child welfare, education, and recreation at the local and state level in the 1920s and 1930s. The work program includes foundation and site stabilization work, plus window repair and exterior paint. This will be the first Mills project in Maxwell Park, and one of relatively few in Central East Oakland.

678 18th Street, MA19-007, Cornelius Beach Bradley House, 1877-78

This two-story bay-windowed Italianate house is representative of hundreds built throughout West and East Oakland in the 1870s boom after Oakland became the terminus of the transcontinental railroad. It is part of a rare 19th century neighborhood fragment downtown, noted in *Rehab Right* (City of Oakland, 1978; pdf at <https://www.oaklandca.gov/documents/rehab-right-how-to-rehabilitate-your-oakland-house-without-sacrificing-your-architectural-assets>), identified as a potential historic district, and placed on the Preservation Study List early in the life of Oakland's preservation programs. Its original owner, Cornelius Beach Bradley, was a Berkeley professor of languages and an original incorporator of the Sierra Club. As the central business district expanded in the 20th century, this house and others like it evolved into low-cost rooms and flats. The work program will address a century of deferred maintenance and provide period-appropriate windows, steps, and railings.

360 Van Buren Avenue, MA19-008, Sherman W. Hall House, 1913

This house epitomizes the Prairie style with its low-pitched hip roof, widely overhanging eaves, stucco wall surfaces, and massive square porch columns. Prairie houses are part of a distinctive architectural mix in Adams Point, a neighborhood of high-quality homes developed after the 1906 earthquake. 360 Van Buren's owners included a series of downtown businesspeople in fraternal insurance, "beverages," a movie theater, and a pawnshop in Old Oakland. After half a century of large-scale apartment development replacing houses like this, Adams Point was historically surveyed in 1986 and subsequently downzoned. This is the third Mills project in Adams Point, a Lakeside neighborhood with distinguished but somewhat neglected building stock. The work program addresses foundation, water intrusion, and window reconditioning.

1000 Sunnyhills Road, MA19-009, Davis and Rose Goldman House, 1931

This prominently sited, meticulously crafted Mediterranean style house was designed by William Schirmer, Period Revival architect par excellence. Irregular massing and authentic details were carefully planned to signify a venerable, truly old building, for example tile "surfaces burned to give an aged and weathered appearance" (specifications for 1000 Sunnyhills Road, William Schirmer, architect, 1931). Though built after the Crash of 1929, this house upholds and surpasses the picturesque character and construction standards established for the Olmsted-designed Lakeshore "residence park." This is the ninth Mills project in the Lakeshore Homes tract, seeds of a possible S-20 historic district designation. Major work items include seismic work and repair of footings, maintenance and repair of stucco and woodwork, and roof repair requiring removal and reinstallation of the original handmade mission tiles.

412 Monte Vista Avenue, MA19-10, Towne House/Florence Johnson House, 1908

This 17-room Colonial Revival mansion sits at the top of Oakland Avenue in the Linda Vista-Rose Garden neighborhood. An architectural showplace suburb of the 1890s-1900s, Linda Vista was redeveloped with massive apartment buildings in the mid to late 20th century. This house's twin was replaced by the new Plymouth Church c.1958, and 412 was used by the church for a time for Sunday school and youth programs. As early as 2007, while the house's future was in question, the Landmarks Board recommended Heritage Property designation and the Mills Act program as preservation incentives. Following a series of unsatisfactory reuse and replacement proposals, in 2013 the house was converted into 14 apartments, retaining historic features inside and out, to be further restored under the work program.

3007 Telegraph Avenue, MA19-011, Chapel of the Oaks, 1931/1925

The Chapel of the Oaks is the showiest of a cluster of monumental mortuary buildings along the 2000-3000 blocks of Telegraph Avenue near Pill Hill and the road to Mountain View Cemetery. Like many mortuaries, the Chapel is built in a Period Revival style, reflecting both the era when the style was popular and the desire of funeral homes to project permanence, dignity, and ceremony. Its theatrical details are executed in solid, quality materials: slate roof, leaded glass, cast concrete tracery, and stone veneer “quarried near Yosemite.” It operated as a mortuary until 1977, and later as medical offices. In response to a demolition proposal around 2010, the Landmarks Board recommended Heritage Property designation and Mills Act as preservation tools. Under a new owner, the work program focuses on refurbishing the period details—stones, windows, woodwork—while adapting this special-purpose building to new commercial use.

492 Staten Avenue, MA19-012, The Bellevue-Staten Condominiums, 1928

The Bellevue-Staten is listed on the National Register of Historic Places and contributes to the locally-designated Bellevue-Staten S-7 district. Its 14-story “Spanish-Modernistic” tower is a visual icon on Lake Merritt. The design by San Francisco apartment specialist H.C. Baumann combines flamboyant Art Deco and Spanish Baroque decoration in cast concrete with substantial steel frame, concrete, and brick construction, advertised as “earthquake, fire and soundproof.” The work program includes major structural repairs and maintenance to the 90-year-old high-rise—correcting effects of water intrusion at the corner steel columns, cleaning and repairing cast concrete ornament, and reconditioning 244 original steel sash windows.

Mills Act Contract Obligations

Participation in a Mills Act program is voluntary for both the property owners and the City. The contract including the work program is recorded on the property title. While the contract is in effect, taxes are assessed at the lowest of three possible assessments: the rent-based Mills Act formula, the base year (Proposition 13 – the likely current assessment), and market value. The owner is obligated to invest the tax savings in carrying out the work program. The contract, tax formula, and work program all remain with the property if it is sold or transferred.

Contracts are for a ten-year term, automatically renewed annually for an additional year. Either the City or the property owner may elect not to renew for any reason, which would terminate the agreement at the end of the current ten-year term (i.e., termination requires ten years’ notice). During the remainder of a non-renewed term, taxes increase gradually to the normal level. The owner is subject to a substantial penalty if a contract is canceled with less than ten years’ notice, either at the owner’s request or by the City for owner’s noncompliance. Otherwise the contract is in perpetuity, though additional work items are not added after the first ten years.

Staff is careful to warn applicants about potential risks and works with each applicant to develop a realistic work program. So far, two Oakland contracts have required adjustment of the work program and schedule: one in which a new owner’s use of the building differed from that proposed by the original applicant, and one in which the owner suffered an incapacitating illness. In 2016, one application was withdrawn after submittal because the owner wanted to consider options that might be incompatible with a preservation contract. A few owners, for various reasons, have gone through the entire application and approval process but did not record their executed contracts with the County and therefore did not receive the Mills Act tax reduction.

FISCAL IMPACT

Table 1 on the next page shows estimated tax reductions to applicants and revenue reductions to the City (the City receives approximately 27.28 percent of property taxes) resulting from the Mills Act contracts recommended for 2019. Based on Alameda County records and information from applicants, Column 2 lists the 2018-19 assessed value and Column 3 lists current (2018-19) property taxes. Column 4 lists the *estimated* Mills Act property taxes, applying the income-based assessment formula established in the Mills Act via the Mills Act Calculator spreadsheet on the City's website, currently at www.oaklandnet.com/historicpreservation. The Mills Act assessment formula is based on actual or hypothetical rental income, with an adjustment to the capitalization rate for "historic property risk." Column 5 lists the difference between the current property taxes and the estimated Mills Act property taxes, i.e., the applicant's projected tax savings, which must be spent on restoring and maintaining the property. Column 6 lists the estimated reduction of property tax revenue to the City, which is 27.28 percent of the total estimated reduction. The Mills Act reduction applies only to the ad valorem property tax, not to any special assessments or other charges.

Disclaimer: The online calculator that produced these estimates is an interactive spreadsheet based on the Mills Act formula for tax assessments, which uses a modified version of the income method of appraisal. It gives a rough estimate of potential tax savings. The City makes no warranties or representations about the accuracy of the calculator—it is an informational tool that applicants may use at their sole risk, and does not replace legal counsel or a financial advisor. Actual tax reductions, if any, will be calculated by the County Assessor's Office after the Assessor has received the executed Mills Act contracts at the end of the calendar year.

In addition to the rather generic estimates from the calculator, some applicants have provided their own calculations—some higher, some lower—based on conversations with the Assessor or other research. Again, these can only be rough figures, especially as 2019-20 assessments have not been published at the time of this report, and the 2020-21 Mills Act restricted assessments based on market rents will not be calculated by the County until 2020.

An estimated revenue reduction of \$13,962 for the 9 small residential properties is well below the annual City revenue loss limit of \$25,000 for new Mills Act contracts (though higher than in past years, due to both inflation and the larger number of applications). The two large adaptive reuse projects (Monte Vista and Telegraph) appear to produce a combined revenue reduction of approximately \$9,818, and the 36-unit Bellevue Staten approximately \$18,604, for an estimated revenue reduction of roughly \$28,422 on the three large projects, and an overall total anticipated reduction of \$42,384. If accurate, and assuming all applicants proceed to execute and record their contracts, this exceeds the \$25,000 limit established in 2007 for properties outside Redevelopment areas by approximately \$17,384, again a very rough estimate. Exceeding the limits in the 2007 ordinance requires City Council approval, which would be given by authorizing all twelve contracts through adoption of this resolution.

TABLE 1: ESTIMATED TAX RESULTS, 2019 MILLS ACT APPLICATIONS

1 Mills Act Application	2 Assessed Value 2019 (county record)	3 Current Ad Valorem Property Tax (county rec.)	4 Mills Act Taxes from calculator (estimate based on ~\$2-3/sf rent)	5 Change in Taxes (current less Mills estimate)	6 City Revenue Loss, Year 1 (27.28% of tax change)
Small residential properties, citywide:					
MA19-001, Jefferson	\$642,600	\$8,383	\$4,814	(\$3,569)	(\$974)
MA19-002, Bwy Terr.	\$100,985	\$13,070	\$6,077	(\$6,993)	(\$1,908)
MA19-003, Colby	\$993,985	\$12,978	\$6,077	(\$6,901)	(\$1,883)
MA19-004, Trestle Glen	\$637,107	\$8,319	\$6,815	(\$1,504)	(\$410)
MA19-005, Mariposa	\$1,514,014	\$19,768	\$8,002	(\$11,766)	(\$3,210)
MA19-006, Best Av	\$1,133,360	\$14,798	\$9,137	(\$5,661)	(\$1,544)
MA19-007, 18th St.	\$1,125,000	\$14,689	\$11,012	(\$3,677)	(\$1,003)
MA19-008, Van Buren	\$1,377,000	\$17,979	\$10,965	(\$7,014)	(\$1,913)
MA19-009, Sunnyhills	\$908,231	\$11,859	\$7,764	(\$4,095)	(\$1,117)
TOTAL small residential	\$8,432,282	\$121,843	\$70,663	(\$51,180)	(\$13,962)
<i>Approximate total small residential tax reductions:</i>				total tax reduction (\$51,180)	City revenue (\$13,962)
Large adaptive reuse projects and multi-unit properties:					
MA19-010 Monte Vista	\$4,751,057	\$62,035	\$42,524	(\$19,511)	(\$5,323)
MA19-011 Telegraph	4,740,200	\$63,926	\$47,447	(\$16,479)	(\$4,495)
MA19-012 Staten	21,045,000	\$283,813	\$215,618	(\$68,195)	(\$18,604)
<i>Approximate total large project tax reductions:</i>				total tax reduction (\$104,185)	City revenue (\$28,422)

TOTAL Estimated City tax revenue loss, year 1 (tax year 2019-20)

(\$42,384)

Since the 1970s when the Mills Act was passed by the State Legislature, tax implications of the Mills formula have been affected by changes in the California real estate market and the economy at large. Inflation, rising real estate prices, and the Proposition 13 system under which property taxes are reassessed to market value only at change of ownership mean that new owners are more likely to benefit than long-term owners. In addition, because the Mills Act assessment formula is based on the income method of appraisal (using a hypothetical market rent for owner-occupied homes), the current spike in rental prices means that Mills Act savings for owners may be less than in past years. According to staff at the Assessor's office, "higher rents will have an impact on Mills Act restricted assessments. The restricted [Mills Act] assessment will be calculated using market rent as of [next] January 1. An increase in market rents would yield a higher restricted [Mills Act] assessment." It is not possible to give exact values because assessment is done property by property, but applicants were advised to put a higher potential rent per square foot (at least \$2 to \$3) into the calculator on the City website and to research comparable properties in their neighborhoods. Lower Mills Act savings for owners would, of course, also mean less revenue loss for the City.

Staff believes it is reasonable to recommend all twelve applications for Mills Act contracts, and to recommend that the City Council approve 2019 contracts in excess of the 2007 revenue reduction limit, for these reasons:

- Inflation: property prices and taxes have risen sharply in the last decade. In 2006 the staff report for the Mills pilot program stated that the "\$25,000 tax loss amounts to 0.03 percent of the annual [property] tax revenues which total \$85 million." The City's published 2019-2024 five-year forecast projects \$222 million in annual property tax revenue, almost three times what it was when Oakland's Mills Act program was designed (0.03 percent would be approximately \$67,000).
- Until the abolition of Redevelopment in 2012, there were substantial additional tax revenue reductions (up to \$500,000 a year) allowed in Redevelopment areas, which covered most of Central, West, and East Oakland. In the future, the Mills Act program limits could be revised to adjust for the end of Redevelopment, for instance by allocating the Redevelopment allowances to geographic areas or project types, or the overall dollar amounts could simply continue to be subject to City Council approval.
- Past years' (2008-2017) first-year revenue loss estimates for new contracts were consistently far below the \$25,000 limit, ranging from from \$1,885 in 2011 to \$10,740 in 2015. The pilot program ordinance allowed for "rollovers of both applications and revenue impacts" to the following years' quotas.
- A fundamental premise of the Mills Act is that improvements made under the work programs are expected to raise property values and make up for the initial losses, even at the lower Mills Act tax rate. Money spent on the work programs also makes its way back into the local economy and tax base.
- The City's share of ad valorem property tax revenue, and therefore of any tax reduction to the owners, is 27.28 percent. Property owners must reinvest the *entire* tax saving in the restoration program, so the City tax reduction leverages almost four times its value in reinvestment in Oakland's historic buildings. The proposed 2019 contracts obligate

owners to reinvest over \$155,000 a year in materials, wages, and other costs of restoration.

- o Previous Mills Act projects for two large Central Business District properties (Cathedral Building, 1605-15 Broadway/1606-14 Telegraph, 2010; Girls Inc., 512 16th Street, 2011) provided almost immediate revenue gains to the City when these long-underutilized buildings were purchased, improved, and reassessed. This effect is also anticipated from 2018's two large reuse projects, 5701 International Boulevard and 4690 Tompkins Avenue, though it is too early to determine the results.
- o Two of 2019's large projects—the mansion on Monte Vista and the former mortuary on Telegraph—show that incentives like the Mills Act can be effective arguments for preservation. Several years ago, the Landmarks Board rejected applications to demolish or severely alter these neglected properties, recommending that they could be restored with Mills Act support. Subsequent owners are now following the Board's advice.

PUBLIC OUTREACH / INTEREST

A map at the end of **Attachment A** shows the location of Mills Act properties to date. The geographic distribution generally reflects the location of Oakland's oldest buildings and neighborhoods, and neighborhoods where property prices have risen the fastest and the potential tax reductions are greatest. Since the beginning of the program, applications and contracts have been most numerous in Council Districts 2 and 3, in West, Central, and North Oakland, Lakeshore, and San Antonio, with far fewer contracts in East Oakland. This year there are five applications from District 3 (Downtown, Adams Point, and KoNo (Koreatown-Northgate)—none from West Oakland this year) and three from District 2 (Lakeshore and Rose Garden). Three applications from District 1 include the first applications ever from the North Hills and Fairview Park, and District 6 is represented by the first application from Maxwell Park.

When the Mills Act program was initiated in 2006-07, the City mailed information to owners of approximately 10,000 designated or identified historic properties citywide and several hundred real estate brokers and agents. The West Oakland and Central City East Redevelopment Project Area Committees were significant vehicles for publicizing the program until the end of Redevelopment in 2012. Outreach now takes place primarily in-person when permit applicants, owners, and real estate agents contact Planning staff about buildings that appear qualified, as well as through word-of-mouth when neighbors tell neighbors. There is a detailed Mills Act page on the City website, currently best accessed at www.oaklandnet.com/historicpreservation.

Every year staff receives dozens of spontaneous inquiries from owners who have heard about the program, and staff helps them determine if their properties are a good fit, considering current tax status (directly related to length of ownership), type and amount of work the building needs, and the owner's assessment of their personal commitment to restoration, tolerance of risk, and capacity to carry out a long-term work program. Staff works closely with potential applicants to develop their Mills Act and Heritage Property applications, so that virtually all who get to the point of formally submitting applications have been accepted.

The 2019 Mills Act applications were publicly presented and discussed at the Landmarks Preservation Advisory Board's regular meeting on July 8, 2019, at which time the Landmarks Board recommended that the City Council authorize Mills Act contracts for all twelve applicants and approve the potential revenue reduction of approximately \$42,000. The applications were also presented as a Director's Report at the July 17, 2019 regular meeting of the Planning Commission. The Commission concurred with the Landmarks' recommendation to support all twelve applications, making special mention of the Bellevue-Staten.

COORDINATION

This report and legislation have been reviewed by the Office of the City Attorney and the Budget Bureau.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

The Mills Act agreement provides for periodic inspections to determine owners' compliance with the terms of the agreement and progress on the work program. In the ten years of Oakland's program, Mills Act participants have corrected deferred maintenance, reversed inappropriate alterations, stabilized roofs and foundations, and carried out full-scale adaptive reuse projects. Due to staffing constraints, inspections have generally taken the form of email surveys, self-reporting, and contacts at the permit counter or when properties change ownership.

In the early years of Oakland's Mills Act program, tax histories of participating properties confirmed the expected pattern of a large reduction upon entering the program, followed by gradual increases. Since 2016 a number of participants have reported that their property taxes are rising faster than expected, due to the spike in market rents upon which Mills assessments are based. A property's Mills Act assessment cannot exceed its factored base year (Proposition 13) assessment, but some owners are concerned that the tax reductions may no longer meet the expenses projected for their work programs. Depending on the future of the real estate market, this situation may correct itself, or some existing work programs may need to be revised, or the Mills Act program may become less attractive to applicants—time will tell.

SUSTAINABLE OPPORTUNITIES

Economic: Historic rehabilitation is labor intensive and provides opportunities for professional services and construction jobs for the Oakland community, involving specialty trades, skilled craftspeople, products, and suppliers. By having additional tax savings to invest in rehabilitation work, the Mills Act properties provide opportunities for this sector of the construction industry.

Preservation and rehabilitation will increase the property value for each Mills Act participant. While tax revenue losses to the City are minimal, it has been shown throughout California that Mills Act projects act as catalysts for revitalization in the surrounding neighborhood. Over time, neighborhood property values increase, and tax revenues follow.

Environmental: Historic preservation conserves materials and energy embodied in existing building stock, and in a broader sense, sets an example for rejecting the throw-away economy.

Social Equity: Historic preservation and rehabilitation assist in the revitalization of Oakland's historic buildings and neighborhoods citywide. Applicants come from all areas of the City, and each single project acts as a catalyst for revitalization of its neighborhood, as Mills Act participants set an example by maintaining and restoring properties. Historic buildings reinforce a community's connection to its past and place. Revitalization of historic properties supports pride of neighborhood and community, and sometimes directly alleviates blight and hazards. Older buildings typically provide more affordable housing and commercial space than new construction. The relatively small tax savings under the Mills Act allows property owners of finite means to carry out work in ways that are historically appropriate rather than merely affordable.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

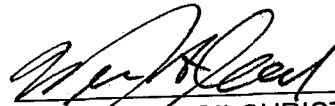
Approval of Mills Act applications is Categorical Exempt per CEQA Guidelines Sections: 15301 (Existing Facilities); 15305 (Minor Alterations in Land Use Limitations); 15306 (Information Collection); 15308 (Actions by Regulatory Agencies for Protection of the Environment); 15331 (Historical Resource Restoration/ Rehabilitation).

ACTION REQUESTED OF THE CITY COUNCIL

Adopt A Resolution, As Recommended By The Landmarks Preservation Advisory Board, Approving Twelve (12) Mills Act Contracts Between The City Of Oakland And The Properties At 418 Jefferson Street, 6028 Broadway Terrace, 6475 Colby Street, 1263 Trestle Glen Road, 619 Mariposa Avenue, 2600 Best Avenue, 678 18th Street, 360 Van Buren Avenue, 1000 Sunnyhills Road, 412 Monte Vista Avenue, 3007 Telegraph Avenue, And 492 Staten Avenue, Pursuant To Ordinance No. 12987 C.M.S., To Provide Property Tax Reductions In Exchange For Owners' Agreement To Repair And Maintain Historic Properties In Accordance With Submitted Work Programs And Approving Total City Tax Revenue Reduction Estimated To Be Above \$25,000 Per Year.

For questions regarding this report, please contact Betty Marvin, Historic Preservation Planner, at (510) 238-6879.

Respectfully submitted,



WILLIAM A. GILCHRIST
Director, Department of Planning and Building

Reviewed by:
Edward Manasse, Deputy Director/City
Planner, Bureau of Planning

Prepared by:
Betty Marvin, Historic Preservation Planner
Bureau of Planning

Attachments (3):

- A: July 8, 2019, Landmarks Preservation Advisory Board Staff Report
Complete Mills Act and Heritage Property applications can be seen in the July 8, 2019, Landmarks Preservation Advisory Board packets at <https://www.oaklandca.gov/meetings/july-8-2019-landmarks-preservation-advisory-board-meeting> , items 03 and 04.
- B. Ordinances establishing pilot and permanent Mills Act Program (Ordinance No. 12784 C.M.S. and Ordinance No. 12987 C.M.S.)
- C: Model Mills Act Agreement – this agreement, along with the “Preservation Work Program and Timeline” (page 2 of each individual Mills Act application), is recorded on the title to each participating property.

Item: _____
CED Committee
October 22, 2018

ATTACHMENT A

<p>Proposal: Case File Number /Location/ City Council District /Zoning:</p>	<p>Mills Act Contract Applications by owners.</p> <ol style="list-style-type: none"> 1) MA19-001: 418 Jefferson St.(APN 1-129-2); City Council District 3, Zoning C-40 2) MA19-002: 6028 Broadway Terrace (APN 48A-7124-10-2); City Council District 1, Zoning RD-1 3) MA19-003: 6475 Colby St. (APN 16-1414-7); City Council District 1, Zoning RM-1 4) MA19-004: 1263 Trestle Glen Rd. (APN 24-565-57); City Council District 2, Zoning RD-1 5) MA19-005: 619 Mariposa Av. (APN 10-816-7); City Council District 2, Zoning RM-1 6) MA19-006: 2600 Best Av. (APN 36-2463-24-1); City Council District 6, Zoning RD-1 7) MA19-007: 678 18th St. (APN 3-43-30); City Council District 3, Zoning CBD-R 8) MA19-008: 360 Van Buren Av. (APN 10-782-16); City Council District 3, Zoning RU-2/S-12 9) MA19-009: 1000 Sunnyhills Rd. (APN 11-895-14); City Council District 2, Zoning RD-1 10) MA19-010: 412 Monte Vista Av. (APN12-927-1-3); City Council District 1, Zoning RU-3 11) MA19-011: 3007 Telegraph Av. (APN 9-708-4); City Council District 3, Zoning CC-2 12) MA19-012: 492 Staten Av. (APN 10-765-8); City Council District 3, Zoning RU-3/S-7/S-12
<p>Applicant/Owner:</p>	<p>Multiple, see individual applications attached</p>
<p>Environmental Determination:</p>	<p>Categorically Exempt per CEQA Guidelines Sections: 15301 (Existing Facilities); 15305 (Minor Alterations in Land Use Limitations); 15306 (Information Collection); 15308 (Actions by Regulatory Agencies for Protection of the Environment); 15331 (Historical Resource Restoration/Rehabilitation).</p>
<p>Action to be Taken:</p>	<p>Discuss and select applications to recommend for 2019 Mills Act contracts. Forward to Planning Commission as informational item. Forward recommendations to City Council.</p>
<p>For Further Information:</p>	<p>Contact case planner Betty Marvin at (510) 238-6879 or by email at: bmarvin@oaklandnet.com</p>

BACKGROUND

The Mills Act is a California state law passed in 1972 that allows property owners and local jurisdictions to contract for a potential property tax reduction for historic properties, using an alternate appraisal formula. The state law also establishes a ten-year perpetually renewing contract term and penalties for non-fulfillment of the contract. Local governments (city or county) that elect to participate design other aspects of their own programs, such as eligibility criteria and work program requirements. Oakland requires that the property have local historic designation (Landmark, Heritage Property, S-7, or S-20) and commits the owner to spending the amount of the tax savings on a pre-

approved, recorded program of eligible improvements that restore or maintain the historic exterior character of the building or its structural integrity. The relatively small tax benefit gives owners the means and motivation for high quality historically appropriate improvements, and can be especially beneficial for underutilized or undermaintained properties. Such projects further City goals including creation and preservation of housing, reduction of blight, and enhancement of neighborhoods. Oakland has approved 70 Mills Act contracts since the first contracts in 2008.

A two-year pilot Mills Act program was adopted by the Oakland City Council in 2006-07. In 2009 the City Council expanded the program and made it permanent. The 2009 ordinance authorized a City revenue loss of \$25,000 a year in new contracts, with additional larger quotas for Redevelopment areas (\$250,000 a year in the Central Business District and \$25,000 a year in each other single Redevelopment area). Since the abolition of Redevelopment in 2012, the City share of property tax revenue (or property tax reduction) is uniform across the city at 27.28%. The ordinance provides that tax losses may exceed any of these limits with approval of the City Council.

The Mills Act establishes an alternate method of calculating property taxes for participating properties based on the income method of appraisal. In this method, property value is extrapolated from estimated potential rental income, using a capitalization rate or multiplier. Under the Mills Act the capitalization rate, usually around 10%, is adjusted for “historic property risk” by 4% for owner-occupied residential properties or 2% for all others, giving potentially a 20 to 40 percent tax reduction to Mills Act (“historical restricted”) properties.

Any property entering into a Mills Act contract with the City must be on the Local Register of Historical Resources. The Local Register is an umbrella category for the most significant historic resources in Oakland, whether designated by the Landmarks Board or identified by the Survey. It includes buildings with Oakland Cultural Heritage Survey ratings of ‘A’ or ‘B’, buildings in Areas of Primary Importance (APIs), and Designated Historic Properties (DHPs: Landmarks, Heritage Properties, and properties in S-7 and S-20 districts). Properties not already formally designated by the Landmarks Board must concurrently obtain Heritage Property or other designation.

Important features of the Mills Act program, established by the state legislation and incorporated into Oakland’s Mills Act contracts, include:

- The Mills Act program is a voluntary program.
- The Mills Act contract is between the City and the owner of a designated historic structure.
- The initial contract is for 10 years. At the end of each year, the term is automatically extended one year, unless the owner or the City gives notice not to renew. If notice of non-renewal is given, the contract remains in effect for the balance of the current 10-year term.
- The penalty for breach of contract is 12.5 percent of the current property value.
- The basic state requirement is that the owner preserve, rehabilitate, and maintain the historical and architectural character of the property. Oakland’s program further requires that the tax savings be invested back into the property according to a work program that is recorded with the contract.

- The contract runs with the property, that is, its benefits and obligations automatically transfer to each new owner and the property is not reassessed to full market value upon sale.
- The agreement provides for periodic inspections to determine compliance with the contract.
- The amount of tax reduction depends on a number of variables. The largest tax reductions occur for properties purchased or reassessed in recent years and at high market values. For properties with existing low assessments, taxes will not increase due to a Mills Act contract, but they may not decrease.

CONTRACT CONDITIONS, ALL PROPERTIES

The Secretary of the Interior’s Standards for Rehabilitation are incorporated as conditions in the Mills Act agreement (Attachment 13), and apply whenever work is submitted for permits to carry out work program items. Especially in regard to windows, a significant item in most of the proposed work programs, attention is called to Standards 5 and 6:

5. **Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.**
6. **Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and, where possible, materials. Replacement of missing features shall be substantiated by documentary and physical evidence.**

The Model Mills Act Agreement (8 pages, Attachment 13) spells out obligations and procedures:

“...Both Owner and City desire to enter into an Agreement to preserve the Property so as to retain its characteristics of cultural, historical and architectural significance and to qualify the Property for an assessment of valuation pursuant to Section 1161 of the Revenue and Taxation code of the State of California.

.....

4) Preservation/rehabilitation and Maintenance of Property (California Government Code Section 50281(b)1) During the term of this Agreement, the Property shall be subject to the following conditions, requirements and restrictions:

- a. Owner(s) agree to preserve/rehabilitate and maintain cultural, historical and architectural characteristics of the Property during the term of this Agreement as set forth in the attached schedule of improvements, which has been reviewed by the Landmarks Preservation Advisory Board and approved by the City Council... No demolition or other work may occur which would adversely impact the cultural, historical and architectural characteristics of the Property during the term of this Agreement.
- b. All work on the Property shall meet, at a minimum, the Secretary of Interior’s Standards for Rehabilitation of Historic Properties, the Office of Historic Preservation of the Department of Parks and Recreation ..., the Minimum Property Maintenance conditions ... the State Historical Building Code as determined as applicable by the City of Oakland and all required review and conditions of the Landmarks Preservation Advisory Board, the Planning Commission, the City Council, and/or the Community and Economic Development Agency of the City of Oakland.

2019 MILLS ACT APPLICATIONS

Mills Act applications are accepted from January through May of each year, to allow time for processing by the City and recording with the County by December 31. Twelve completed Mills Act applications – the largest number since 2008 - were submitted this year and are before the Landmarks Board for review. Eleven are applying for Heritage Property designation at this meeting and one is already a contributor to a designated S-7 historic district. As in past years, most applications are for small residential buildings (houses and one duplex). Three applications – MA019-10, 11, and 12 – are for larger multi-unit and commercial properties with, of course, larger tax bills and larger revenue reductions, which will require City Council approval.

Geographic Distribution

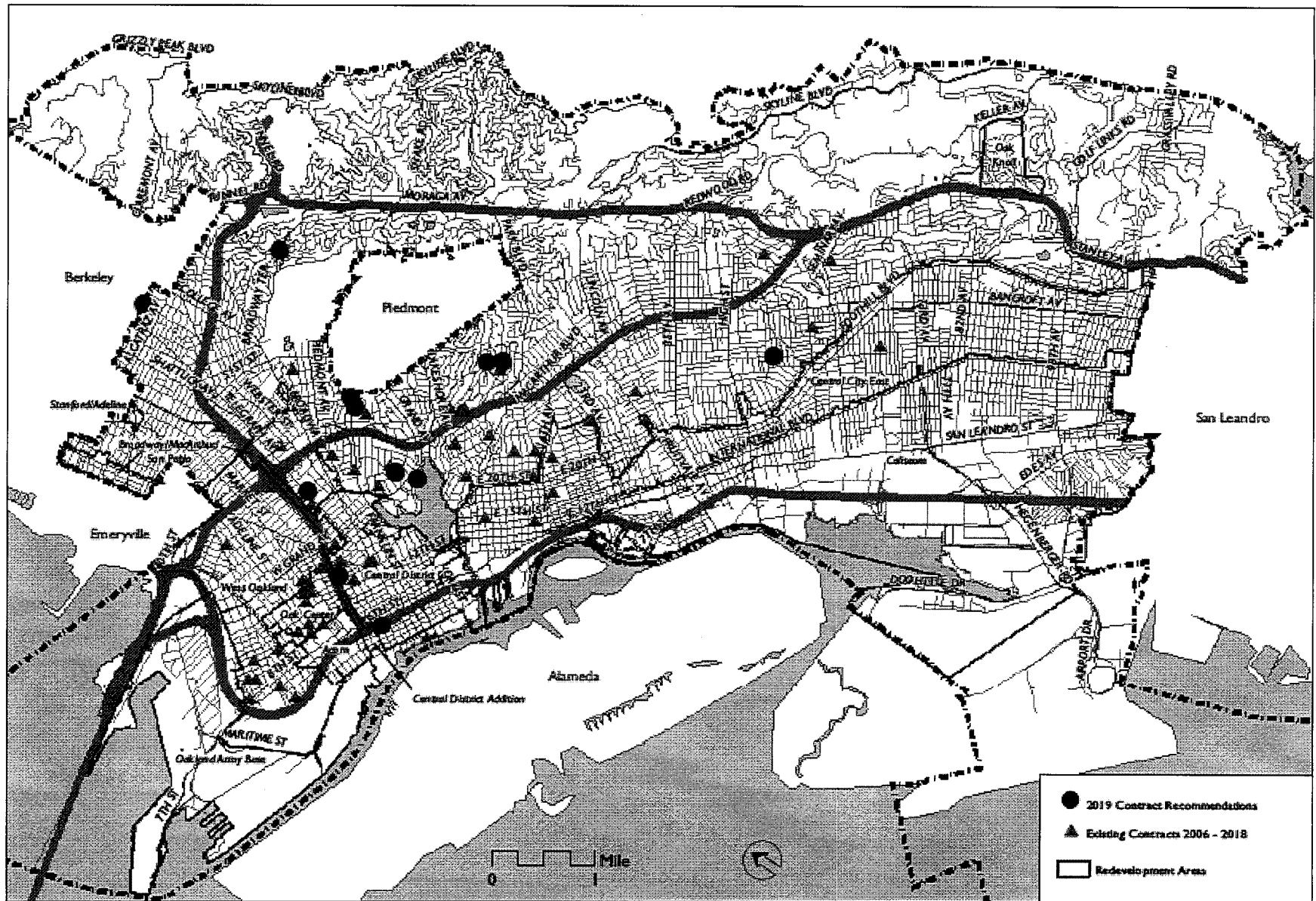
The map on the previous page illustrates geographic distribution of all current and proposed Mills Act properties. Two 2019 applications are in the Central District (in early residential neighborhood pockets), two are in Adams Point, two in the Oakland Avenue-Rose Garden neighborhood, two in Lakeshore-Trestle Glen, two in North Oakland neighborhoods not previously represented, and one in Maxwell Park. All but one are residential (single or multiple); the one commercial property is in the KoNo (Koreatown-Northgate, aka Pill Hill) area of Telegraph Avenue. This year no completed applications came from West Oakland, though there were many inquiries and there are likely prospects for next year. As usual, at least 100 inquiries about the program were received from all parts of Oakland during the year, and a larger number than usual followed up with complete applications, some from neighborhoods new to the program. Staff mentions the program whenever contacted by property owners, permit applicants, or real estate agents about eligible properties.

Historic Preservation Staff Review

Selection criteria for Mills Act applications were developed by a Landmarks Board committee and adopted by the Board during the first year of the Mills pilot program, to screen and rank applications, especially where there were more applicants than could be accommodated. Evaluation focuses on:

- *significance* of the property;
- *immediate necessity* of the work to prevent further deterioration;
- *scope* of the work in relation to the estimated tax reduction;
- *visibility* of the work proposed, to act as a catalyst for neighborhood revitalization;
- *neighborhood* diversity, to spread the program to as many neighborhoods as possible;
- *building type* diversity, to illustrate use of the Mills Act for different types of properties;
- *thoroughness* of the application above and beyond being minimally complete.

Staff is recommending selection of all twelve 2019 Mills Act contract applications, as satisfying the applicable criteria. The Class of 2019 is an unusually well qualified group under the first criterion, significance, in that seven of the twelve are already on the Local Register by virtue of Survey ratings or Landmarks Board actions. Mills and Heritage applications were all extremely well researched, documented, and explained. Further details are provided in the individual property summaries on the following pages and in the full applications, Attachments 1 through 12.



Mills Act Contracts and Contract Recommendations

Planning & Building Department
June 2019

Financial Impacts - 2019 Mills Act Applications

Tax impacts of the Mills Act formula have been affected by changes in the California real estate market since the program was created by the legislature in the 1970s, and since Oakland's program was adopted in 2009. Recent rapid inflation of real estate prices and the Proposition 13 system under which properties are reassessed to market value only at change of ownership mean that new owners are likely to benefit much more than long-term owners. In addition, because the Mills Act assessment formula is based on the income method of appraisal (using a hypothetical market rent), the current spike in rental prices means that Mills Act savings may be less than in past years. According to staff at the Assessor's office in 2016, "higher rents will have an impact on Mills Act restricted assessments. The restricted [Mills Act] assessment will be calculated using market rent as of January 1. An increase in market rents would yield a higher restricted assessment." It is not possible to forecast exact values because assessment is done property by property in the new tax year. Applicants were advised to put a higher rent per square foot (at least \$2.50 to \$3 in 2019) into the calculator on the City website. Lower Mills Act savings for owners would, of course, also mean less revenue loss for the City.

A Mills Act calculator on the City website's Mills Act page allows applicants to make a *rough estimate* of tax outcomes (table on p. 7). Based on Alameda County records and information from applicants, column 2 lists the current annual ad valorem property taxes on the property (special assessments – about \$1000 to \$1500 a year for most properties - are not affected by the Mills Act). Column 3 lists the *estimated* Mills Act taxes, using the state formula based on square footage and hypothetical or actual rent. (When the calculator was designed by EPS consultants for the City over a decade ago, the hypothetical average rent was \$1.25/sf.) Column 4 lists the difference between current ad valorem property taxes and the *estimated* Mills Act property taxes. The City receives approximately 27.28% of property taxes. Column 5 lists the estimated reduction of property taxes to the City, 27.28% of the change in taxes due to the Mills Act calculation.

In addition to the one-size-fits-all estimates from the calculator, some applicants have provided their own calculations – some higher, some lower - based on conversations with the Assessor or on personal research into likely market rents for single-family homes. Though there were no major discrepancies, the range of estimates confirms the rough nature of these figures, especially as 2019-20 assessments have not been published at the time of this report and the 2020-21 Mills Act ("historical restricted") assessments based on market rents will not be calculated by the county until 2020.

Disclaimer (accompanies calculator on the City website:

The online calculator that produces these estimates is an interactive spreadsheet based on the Mills Act formula for tax assessments, which uses a modified version of the income approach to appraisal. It gives a rough estimate of potential tax savings. The City makes no warranties or representations about the accuracy of the calculator – it is an information tool that applicants may use at their sole risk, and does not replace legal counsel or a financial advisor. Actual tax reductions, if any, will be calculated by the County Assessor's Office after the Assessor has received the executed Mills Act contracts at the end of the calendar year.

ESTIMATED TAX RESULTS, 2019 MILLS ACT APPLICATIONS

1	2	3	4	5	6
Mills Act Application	Assessed Value 2019 (county record)	Current Ad Valorem Property Tax (county rec.)	Mills Act Taxes from calculator (estimate based on ~\$2-3/sf rent)	Change in Taxes (current less Mills estimate)	City Revenue Loss, Year 1 (27.28% of tax change)
Small residential properties, citywide:					
MA19-001, Jefferson	\$642,600	\$8,383	\$4,814	(\$3,569)	
MA19-002, Bwy Terr.	\$100,985	\$13,070	\$6,077	(\$6,993)	
MA19-003, Colby	\$993,985	\$12,978	\$6,077	(\$6,901)	
MA19-004, Trestle Glen	\$637,107	\$8,319	\$6,815	(\$1,504)	
MA19-005, Mariposa	\$1,514,014	\$19,768	\$8,002	(\$11,766)	
MA19-006, Best Av	\$1,133,360	\$14,798	\$9,137	(\$5,661)	
MA19-007, 18th St.	\$1,125,000	\$14,689	\$11,012	(\$3,677)	
MA19-008, Van Buren	\$1,377,000	\$17,979	\$10,965	(\$7,014)	
MA19-009, Sunnyhills	\$908,231	\$11,859	\$7,764	(\$4,095)	
TOTAL small residential	\$8,432,282	\$121,843	\$70,663	(\$51,180)	(\$13,962)
Approximate total small residential tax reductions:				total tax reduction (\$51,180)	City revenue (\$13,962)
Large adaptive reuse projects and multi-unit properties:					
MA19-010 Monte Vista	\$4,751,057	\$62,035	\$42,524	(\$19,511)	(\$5,323)
MA19-011 Telegraph now	4,740,200	\$63,926	\$47,447	(\$16,479)	(\$4,495)
MA19-012 Staten	21,045,000	\$283,813	\$215,618	(\$68,195)	(\$18,604)
Approximate total large project reductions:				total tax reduction (\$104,185)	City revenue (\$28,422)
TOTAL Estimated City tax revenue loss, year 1 (tax year 2019-20)					(\$42,384)

An estimated reduction of \$13,962 for the 9 small residential properties is well below the annual City revenue loss limit of \$25,000 for new Mills Act contracts (though higher than past years, due to both inflation and the large number of applications). The two large adaptive reuse projects (Monte Vista, Telegraph) appear to produce a combined revenue reduction of approximately \$9,818, and the 36-unit Bellevue Staten approximately \$18,604, for a roughly estimated revenue loss of \$28,422 on the three large projects, and an overall total of \$42,384. This exceeds the \$25,000 limit established in 2007 for properties outside Redevelopment areas by approximately \$17,000, again a very rough estimate.

2019 Contracts, 2007 Loss Limit

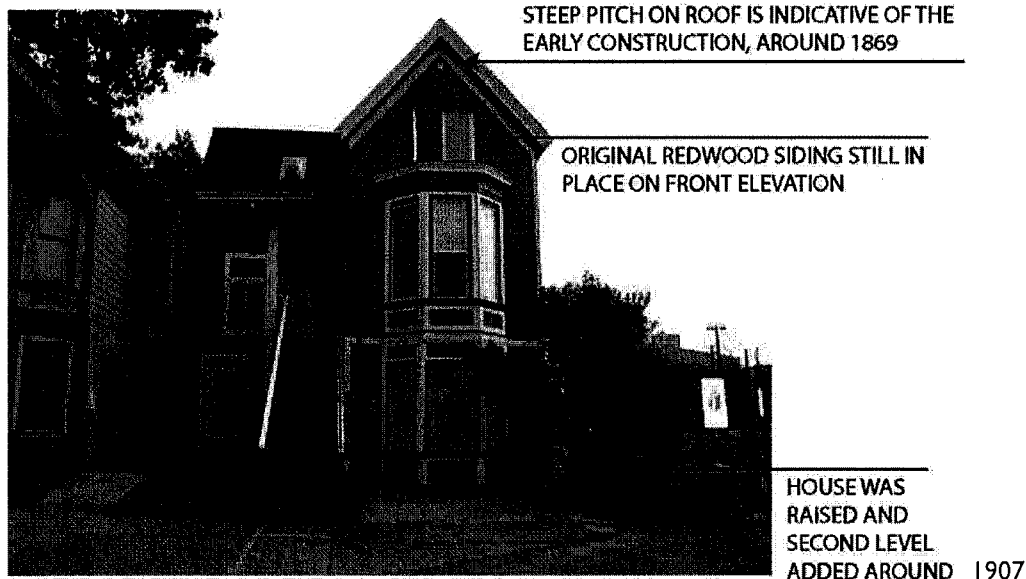
Staff believes it is reasonable to recommend all 12 applications for Mills Act contracts, and to recommend that Council approve 2019 contracts in excess of the 2007 limit, for these reasons:

- Inflation: property prices and taxes have risen sharply in the last decade. In 2006 the staff report for the Mills pilot program stated that the “\$25,000 tax loss amounts to 0.03% of the annual [property] tax revenues which total \$85 million.” The City’s published 2019-2024 five-year forecast projects \$222 million in annual property tax revenue, almost three times what it was when Oakland’s Mills Act program was designed. (.03% would be approximately \$67,000)
- Until abolition of Redevelopment in 2012, there were substantial additional tax reductions allowed in Redevelopment areas (see page 2), which covered most of Central, West, and East Oakland. In the future, the Mills program limits could be revised to adjust for the end of redevelopment, for instance by allocating the Redevelopment allowances to geographic areas or project types, or the overall dollar amounts could simply continue to be subject to Council approval.
- Past years’ (2008-2017) first-year revenue loss estimates for new contracts have consistently been far below the \$25,000 limit, ranging from from \$1,885 in 2011 to \$10,740 in 2015.
- Improvements made under the work programs are expected to raise property values and make up for the initial losses, even at the lower Mills Act tax rate. The owner of the one commercial building this year, MA19-011, provided an estimated “after” calculation, illustrating this principle.
- Mills Act projects for two large Central Business District properties (Cathedral Building, 1605-15 Broadway/1606-14 Telegraph, 2010; Girls Inc., 512 16th Street, 2011) provided almost immediate revenue gains to the City as these long-underutilized buildings were purchased, improved, and reassessed. This is the effect anticipated from 2018’s two large reuse projects, 5701 International Boulevard and 4690 Tompkins Avenue, though it is too early to see the results.
- The City’s share of ad valorem property tax revenue, and therefore of any tax reduction to the owners, is 27.28%. Property owners must reinvest the *entire* tax saving in the restoration program, so the City tax reduction leverages almost four times its value in reinvestment in Oakland’s historic buildings.

Next Steps

Following Landmarks Board recommendation at this meeting, the selected Mills Act applications will be presented to the Planning Commission as an information item, to City Attorney and Budget for review, to City Council for a resolution authorizing the contracts, and to the City Administrator’s office for review and signatures. After contract execution by the City and the applicants, contracts must be recorded with the County by the end of the calendar year. Heritage Property applications for the properties that are not already designated are being reviewed by the Landmarks Board at this meeting. Staff has reviewed the applications and preliminarily determined that the nominated properties are all eligible for Heritage Property designation and Mills Act participation.

MA19-001: 418 Jefferson St., William Read house (APN 1-129-2) (see Attachment 1)
Applicant: Steven Brummond, owner/resident



OCHS Rating: C1+ (State Historic Resources Inventory, 1985); appears eligible for National Register (1+); on Preservation Study List as contributor to Bret Harte Boardwalk District.
Landmark/Heritage Property Eligibility Rating: B (29 points)

Work Program (see Attachment 1):

- replace T1-11 siding with horizontal board; repair existing historic siding
- replace non-historic windows (vinyl, aluminum) with wood or compatible double-hung
- repair deteriorated fascia and trim
- repair stairs, replace railings to match original

Application Strengths:

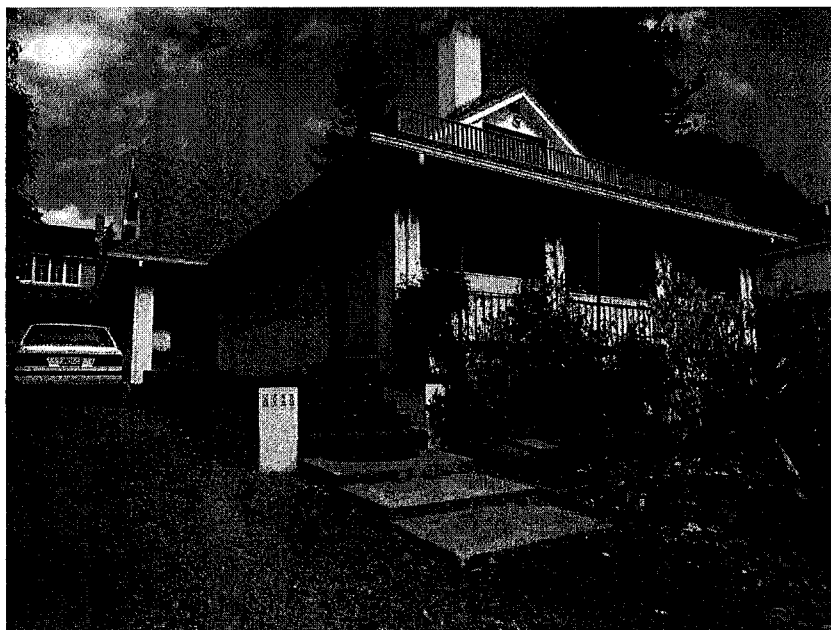
- Heritage application builds on documentation and Study List status from first phase of Survey
- represents history of earliest Oakland neighborhood along waterfront
- new research with aerial photos from early 20th century through BART construction
- part of iconic district, pioneer preservation project
- work program addresses a century of deferred and low-cost maintenance



1982: 418 Jefferson at far right

MA19-002: **6028 Broadway Terrace** (APN 48A-7124-10-2), Leroy Goodrich house (Att. 2)

Applicant: Bryan Cheng and April Chen, owners



OCHS Rating: C3 (preliminary/field, 1986) “secondary importance or superior example”
Landmark/Heritage Property Eligibility Rating: B (37 points)

Work Program (see Attachment 2):

- foundation retrofit for seismic and drainage
- replace entire electrical system
- replace or repair windows and doors

Application Strengths:

- thoroughly researched Heritage application
- unusual rustic house in 1991 fire-survivor group on Broadway Terrace
- correcting deferred maintenance with work that respects rustic character
- geographic diversity – first Mills Act contract in North Hills area



MA19-003: **6475 Colby St.** (APN 16-1414-7), Hummer (Charles and Mary) house (see Att. 3)

Applicant: Gina Blus and Mark O’Leary, owner/residents



OCHS Rating: B1+ (Preliminary survey, 1986): major importance, API contributor
Landmark/Heritage Property Eligibility Rating: B (28 points)

Work Program (see Attachment 3):

- seismic work
- repair or replace worn windows and doors
- repair/replace front steps and path
- maintain clinker brick veneer
- repair/replace roof as necessary

Application Strengths:

- Heritage application establishes district history and character and illustrates research process
- detailed work program descriptions by experienced rehabbers
- potential as catalyst for improvement in architecturally distinguished neighborhood
- geographic diversity – first Mills contract in Fairview Park API



MA19-004: 1263 Trestle Glen Rd. (APN 24-565-57), Sloane House model home

Applicant: Annemarie Meike, owner/resident

See Attachment 4



OCHS Rating: C2+ (preliminary/field, 1986): secondary importance, ASI contributor

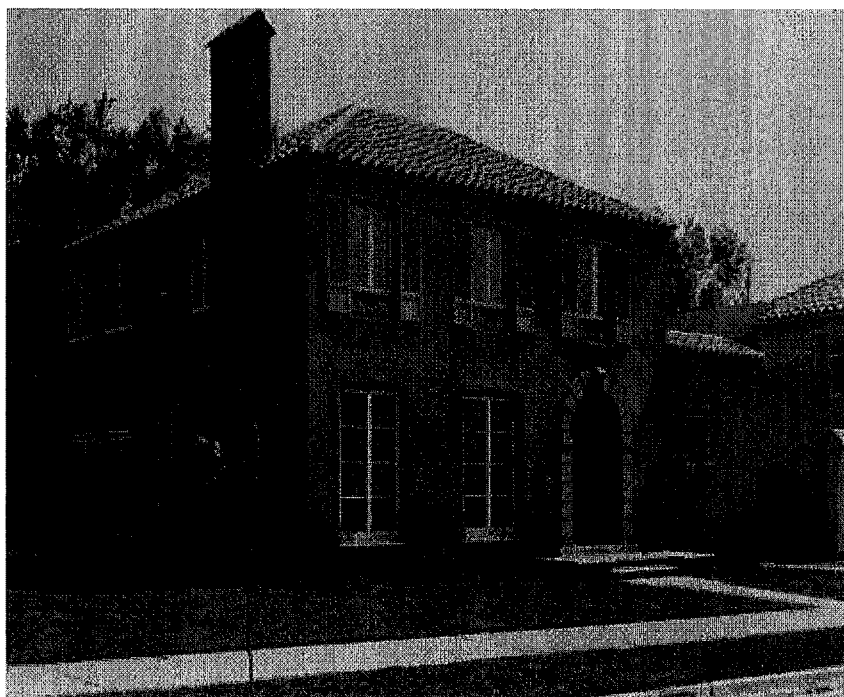
Landmark/Heritage Property Eligibility Rating: A (40 points)

Work Program (see Attachment 4):

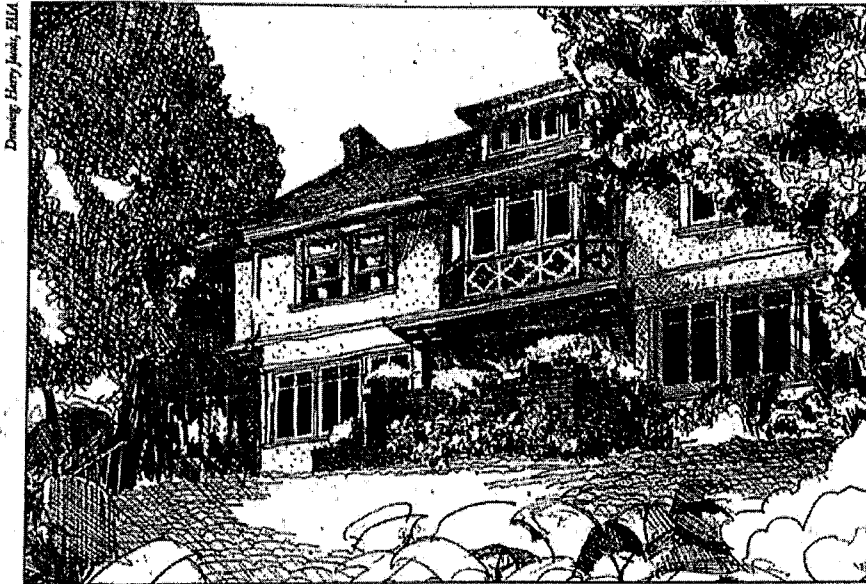
- repair and/or custom build new divided light casement windows

Application Strengths:

- illustrates a focused project using smaller tax reduction for longtime owner (1997)
- potential catalyst for neighborhood and block improvement
- seventh Mills Act project on Trestle Glen Road, nucleus of possible district designation
- story of “Complete Homes Exposition” construction and marketing adds to knowledge of the district



MA19-005: 619 Mariposa Av. (APN 10-816-7), Chapin and Morris spec house, 1908 (Att. 5)
Applicant: Mei Jardstrom for David Salazar and Monika Gromek, owners



OCHS Rating: D/C2+ (preliminary/field, 1986): secondary importance, ASI contributor
Landmark/Heritage Property Eligibility Rating: B (24 points)

Work Program (see Attachment 5):

- roof replacement including repair of original gutters
- window and door repairs
- exterior millwork restoration
- brick repointing on base and chimneys

Application strengths

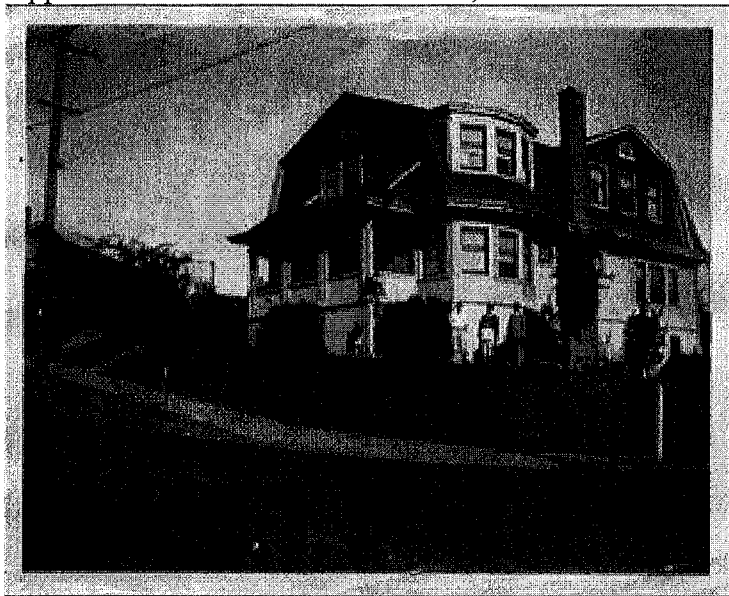
- well thought out and illustrated work program by experienced architect/builder
- potential catalyst for neighborhood and block improvement
- Heritage application makes extensive use of original sources and maps
- geographic diversity – second Mills Act project in Linda Vista/Rose Garden neighborhood



LM18-006: **2600 Best Av.** (APN 36-2463-24-1) Charles and Coral Quayle house, 1922

Applicant: Kalla and Robert Rokoff, owners/residents

See Attachment 6



OCHS Rating: C/B3 (preliminary/field, 1986): secondary to major importance

Heritage Property Eligibility Rating: B (3 points)

Work Program (see Attachment 5):

- earthquake and foundation work on extremely steep lot
- window repair and/or replacement
- repair porch and steps
- sitework to stabilize retaining wall, tree, chimney, walkway
- exterior paint

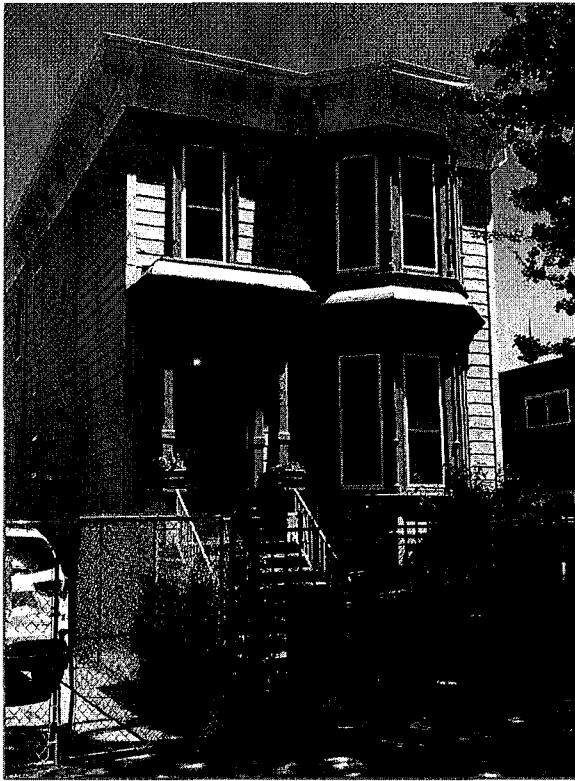
Application Strengths:

- addresses structural stability in hilly area
- well thought out proposal describes additional work outside Mills contract
- potential neighborhood catalyst
- geographic diversity – East Oakland targeted in original Mills ordinance
- first Mills contract in Maxwell Park; well researched Heritage application establishes neighborhood significance



MA19-007: 678 18th St. (APN 3-43-30), Cornelius Beach Bradley house, 1877-78 (Att. 7)

Applicant: Harsh Shah and James Liu, owners



OCHS Rating: B1+ (intensive survey, 1985): major importance, contributor to API, on Study List
Heritage Property Eligibility Rating: A (36 points)

Work Program:

- exterior wood repair and paint, repair/replace wood trim and gutters
- replace inappropriate 20th century front and side steps and railings
- replace vinyl windows with authentic wood sash
- replace foundation • replace roof

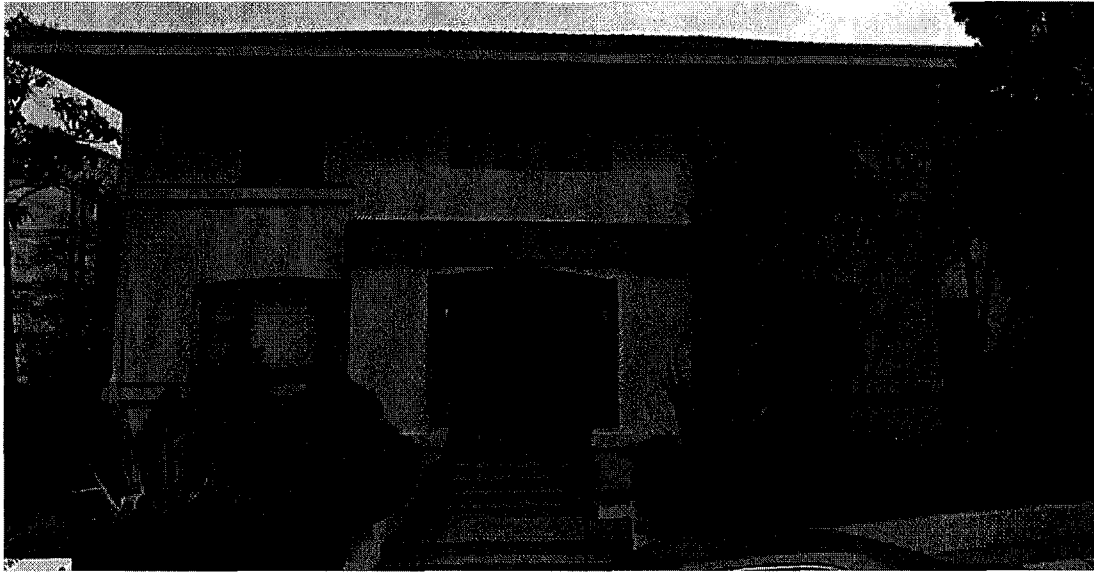
Application Strengths:

- longstanding Local Register property, highlighted in *Rehab Right*
- catalyst for improvement in old neighborhood fragments in Central Business District
- reverses most common and impactful alterations to 19th century houses
- example for hundreds of Italianate houses throughout West and East Oakland



MA19-008: **360 Van Buren Av.** (APN 10-782-16), Sherman W. Hall house, 1913 (Att. 8)

Applicant: Elan Emanuel and Sarah London, owners/residents



OCHS Rating: C3 (Adams Point intensive survey, 1986): secondary importance

Heritage Property Eligibility Rating: B (27 points)

Work Program:

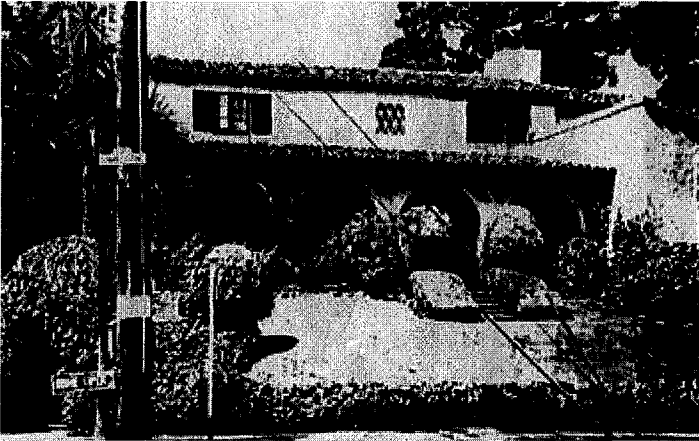
- foundation repair
- window repair: reglaze with double-pane glass, retain and adjust sash cords and weights
- repair porch structure and stucco
- repair stucco and paint house

Application Strengths:

- well researched biography of house and its residents and roles in Oakland history
- third Mills contract in Adams Point, early Survey area with distinguished but somewhat neglected architecture
- catalyst for neighborhood improvement



MA19-009: **1000 Sunnyhills Rd.** (APN 11-895-14), David and Rose Goldman house, 1931 (Att. 9)
Applicants: Riley Doty, resident; Alison Finlay, owner;



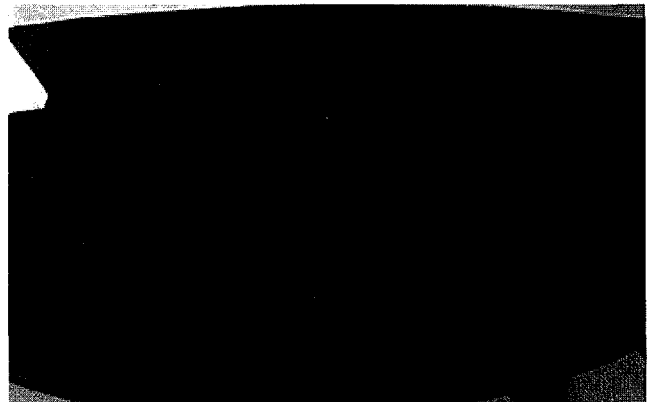
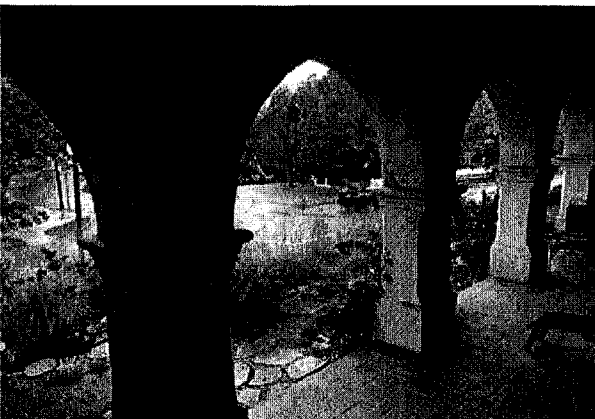
OCHS Rating: B2+ (preliminary survey, 1986): major importance, contributor to ASI
Heritage Property Eligibility Rating: B (34 points)

Work Program:

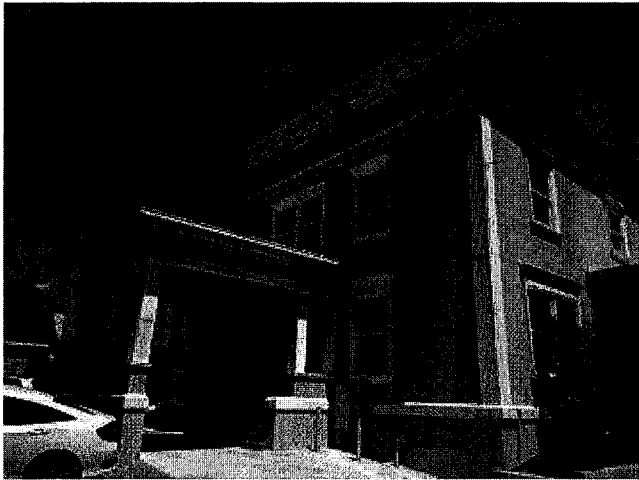
- roof repair – remove and reinstall tiles
- repair stucco, tile, and structure of arcade
- seismic work and repair of undermined footings
- prep and paint exterior woodwork and trim

Application Strengths:

- complex, intensely crafted house with remarkable detail and ornament
- prominent location, potential neighborhood catalyst
- applicant’s expertise in tile and water issues informs well-described work program
- ninth application in Lakeshore Homes tract, seeds of possible district designation



MA19-010: **412 Monte Vista Av.** (APN12-927-1-3), Towne House/Florence Johnson house
 Applicant: Josephine Lefebvre for Martin Family Holdings, owners (Att. 10)



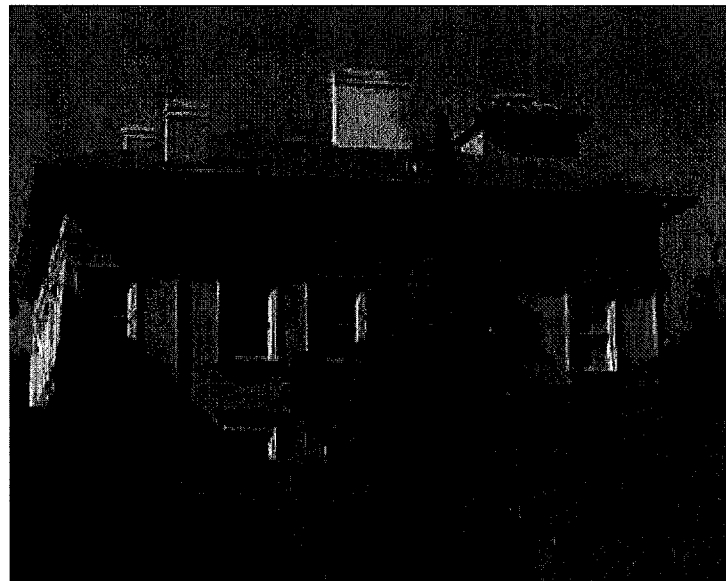
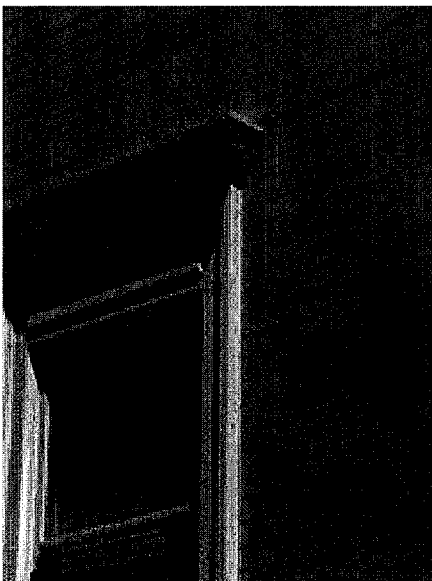
OCHS Rating: B3 (preliminary survey, 1986): major importance, not in a district
 Heritage Property Eligibility Rating: B (31 points)

Work Program:

- repair deterioration of wood siding and trim
- replace deteriorated windows with wood-sash replicas
- repair eaves and gutters on house and garage
- reverse alteration of two side windows into doors
- reverse shingling of north chimney

Application Strengths:

- LPAB recommended Mills Act during concern about future of this building c.2007
- continues restoration/maintenance work done in 2014 apartment conversion
- well illustrated and explained work program
- geographic diversity – third Mills Act project in Rose Garden/Linda Vista neighborhood



MA19-011: **3007 Telegraph Av.** (APN 9-708-4), Chapel of the Oaks, 1931/1925 (Att. 11)
 Applicant: Laura Blair and Carlos Plazola, Buildzig., for 3007 Telegraph LLC



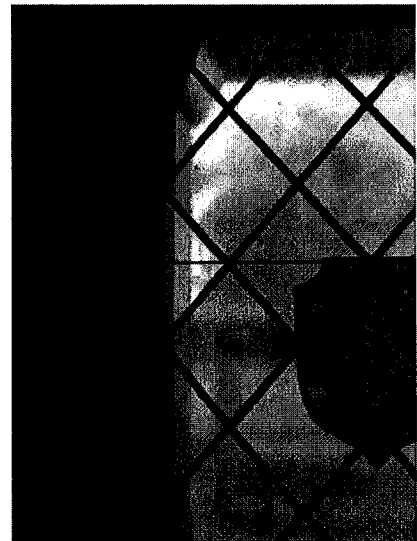
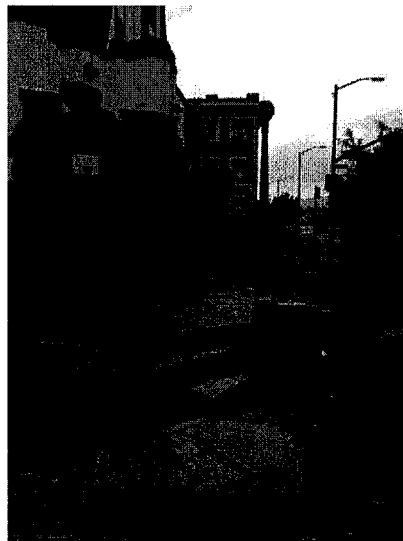
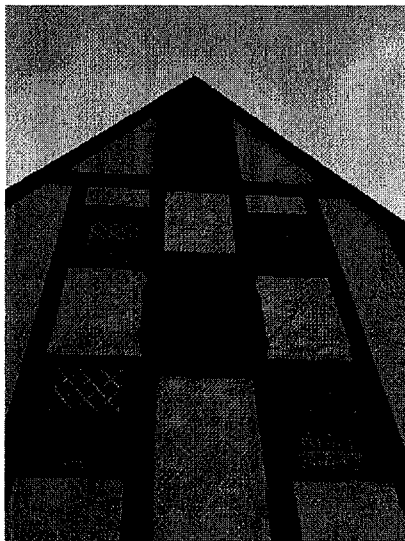
OCHS Rating: B3 (preliminary survey, 1986, 1996): major importance, not in a district (potential discontinuous Pill Hill Funerary District documented in 2009)
 Heritage Property Eligibility Rating: B (34 points)

Work Program:

- repair stained and leaded glass throughout building
- strip paint from stone veneer and retaining walls, regROUT and reattach stones as needed
- repair other decorative features including clock and fountain
- restore doors and entry porch

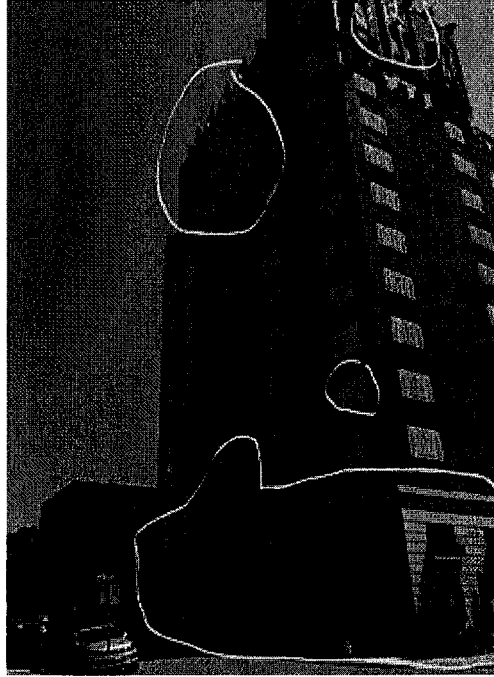
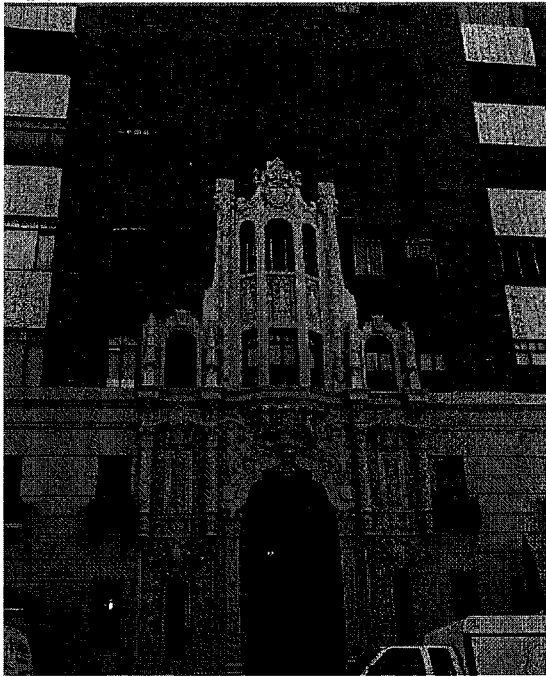
Application Strengths:

- prominent visual landmark along Telegraph Avenue, correcting years of blight
- reuse of special-purpose building after loss of original function
- building type diversity – mortuary converted to retail and offices, only commercial building among 2019 Mills applicants
- LPAB recommended designation and Mills Act during concern about future of this building c.2011



MA19-012: 492 Staten Av. (APNs10-765-08 through 10-765-44), The Bellevue-Staten (Att. 12)

Applicant: The Bellevue-Staten Condominium Association, by James Alvers, President



OCHS Rating: A1+ (Adams Point intensive survey, 1986):highest importance, contributor to designated S-7 Bellevue-Staten Apartment District; on National Register of Historic Places.

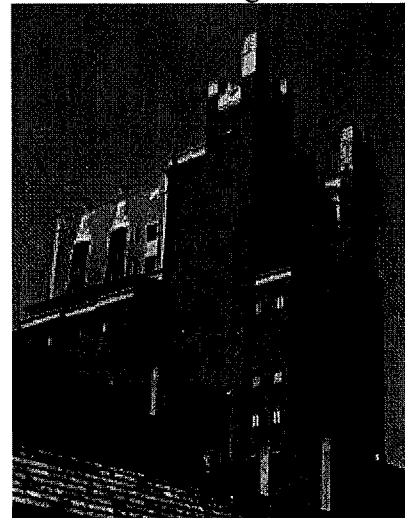
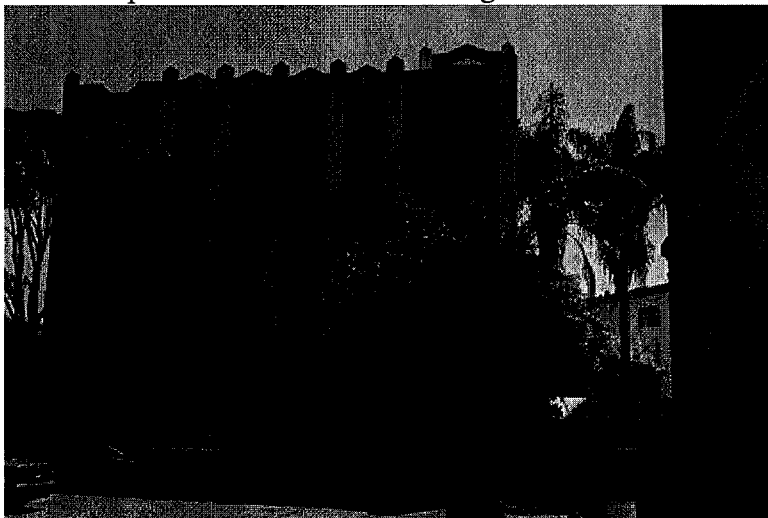
Original permit: A34918, 8/14/1928, owner Lakeview Building Corp., builder Thebo Starr & Anderton, architect H.C. Baumann, 14 story 210 room, 36 apts., \$500,000.

Work Program:

- Repair steel columns at corners of building including masonry removal & replacement
- Window repairs, replacing exterior sealant, and repair of damaged interior plaster
- Repair, clean, and paint cast cement and other non-brick surfaces

Application Strengths:

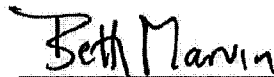
- Designated Historic Property, familiar and beloved icon on Lake Merritt
- Major structural repair and maintenance of 90 year old high-rise
- Repair/maintenance of 244 original steel sash windows – common challenge in ‘20s buildings



RECOMMENDATIONS

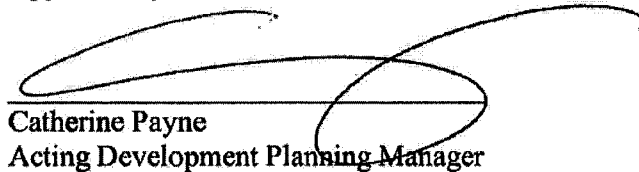
1. Receive any testimony from applicants and interested citizens;
2. Discuss and provide recommendations on Mills Act applications for 2019; and
3. Based on the above discussion:
 - a. Recommend all or selected applications to City Council for 2019 Mills Act contracts;
 - b. Forward the recommendations to the Planning Commission as an information item.

Prepared by:



Betty Marvin
Historic Preservation Planner

Approved by:



Catherine Payne
Acting Development Planning Manager

Attachments:

1. Application, work program, and photos: MA19-001: **418 Jefferson St.**
2. Application, work program, and photos: MA19-002: **6028 Broadway Terrace**
3. Application, work program, and photos: MA19-003: **6475 Colby St**
4. Application, work program, and photos: MA19-004: **1263 Trestle Glen Road**
5. Application, work program, and photos: MA19-005: **619 Mariposa Av.**
6. Application, work program, and photos: MA19-006: **2600 Best Av.**
7. Application, work program, and photos: MA19-007: **678 18th St.**
8. Application, work program, and photos: MA19-008: **360 Van Buren Av.**
9. Application, work program, and photos: MA19-009: **1000 Sunnyhills Rd.**
10. Application, work program, and photos: MA19-010: **412 Monte Vista Av.**
11. Application, work program, and photos: MA19-011: **3007 Telegraph Av.**
12. Application, work program, and photos: MA19-012: **492 Staten Av.**
13. Model Mills Act Agreement, including Secretary of the Interior's Standards for Rehabilitation

OFFICE OF THE CITY CLERK

2006 NOV 16 PM 4:26

APPROVED AS TO FORM AND LEGALITY
Mark P. Ward
DEPUTY CITY ATTORNEY

OAKLAND CITY COUNCIL

ORDINANCE No. 12784 C.M.S.

AN ORDINANCE ADOPTING A TWO-YEAR PILOT MILLS ACT PROPERTY TAX ABATEMENT PROGRAM FOR QUALIFIED HISTORIC PROPERTIES, AND MAKING RELATED AMENDMENTS TO THE CITY'S MATER FEE SCHEDULE

- WHEREAS**, the General Plan Historic Preservation Element Policy 2.6.1 calls for the adoption of a Mills Act contract program, pursuant to Sections 50280-90 of the California Government Code and Section 439.2 of the California Revenue and Taxation Code, to promote historic preservation; and
- WHEREAS**, establishment of a Mills Act Program would meet numerous General Plan Land Use goals and policies, including housing rehabilitation, preservation of community character and identity, sustainability, commercial and corridor revitalization, and image; and
- WHEREAS**, funding for a Mills Act study is provided per Mitigation Measures outlined in the Environmental Impact Reports for both the West Oakland Redevelopment Plan and the Central City East Redevelopment Plan; and
- WHEREAS**, the City Council approved the Johanna Favrot Fund for Historic Preservation Matching Fund Grant through the National Trust for Historic Preservation (Resolution No. 78297 C.M.S.) to assist the City with the analysis of the financial and fiscal implications of a Mills Act Program; and
- WHEREAS**, the Landmarks Preservation Advisory Board adopted the establishment of a Mills Act Property Tax Abatement Program for the City of Oakland as a major goal for 2005/06; and
- WHEREAS**, the City of Oakland has a wealth of historic buildings and neighborhoods matched by few other California cities; and
- WHEREAS**, the establishment of a Mills Act Program for the City of Oakland could affect historic properties city-wide and has the potential to be a catalyst for further revitalization and reinvestment of its distinct and diverse neighborhoods and its strong historical character; and

WHEREAS, staff has solicited direction from the historic community and in-house City stakeholders, including the Landmarks Preservation Advisory Board, the Oakland Heritage Alliance, the City Redevelopment Agency and City Financial Service, in order to create an inclusive pilot program that responds to a variety of Oakland concerns; and

WHEREAS, the Landmarks Preservation Advisory Board on February 27, 2006 and the Planning Commission on April 5, 2006 held public hearings on the Mills Act Program, and unanimously recommended the two-year pilot Mills Act be approved by the City Council;

NOW, THEREFORE,

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

SECTION 1. The City Council finds and determines that a two-year Mills Act Pilot Program will implement the General Plan Historic Preservation Element, provide an incentive for historic property maintenance, preservation and/or rehabilitation and thereby act as a catalyst for revitalization citywide, thus promoting the health, safety and welfare and furthering numerous general plan policies and objectives.

SECTION 2. The City Council hereby adopts a two-year Mills Act Pilot Program, as detailed in the April 5, 2006 Report to the City Planning Commission and the December 5, 2006 City Council Agenda Report. During the two-year pilot program, there shall be a limit of ten (10) Mills Act contracts for the first year and a limit of twenty (20) contracts for the second year with the pilot program impact on City revenues limited to \$25,000/year or \$50,000 cumulatively for the two-year pilot program. However, rollovers of both applications and revenue impacts may be allowed, provided the total number of applications does not exceed thirty (30) and the total revenue impact does not exceed \$50,000 from the City and \$500,000 from the Redevelopment Agency for the two-year pilot program. Since implementing the Mills Act is a Mitigation Measure for both the West Oakland Redevelopment Plan and the Central City East Redevelopment Plan, the pilot program implementation will pursue a minimum of 20% of the 30 Mills Act Contracts (six contracts) from the Central City East Redevelopment Area and a minimum of 20% of the 30 Mills Act Contracts (six contracts) from the West Oakland Redevelopment Area.

The Landmarks Preservation Advisory Board shall review and consider all Mills Act contracts, which shall be in substantial conformance to the Model Mills Act Agreement (Exhibit A), and shall forward its recommendations to the City Council. If the City Council approves any Mills Act contracts, it shall do so by resolution.

SECTION 3. Prior to the end of the two-year pilot program, city staff shall submit a report to the City Council which analyzes the effects on property tax revenue, staff

workload and neighborhood revitalization, and make recommendations as to the future caps and processes for the Mills Act Program.

SECTION 4. The City of Oakland's Master Fee Schedule is hereby amended to adopt a new Mills Act Application Fee of \$400 and a Mills Act Inspection Fee of \$100/inspection, to be deposited in Development Service Fund (2415), City Planning – Other organization (88229).

SECTION 5. The City Council finds and determines that the requirements of the California Environmental Quality Act of 1970 (CEQA), the CEQA Guidelines, and the provisions of the Environmental Review Regulations of the City of Oakland have been met, and the actions authorized by this Ordinance are categorically exempt from CEQA under CEQA Guidelines Section 15331: Historical Resource Restoration/Rehabilitation.

SECTION 6. The City Council authorizes staff to take any and all steps necessary to implement the two-year Mills Act Pilot Program consistent with this ordinance.

IN COUNCIL, OAKLAND, CALIFORNIA, FEB 6 2007, 20

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, ~~REID~~, and PRESIDENT DE LA FUENTE - 7

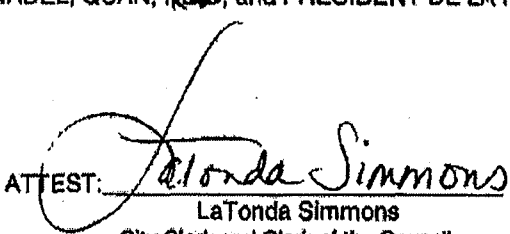
NOES - 0

ABSENT - 0

ABSTENTION - 0

Excused - Reid - 1

ATTEST:


LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

Introduction Date: JAN 16 2007

FILED
OFFICE OF THE CITY CLERK
OAKLAND

INTRODUCED BY COUNCIL MEMBER De La Fuente

10 JAN 11 AM 11:16

Corrected
APPROVED AS TO FORM AND LEGALITY

Mark P. Wall
City Attorney

OAKLAND CITY COUNCIL
ORDINANCE NO. 12987 C.M.S.

AN ORDINANCE EXPANDING AND MAKING PERMANENT THE MILLS ACT PROPERTY TAX ABATEMENT PROGRAM FOR QUALIFIED HISTORIC PROPERTIES WHICH WAS ESTABLISHED AS AT TWO-YEAR PILOT PROGRAM VIA ORDINANCE NO. 12784 C.M.S.

WHEREAS, the General Plan Historic Preservation Element Policy 2.6.1 calls for the adoption of a Mills Act contract program, pursuant to Sections 50280-90 of the California Government Code and Section 439.2 of the California Revenue and Taxation Code, to promote historic preservation; and

WHEREAS, establishment of a permanent Mills Act Program would meet numerous General Plan Land Use goals and policies, including housing rehabilitation, preservation of community character and identity, sustainability, commercial and corridor revitalization, and image; and

WHEREAS, the Landmarks Preservation Advisory Board adopted the establishment of a Mills Act Property Tax Abatement Program for the City of Oakland as a major goal for 2005/06; and

WHEREAS, the City of Oakland has a wealth of historic buildings and neighborhoods matched by few other California cities; and

WHEREAS, the City Council adopted a two-year pilot Mills Act Property Tax Abatement Program for Qualified Historic Properties in 2007 via Ordinance No. 12784 C.M.S.; and

WHEREAS, the two-year pilot program has successfully been implemented, with applications submitted representing geographic diversity within the City, and with applications submitted that are within both the range of the limit on the number of contracts and the limit of losses on Property Tax revenues, with the exception of large commercial properties; and

WHEREAS, the two-year pilot program demonstrated the need to expand the limits of

of losses of Property Taxes in the Central Business District to include these large commercial properties in the Program, to provide an incentive for rehabilitation of Central Business District historic properties, which benefit both the property owner with a potential tax reduction and the City with a potential Tax Revenue increase; and

WHEREAS, the establishment of a permanent and expanded Mills Act Program for the City of Oakland could affect historic properties city-wide and has the potential to be a catalyst for further revitalization and reinvestment of its distinct and diverse neighborhoods, including the Central Business District, and its strong historical character; and

WHEREAS, staff has solicited direction from the historic community and in-house City stakeholders, including the Landmarks Preservation Advisory Board, the Oakland Heritage Alliance, interested Developers and the City Redevelopment Agency, in order to create an inclusive program that responds to a variety of Oakland concerns; and

WHEREAS, the Landmarks Preservation Advisory Board and the Planning Commission have strongly supported the goals to expand and make permanent the Mills Act Tax Abatement Program; **NOW, THEREFORE**,

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

SECTION 1. The City Council finds and determines that an expanded and permanent Mills Act Program will implement the General Plan Historic Preservation Element, provide an incentive for historic property maintenance, preservation and/or rehabilitation and thereby act as a catalyst for revitalization citywide, thus promoting the health, safety and welfare and furthering numerous general plan policies and objectives.

SECTION 2. The City Council hereby adopts an expanded and permanent Mills Act Program, as detailed in the December 1, 2009 City Council Agenda Report. There shall be a limit of the program impact on City revenues limited to \$25,000/year, on Redevelopment revenues to \$25,000/year in any single redevelopment area with a cumulative limit of \$250,000/year for all redevelopment areas with the exception of the Central Business District. In the Central Business District, there shall be a limit of the program impact on Redevelopment revenues to \$100,000/building/year with a cumulative limit of \$250,000/year.

Additionally, any Mills Act Program property applicant, whose estimated Property Tax loss exceeds the above limits, may request special consideration by the City Council.

The Landmarks Preservation Advisory Board shall review and consider all Mills Act contracts, which shall be in substantial conformance to the Model Mills Act Agreement (**Exhibit A**), and shall forward its recommendations to the City Council. Staff shall present a report analyzing the cumulative fiscal effects of all existing Mills Act contracts

prior to Council consideration of additional Mills Act contracts. If the City Council approves any Mills Act contracts, it shall do so by resolution.

SECTION 3. The City Council finds and determines that the requirements of the California Environmental Quality Act of 1970 (CEQA), the CEQA Guidelines, and the provisions of the Environmental Review Regulations of the City of Oakland have been met, and the actions authorized by this Ordinance are categorically exempt from CEQA under CEQA Guidelines Section 15331: Historical Resource Restoration/Rehabilitation.

SECTION 4. The City Council authorizes staff to take any and all steps necessary to implement the Mills Act Pilot Program consistent with this ordinance.

IN COUNCIL, OAKLAND, CALIFORNIA, JAN - 5 2010

PASSED BY THE FOLLOWING VOTE:

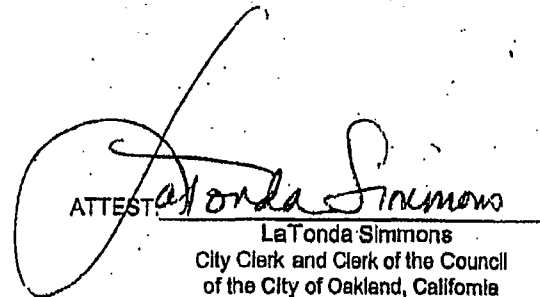
AYES- BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT BRUNNER - 8

NOES- 0

ABSENT- 0

ABSTENTION- 0

ATTEST



LaTonda Simmons

City Clerk and Clerk of the Council
of the City of Oakland, California

Introduction Date: DEC - 8 2009

DATE OF ATTESTATION: 1 - 7 - 2010

ATTACHMENT C

WHEN RECORDED, MAIL TO:

City of Oakland
Bureau of Planning, Historic Preservation
250 Frank H. Ogawa Plaza, Suite 3315
Oakland, CA 94612

MILLS ACT AGREEMENT FOR PRESERVATION OF HISTORIC PROPERTY

This Agreement is entered into this ___ day of _____, 20___, by and between the City of Oakland, a municipal corporation (hereinafter referred to as the "City"), and _____ (hereinafter referred to as the "Owner(s)"), owner(s) of the structure located at _____ in the City of Oakland (Exhibit A: Legal Description of Property).

RECITALS

Owner possesses and owns real property located within the City and described in Exhibit A ("Property") attached and made a part hereof.

The Property is a Qualified Historic Property within the meaning of California Government Code Section 50280.1, in that it is a privately owned property which is not exempt from property taxation and is on the City of Oakland's Local Register of Historic Resources.

Both City and Owner desire to carry out the purposes of Sections 50280 *et seq.* of the California Government Code and Section 439 of the California Revenue and Taxation Code.

Both Owner and City desire to enter into an Agreement to preserve the Property so as to retain its characteristics of cultural, historical and architectural significance and to qualify the Property for an assessment of valuation pursuant to Section 439.2(a) of the Revenue and Taxation Code of the State of California.

NOW, THEREFORE, both Owner and City, in consideration of the mutual promise, covenants and conditions contained herein and the substantial public benefit to be derived therefrom, do hereby agree as follows:

- 1) **Effective Date and Term of Agreement (California Government Code Section 50281.a)** The term of this Agreement shall be effective commencing on **December 31, 20__** and shall remain in effect for a term of ten (10) years thereafter. Each year, upon the anniversary of the effective date of this Agreement (hereinafter “renewal date”), one (1) year shall automatically be added to the term of the Agreement, unless timely notice of nonrenewal, as provided in paragraph 2, is given. If either City or Owner(s) serves written notice to the other of nonrenewal in any year, the Agreement shall remain in effect for the balance of the term then remaining, either from its original execution or from the last renewal of the Agreement, whichever may apply.

- 2) **Notice of Nonrenewal (California Government Code Section 50282, California Revenue and Taxation Code Section 439.3)** If City or Owner(s) desires in any year not to renew the Agreement, that party shall serve written notice of nonrenewal in advance of the annual renewal date of the Agreement as follows:
 - a. Owners must serve written notice of nonrenewal at least ninety (90) days prior to the renewal date; or
 - b. City must serve written notice within sixty (60) days prior to the renewal date. Owners may make a written protest of the notice. City may, at any time prior to the annual renewal date of the Agreement, withdraw its notice of nonrenewal to Owner(s).
 - c. If the City or Owner(s) serves notice of intent in any year to not renew the Agreement, the existing Agreement shall remain in effect for the balance of the period remaining since the original execution or the last renewal of the Agreement, as the case may be.
 - d. Any notice required to be given by the terms of this Agreement shall be provided by U.S. mail or hand delivery at the address of the respective parties as specified below or at any other address as may be later specified in writing by the parties hereto.

To City: City of Oakland
Bureau of Planning, Historic Preservation
250 Frank H. Ogawa Plaza, Suite 3315
Oakland, CA 94612-2032

To Owner:

Oakland CA 946--

- 3) **Valuation of Historical Property (California Revenue and Taxation Code, Section 439.2)** During the term of this Agreement, Owner(s) are entitled to seek assessment of valuation of the Historical Property pursuant to the provisions of Section 439 et. seq. of the California Revenue and Taxation Code.

4) **Preservation/Rehabilitation and Maintenance of Property (California Government Code Section 50281(b)(1))** During the term of this Agreement, the Property shall be subject to the following conditions, requirements and restrictions:

- a. Owner(s) agree to preserve/rehabilitate and maintain cultural, historical and architectural characteristics of the Property during the term of this Agreement as set forth in the attached schedule of improvements, which has been reviewed by the Landmarks Preservation Advisory Board and approved by the City Council (Exhibit B attached and made a part hereof). No demolition or other work may occur which would adversely impact the cultural, historical and architectural characteristics of the Property during the term of this Agreement.
- b. All work on the Property shall meet, at a minimum, the Secretary of Interior's Standards for Rehabilitation of Historic Properties (Exhibit C attached and made a part hereof), the Minimum Property Maintenance Standards (Exhibit D attached and made a part hereof), the State Historical Building Code as determined applicable by the City of Oakland, and all required review and conditions of the Landmarks Preservation Advisory Board, the Planning Commission, the City Council, and/or the Department of Planning and Building of the City of Oakland.
- c. If the schedule set out in Exhibit B is not complied with, then City will use the following process to determine whether the Owner(s) are making good faith progress on the schedule of work. Upon City's request, the Owner(s) shall timely submit documentation of expenditures made to accomplish the next highest priority improvement project for the property within the last 24 months. The Owner(s) shall be determined to be in substantial compliance when the expenditures are equal to or greater than the property tax savings provided by the Property being in the Mills Act Program. This schedule set out in Exhibit B shall be revised to reflect the schedule change. The Department of Planning and Building's Director, or his/her designee, shall have the ability to administratively adjust the schedule timeline, in concurrence with the Property Owners(s), only by written recorded instrument executed by the parties hereto.
- d. Owner(s) shall, within five (5) days of notice from the City, furnish City with any information City shall require to enable City to determine (i) the Property's present state, (ii) its continuing eligibility as a Qualified Historic Property, and (iii) whether the Owner is in compliance with this Agreement.

5) **Destruction through "Acts of God" or "Acts of Nature"** To the extent authorized by state law, Owner(s) shall not be held responsible for replacement/repair of the Property if it is Damaged or Destroyed through "Acts of

God/Nature”, such as slide, flood, tornado, lightning or earthquake. Damaged or Destroyed means that the property is no longer restorable to a condition eligible for historic designation due to substantial loss of integrity, as determined by a historic architect meeting the minimum qualifications contained within the Secretary of the Interior’s Standards for the Treatment of Historic Properties.

- 6) **Inspections (California Government Code Section 50281(b)(2))** Every five years from the original execution of this Agreement, Owner(s) agrees to permit examinations/inspections, by appointment, of the interior and exterior of the Property by one or more of the following: City staff, Members of the Landmarks Preservation Advisory Board, representatives of the County Assessor’s Office, representatives of the State Board of Equalization and representatives of the Department of Parks and Recreation, as may be necessary to determine the Owner’s compliance with this Agreement. Such examination/inspection shall be upon not less than five (5) days written or oral notice.
- 7) **Payment of Fees (California Government Code Section 50281.1)** The Owner shall pay the City a fee established pursuant to the City’s Master Fee Schedule, for costs related to the preparation and review of the Agreement and related documents at the time of application.
- 8) **Binding on Successors and Assigns (California Government Code Section 50281(b)(3))** Owner agrees that this Agreement shall be binding upon and inure to the benefit of all parties herein, their heirs, successors in interest, legal representatives, assigns and all persons acquiring any part or portion of the Property, whether by operation of law or otherwise, and that any such person(s) shall have the same rights and obligations under this Agreement.
- 9) **Cancellation (California Government Code Section 50284)** City, following a duly noticed public hearing before the City Council, as set forth in California Government Code Section 50285, may cancel this Agreement if it determines that Owner(s): (a) have breached any of the conditions of the Agreement; (b) have allowed the property to deteriorate to the point that it no longer meets the standards for being on the City’s Local Register of Historic Resources; or (c) if the Owner(s) have failed to restore or rehabilitate the Property in the manner specified in paragraph 4 of this Agreement.

In the event of cancellation, Owner(s) shall be subject to payment of those cancellation fees set forth in California Government Code Section 50286, described herein. Upon cancellation, Owner(s) shall pay a cancellation fee of twelve and one-half percent (12 ½%) of the current fair market value of the Property at the time of cancellation, as determined by the County Assessor as though the Property were free of any restrictions pursuant to this Agreement.
- 10) **No Compensation** Owner shall not receive any payment from City in consideration of the obligations imposed under this Agreement, it being

recognized and agreed that the consideration for the execution of this Agreement is the substantial public benefit to be derived therefrom and the advantage that will accrue to Owner as a result of the effect upon the Property's assessed value on account of the restrictions required for the preservation of the Property.

11) Enforcement of Agreement (California Government Code Section 50284) As an alternative to cancellation of the Agreement for breach of any condition as provided in paragraph 9, City may, in its sole discretion, specifically enforce, or enjoin the breach of the terms of this Agreement. In the event of a default, under the provisions of this Agreement by the Owners, City shall give written notice to Owners by registered or certified mail. If such a violation is not corrected to the reasonable satisfaction of City within thirty (30) days thereafter, or if not corrected within such a reasonable time as may be required to cure the breach or default if said breach or default cannot be cured within thirty (30) days provided that acts to cure the breach or default may be commenced within (30) days and must thereafter be diligently pursued to completion by Owners, then City may, without further notice, declare a default under the terms of this Agreement and may bring any action necessary to specifically enforce the obligations of Owners arising out of the terms of this Agreement, apply to any violation by Owners or apply for such other relief as may be appropriate.

12) Indemnification Owner shall indemnify, defend (with counsel reasonably acceptable to City) and hold harmless the City of Oakland, and all of its Councilmembers, boards, commissions, departments, agencies, attorneys, agents, officers, and employees (individually and collectively, the "City") from and against any and all actions, causes of actions, liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses (collectively called "Claims") incurred in connection with or arising in whole or in part from this Agreement, including without limitation:

- a. any accident, injury to or death of a person, loss of or damage to property occurring in or about the Property;
- b. the use or occupancy of the Property by Owner, its Agents or Invitees;
- c. the condition of the Property; or
- d. any construction or other work undertaken by Owner on the Property.

This indemnification shall include, without limitation, reasonable fees for attorneys, consultants and experts and related costs and City's cost of investigating any Claims. Owner shall defend the City from any and all Claims even if such Claim is groundless, fraudulent or false. Owner's obligations under this Paragraph shall survive termination of this Agreement.

13) Governing Law This Agreement shall be construed and enforced in accordance with the laws of the State of California.

14) Amendments This Agreement may be amended in whole or in part only by a written recorded instrument executed by the parties hereto in the same manner as

this Agreement.

- 15) **No Waiver** No failure by the City to insist on the strict performance of any obligation of Owner under this Agreement or to exercise any right, power or remedy arising out of a breach hereof, shall constitute a waiver of such breach or of City's right to demand strict compliance with any terms of this Agreement. No acts or admissions by City, or any agent(s) of City, shall waive any or all of City's right under this agreement.
- 16) **Severability** If any provision of this Agreement is determined to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each other provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
- 17) **Recording with Alameda County (California Government Code Section 50282(e))** No later than 20 days after execution of this Agreement, the Owner shall record with the county recorder a copy of the Agreement and provide proof of such to the City.
- 18) **Notice to State Office of Historic Preservation** The Owner shall provide written notice of the Agreement to the State Office of Historic Preservation within six (6) months of the date of this Agreement, and provide City with a copy of such notice.
- 19) **Eminent domain (California Government Code Section 50288)** In the event that the Property is acquired in whole or in part by eminent domain or other acquisition by any entity authorized to exercise the power of eminent domain, and the acquisition is determined by the legislative body to frustrate the purpose of the Agreement, such Agreement shall be canceled and no fee shall be imposed under Paragraph 9. This Agreement shall be deemed null and void for all purposes of determining the value of the Property so acquired.
- 20) **General Provisions** None of the terms, provisions, or conditions of this Agreement shall be deemed to create a partnership, joint venture, or joint enterprise between any of the parties hereto, or any of their heirs, successors or assigns.
- 21) **Attorney's Fees** In the event legal proceedings are brought by any party or parties hereto, to enforce or restrain a violation of any of the covenants, reservations or restrictions contained herein, or to determine the rights and duties of any party hereunder, the prevailing party in such proceeding may recover its reasonable attorney's fees in addition to court costs and other relief ordered by the court.

22) **Complete Agreement** This Agreement represents the complete understandings and agreement of the parties and no prior oral or written understandings are in force and effect.

23) **Headings** The headings in this Agreement are for reference and convenience of the parties and do not represent substantive provisions of this Agreement.

IN WITNESS WHEREOF, City and Owners have executed the Agreement on the day and year first written above.

Property Owner(s):

date

date

City of Oakland:

date

City Administrator

APPROVED AS TO FORM AND LEGALITY

date

City Attorney

EXHIBITS

EXHIBIT A: Legal Description of Property

EXHIBIT B: Schedule of Improvements

EXHIBIT C: The Secretary of the Interior's Standards for Rehabilitation

EXHIBIT D: Minimum Property Maintenance Standards

EXHIBIT C: SECRETARY OF THE INTERIOR'S STANDARDS FOR THE TREATMENT OF HISTORIC PROPERTIES - Standards for Rehabilitation

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

EXHIBIT D: MINIMUM PROPERTY MAINTENANCE STANDARDS

The following conditions are prohibited:

Dilapidated, deteriorating, or unrepaired structures, such as fences, roofs, doors, walls, windows, broken windows, peeling exterior paint, broken structures;

Graffiti;

Incomplete exterior construction where no building inspections have been requested for six or more months, or for work which does not require a building permit, where there has been no significant progress for 90 days.

FILED
OFFICE OF THE CITY CLERK
OAKLAND

City Attorney's Office

2019 OCT 10 PM 3:55

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER [IF APPLICABLE]

A RESOLUTION, AS RECOMMENDED BY THE LANDMARKS PRESERVATION ADVISORY BOARD, APPROVING TWELVE (12) MILLS ACT CONTRACTS BETWEEN THE CITY OF OAKLAND AND THE PROPERTIES AT 418 JEFFERSON STREET, 6028 BROADWAY TERRACE, 6475 COLBY STREET, 1263 TRESTLE GLEN ROAD, 619 MARIPOSA AVENUE, 2600 BEST AVENUE, 678 18TH STREET, 360 VAN BUREN AVENUE, 1000 SUNNYHILLS ROAD, 412 MONTE VISTA AVENUE, 3007 TELEGRAPH AVENUE, AND 492 STATEN AVENUE, PURSUANT TO ORDINANCE NO. 12987 C.M.S., TO PROVIDE PROPERTY TAX REDUCTIONS IN EXCHANGE FOR OWNERS' AGREEMENT TO REPAIR AND MAINTAIN HISTORIC PROPERTIES IN ACCORDANCE WITH SUBMITTED WORK PROGRAMS AND APPROVING TOTAL CITY TAX REVENUE REDUCTION ESTIMATED TO BE ABOVE \$25,000 PER YEAR

WHEREAS, the General Plan Historic Preservation Element Policy 2.6.I calls for the adoption of a Mills Act contract program pursuant to Sections 50280-90 of the California Government Code and Section 439 of the California Revenue and Taxation Code, to promote historic preservation in the City of Oakland; and

WHEREAS, the Oakland City Council adopted a pilot Mills Act program and a model Mills Act contract on February 6, 2007, by Ordinance No. 12784 C.M.S. and a permanent Mills Act Property Tax Abatement Program for qualified historic properties on January 5, 2010, by Ordinance No. 12987 C.M.S.; and

WHEREAS, the implementation of the Mills Act Program meets numerous General Plan goals and policies, including housing rehabilitation, preservation of community character and identity, blight prevention, support of skilled building trades, sustainability, revitalization, and image; and

WHEREAS, the City has received twelve Mills Act contract applications in 2019 from qualified properties, all of which are City of Oakland Designated Historic Properties: (1) 418 Jefferson Street, an 1869 Italianate-vernacular house in the Bret Harte Boardwalk district; (2) 6028 Broadway Terrace, a 1917 folk-Craftsman house that survived the 1991 North Hills fire; (3) 6475 Colby Street, a 1907 Craftsman house in Fairview Park with lavish clinker brickwork; (4) 1263 Trestle Glen Road, a 1922 Mediterranean model home for the Lakeshore Highlands tract; (5) 619 Mariposa Avenue, a 1908 Tudor-Craftsman

house in the Rose Garden neighborhood; (6) 2600 Best Avenue, a prominently-sited 1922 Dutch Colonial house in Maxwell Park; (7) 678 18th Street, an 1877-78 Italianate house on the edge of Downtown; (8) 360 Van Buren Avenue, a classic Prairie style house in Adams Point; (9) 1000 Sunnyhills Road, an intensely crafted Mission-Mediterranean house in the Lakeshore Homes neighborhood; (10) 412 Monte Vista Avenue, a 1908 Colonial Revival mansion, now 14 apartments, in the Rose Garden neighborhood; (11) 3007 Telegraph Avenue, a 1925-1931 mortuary being converted for commercial use in the KoNo area; and (12) 492 Staten Avenue, the Bellevue-Staten condominiums, an Art Deco icon on Lake Merritt; and

WHEREAS, eleven of the properties were designated as Heritage Properties by the Landmarks Preservation Advisory Board on July 8, 2019, in conjunction with the Mills Act applications, and 492 Staten is a contributor to the designated S-7 Bellevue-Staten Apartment District, designated by City Council in 1992; and

WHEREAS, rough estimates of 2020-21 tax reductions for individual properties range from \$1,504 to \$68,195, for a total of \$155,365, all of which is required to be reinvested in restoration and upkeep of these historic Oakland properties; and

WHEREAS, the City receives approximately 27.28 percent of property taxes collected by Alameda County, so that the City's share of the potential Mills Act tax reductions would be approximately \$42,384; and

WHEREAS, the 2010 Ordinance Expanding and Making Permanent the Mills Act Property Tax Abatement Program capped fiscal impacts of new Mills Act contracts on City tax revenues at \$25,000 per year plus up to \$500,000 impact on Redevelopment Area tax revenues; and

WHEREAS, due to rising Oakland property values, growing interest in the Mills Act program, and the elimination of City Redevelopment Agency tax revenues, the first-year revenue reduction from new 2019 Mills Act contracts has the potential to exceed the cap of \$25,000 impact on City property tax revenue, by up to approximately \$17,384; and

WHEREAS, the 2010 Ordinance Expanding and Making Permanent the Mills Act Property Tax Abatement Program provides that tax losses may exceed the Ordinance's limits with approval of the City Council; and

WHEREAS, the Mills Act contract applications in 2019 include three large adaptive reuse and multi-unit projects, 412 Monte Vista, 3007 Telegraph, and 492 Staten, that meet City goals by providing and maintaining dwelling units, preserving endangered historic resources, bringing blighted buildings back into service, and maintaining the structural integrity an iconic landmark, but account for an estimated \$28,422 of potential City revenue reduction in addition to the \$13,962 total estimated reduction projected for the nine small residential projects; and

WHEREAS, at a duly noticed meeting on July 8, 2019, the Landmarks Preservation Advisory Board recommended all twelve applications for contract approval for the 2019 Mills Act program and expressed support for a higher loss limit in view of the benefits of the specific nominated projects and the Mills Act program in general; and

WHEREAS, at a duly noticed meeting on July 17, 2019, the Planning Commission received a Director's Report on the Landmarks Board's Mills Act contract recommendations and supported approval of all twelve applications, with special mention of the Bellevue-Statens; and

WHEREAS, the City Council Community and Economic Development Committee considered the matter at its October 22, 2019, duly noticed meeting and recommended approval to the City Council; and

WHEREAS, the City Council considered the matter at its October 29, 2019, duly noticed meeting; now, therefore be it

RESOLVED: That the City Administrator, or designee, is hereby authorized to enter into Mills Act contracts, subject to review and approval of the City Attorney, in substantial conformity with the previously approved model Mills Act contract, with the following properties, and to take whatever actions are necessary to implement the previously approved Mills Act Program consistent with this resolution, including recognition and approval of potential first-year property tax revenue reduction up to approximately \$42,384:

**418 JEFFERSON STREET, Oakland CA
6028 BROADWAY TERRACE, Oakland CA
6475 COLBY STREET, Oakland CA
1263 TRESTLE GLEN ROAD, Oakland CA
619 MARIPOSA AVENUE, Oakland CA
2600 BEST AVENUE, Oakland CA
678 18TH STREET, Oakland CA
360 VAN BUREN AVENUE, Oakland CA
1000 SUNNYHILLS ROAD, Oakland CA
412 MONTE VISTA AVENUE, Oakland CA
3007 TELEGRAPH AVENUE, Oakland CA
492 STATEN AVENUE, Oakland CA**

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND
PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California