



AGENDA REPORT

Meeting Date: November 4, 2014

Item Number: E-1

To: Honorable Mayor & City Council

From: William R. Crouch, AIA, NCARB, AICP, LEED (AP), Urban Designer

Subject: A RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS APPROVING A MILLS ACT CONTRACT FOR THE JOE E. BROWN RESIDENCE LANDMARK PROPERTY AT 707 WALDEN DRIVE, BEVERLY HILLS.

Attachments:

1. Resolution Approving a Mills Act Contract for 707 Walden Drive including, as exhibits: Mills Act Application, Proposed Mills Act Contract ("Historic Property Preservation Agreement") and Preservation Plan
2. Cultural Heritage Commission Staff Report and Resolution of Recommendation

RECOMMENDATION

Upon the recommendation of the Cultural Heritage Commission, the City Council is asked to adopt a resolution approving a Mills Act Contract for the landmark property located at 707 Walden Drive, Beverly Hills.



BACKGROUND

A Pilot Mills Act Program was established by the City Council as an incentive for owners of qualifying Local Landmark properties in Beverly Hills. The program offers a property tax reduction to owners of participating historic properties. In exchange, property owners agree to use tax savings to complete a pre-approved Rehabilitation and Maintenance Plan to restore, repair, and maintain historic properties over the life of the contract. Mills Act contracts run for an initial ten (10) year term automatically renewing each year on the agreement date anniversary, unless either party serves a written notice of nonrenewal.

On March 4, 2014, the City Council extended the City's Pilot Mills Act program through December 31, 2016. At that time the City Council approved an increased annual cap on lost property tax to the City not to exceed \$100,000.00 per annum, making the Pilot Mills Act Program available to all single-family dwellings, multi-family dwellings, all commercial and non-residential properties in the City of Beverly Hills with tax assessed values not exceeding \$7.5M, with the possible exemption from the property value limitation in exceptional circumstances for properties with significant cultural-historic and/or architectural value to the community.

DISCUSSION

The Joe E. Brown Residence at 707 Walden Drive is a well-executed Spanish Colonial Revival style residence that was designed and built by Rene Rivierre, a local builder included on the City's Master Architect List who designed, built and sold a number of residences in the community. Acting upon recommendation by the Cultural Heritage Commission, the City Council designated the property as Landmark No. 25 on the Local Register of Historic Properties on August 19, 2014 by adopting Resolution No. 14-R-13005.

The Cultural Heritage Commission considered the Mills Act application for the landmark property at 707 Walden Drive, Beverly Hills at its meeting on September 30, 2014. At that meeting, the Cultural Heritage Commission adopted a resolution recommending approval of the Mills Act contract (Attachment 2).

This is the only application for a Mills Act Contract being considered at this time, and if approved, would bring the total number of Mills Act Contracts under the Pilot Program to three (3), including the Fox Wilshire - Saban Theatre and the Beverly Hills Post Office, approved in 2013. The total annual loss of property tax to the City that would result from these three Mills Act contracts is estimated to be approximately \$55,100, with a corresponding annual loss of approximately \$48,200 to the Beverly Hills Unified School District, as summarized in the following table:

Property Address/Name	Year Mills Act Contract Approved	Approximate Annual Tax Reduction - City	Approximate Annual Tax Reduction - School District
Fox Wilshire - Saban Theatre	2013	\$10,400	\$9,100
Beverly Hills Post Office ¹	2013	\$36,000	\$31,500
707 Walden Drive (Joe E. Brown Residence)	2014	\$8,700	\$7,600
TOTAL:		\$55,100	\$48,200

The application for a Mills Act Contract provides an estimate of likely tax savings as well as an estimate of the City’s property tax reduction. Since these estimates are based on financial data submitted by the applicants, the City will work with the County Assessor to verify all calculations prior to final tax assessments. By executing a Mills Act contract, the City does not corroborate the applicant’s submitted financial statement, but authorizes tax abatement for the individual property.

If approved for the City’s Pilot Mills Act Program, City staff and the L.A. County Assessor’s Office will use specific formulae to determine the value of the historic property based upon net operating income rather than upon the traditional assessed valuation method, to calculate the tax reduction in each case. In exchange for the tax reduction, the owners of the landmark property agree to protect, maintain and restore their historic landmark property as appropriate.

The applicant has provided a ‘Preservation Plan’ which details the proposed reinvestment of property tax savings associated with the subject property. The Rehabilitation and Maintenance Plan is a part of the Mills Act application and will be incorporated into the respective Mills Act contract (see Attachment 1). Although the property’s landmark designation did not include interior aspects of the residences as character defining features, the proposed preservation plan includes expenditure of a portion of the tax savings to maintain and restore interior aspects of the residence that represent and contribute to the original historic fabric of the residence. As such, the proposed Mills Act contract memorializes the obligations of the property owner to maintain certain interior aspects of the historic structure, and the City’s ability to inspect and verify that those interior-related obligations are being fulfilled during the term of each agreement.

GENERAL PLAN CONSISTENCY

Approval of a Mills Act Contract for the landmark property located at 707 Walden Drive, Beverly Hills, is consistent with the objectives, principles, and standards of the General Plan. General Plan Policy “HP 1.3 – Promote National, State, and Local Designation of Historic Resources”

¹ It should be noted that this property would not be generating any significant property tax income except for the creation of the necessary legal entities needed to make Federal Historic Tax Credits available for The Wallis project in an effort to offset the significant construction costs associated with the project.

encourages the establishment of programs encouraging the nomination of landmarks, such as the Mills Act Program.

ENVIRONMENTAL DETERMINATION

Approval of a Mills Act Contract for the landmark property located at 707 Walden Drive, Beverly Hills, was assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the environmental regulations of the City. Staff recommends that the City Council find that approval of a Mills Act Contract for the landmark property located at 707 Walden Drive, Beverly Hills would not have a significant environmental impact and is categorically exempt from CEQA pursuant to Sections 15308 and 15331 of Title 14 of the California Code of Regulations because approval of Mills Act Contracts for this landmark property is an action of the City to protect and preserve historic resources.

PUBLIC COMMENT

Notice of the City Council's consideration of this Mills Act Contract was provided to the property owners. As of the writing of this agenda report, no public comments have been received. Additionally, no public comments, other than from the applicants, were received at the public hearing before the Cultural Heritage Commission on September 30, 2014.

FISCAL IMPACT

Execution of this Mills Act contract would result in additional reduced property tax revenue to the City of approximately \$8,700 per annum and to the School District of approximately \$7,600. The City's Extended Mills Act Pilot Program caps the total property tax losses to the City at a maximum of \$100,000 per annum (with a corresponding impact to the Beverly Hills Unified School District of \$80,000 per annum). If approved the total number of Mills Act Contracts under the Pilot Program would total three (3), including the Fox Wilshire - Saban Theatre, and the Beverly Hills Post Office, approved during 2013. The total annual loss of property tax to the City resulting from these three Mills Act contracts would be approximately \$55,100, with a corresponding annual loss of approximately \$48,200 to the Beverly Hills Unified School District, which is within the approved limits of the Pilot Mills Act Program.

Susan Healy Keene
Director of Community Development


Approved By