



Office of the City Manager

CONSENT CALENDAR

December 3, 2013

To: Honorable Mayor and Members of the City Council

From:  Christine Daniel, City Manager

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

Subject: Mills Act Contracts - 18 Alvarado Street and 1542-1544 La Loma Avenue

RECOMMENDATION

Adopt two Resolutions directing the City Manager to enter into Mills Act contracts for the 18 Alvarado Street and 1542-1544 La Loma Avenue properties.

FISCAL IMPACTS OF RECOMMENDATION

Approving these two contracts would reduce the home property tax bills for the owners by an estimated total of \$7,212 and \$1,771 respectively in year one, approximately 30% of which would be diverted from Berkeley's tax revenue. These will be annual impacts to the City's tax revenue, as the contracts run for 10 years, renewing annually unless notice of nonrenewal is given. In turn, the work plans commit the owners to spending the anticipated tax savings in restoring the landmarked properties. The Mills Act also specifies procedures for cancellation of a contract for a breach of conditions.

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

CURRENT SITUATION

On February 24, 1998, the City Council passed Resolution No. 59,355-N.S. which authorizes the use of the Mills Act, California Government Code Section 50281 in the City of Berkeley. The Mills Act allows owners of historic properties to voluntarily enter into individual contracts with the City which provide property tax reduction in exchange for restoring their historic properties. The owners of two landmarked properties have applied for Mills Act contracts with the City in 2013 to take effect in 2014: 18 Alvarado Road, the McCormack Residence, designated a landmark on October 3, 2013; and 1542-1544 La Loma Avenue, the Tolman Cottages, designated contributing structures to the La Loma Historic District on May 6, 2002.

At its October meeting, the LPC reviewed the proposed Mills Act work plan for 18 Alvarado Street, and voted 6-0-0-3 (Yes: Hall, Linvill, Olson, Parsons, Ruegg, Wagley; No: None; Abstain: None; Absent: Ng, Pietras, Schwartz) to approve the work plan and recommend that the City enter into a Mills Act contract for the restoration of the property. At its September meeting, the LPC reviewed the proposed Mills Act work plan for 1542-1544 La Loma Avenue, and voted 7-2-0-0 (Yes: Hall, Linvill, Ng, Olson, Parsons, Ruegg, Wagley; Opposed: Pietras, Schwartz; Abstained: None; Absent: None) to approve the work plan and recommend that the City enter into a Mills Act for the restoration of the property.

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

Estimated property tax reductions for properties requesting Mills Act contracts, diverted annually from Alameda County tax revenue, with approximately 30% diverted from City of Berkeley General Fund										
Address	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
18 Alvarado Street	\$25,896	\$26,125	\$26,354	\$26,583	\$26,812	\$27,041	\$27,270	\$27,498	\$27,726	\$27,954
1542-1544 La Loma Avenue	\$5,903	\$5,997	\$6,094	\$6,192	\$6,292	\$6,394	\$6,499	\$6,606	\$6,716	\$6,828

Attachments to this report contain a resolution and proposed work plan for each of these properties. Council approval will allow property tax reduction for these properties beginning January 2014, with the contracts automatically renewing annually unless notice of non-renewal is given by either party.

### BACKGROUND

The Mills Act provides limited ad valorem tax relief at the discretion of host jurisdictions to encourage rehabilitation and on-going maintenance of historic resources. The County Assessor uses a formula, consistent with the provisions of the Mills Act, to determine the amount of property tax, which applies a capitalization rate to the calculated net operating income for the property enrolled in a Mills Act Program. The Mills Act applications include a ten-year work plan to restore and maintain the subject property. The total investment in the work plan is intended to exceed the total amount of the property tax relief over the period. In Berkeley, City landmarked properties may apply for Mills Act contracts. Between 2000 and 2012 the City has entered into Mills Act contracts with 27 property owners who are utilizing the program to restore and stabilize landmark properties.

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

#### RATIONALE FOR RECOMMENDATION

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

In the first case, these properties are eligible for Mills Act contracts because they are designated City of Berkeley landmarked properties. In the second, the contracts have been reviewed by the City Attorney's Office for conformance to all relevant City and State regulations prior to signature. Finally, the contracts include comprehensive work plans that the property owners have agreed to complete within the first ten-year contract period and that provide for each property's "use, maintenance and restoration as to retain its characteristics as property of historical significance," as provided for in the Mills Act, Government Code Sections 50280 et. Seq., and as authorized by the Berkeley City Council per Resolution No. 59,355-N.S. The Landmarks Preservation Commission concluded that the improvements listed in these work plans meet the standards adopted by the City Council, and the costs of the proposed improvements are anticipated to equal or exceed the tax savings afforded the individual owners.

#### ALTERNATIVE ACTION CONSIDERED

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

#### CONTACT PERSON

Eric Angstadt, Director of Planning and Development, 981-7401

Sally Zarnowitz, Secretary to the Landmarks Preservation Commission, 981-7429

#### Attachments

1. Resolution: 18 Alvarado Street
2. Resolution: 1542-1544 La Loma Avenue
3. Work Plan: 18 Alvarado Street
4. Work Plan: 1542-1544 La Loma Avenue

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

AUTHORIZING THE CITY MANAGER TO EXECUTE A MILLS ACT CONTRACT AND ANY AMENDMENTS WITH GUSTAVO MANSO AND MARIA SALGADO FOR THE MAINTENANCE AND RESTORATION OF AN HISTORIC PROPERTY LOCATED AT 18 ALVARADO ROAD IN ORDER TO OBTAIN A PROPERTY TAX REDUCTION FOR A PERIOD OF TEN YEARS

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

WHEREAS, on October 3, 2013, 18 Alvarado Road (The McCormack Residence) was designated a City of Berkeley Landmark and it became eligible to take advantage of the Mills Act; and

WHEREAS, on October 3, 2013, the Landmarks Preservation Commission reviewed the proposed projects listed in the Mills Act Contract Application for 18 Alvarado Road, and recommended specific changes. The Commission recommended that the City enter into a Mills Act contract with the property owner; and

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

WHEREAS, on December 3, 2013, the City Council, in light of all the evidence, found that the contract was consistent with the purposes of the Mills Act program.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a Mills Act Contract and any amendments with Gustavo Manso & Maria Salgado for the maintenance and restoration of the historic property located at 18 Alvarado Road in order to obtain a property tax reduction for a period of ten years. A record copy of such contract and amendments to be on file in the Office of the City Clerk.

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

AUTHORIZING THE CITY MANAGER TO EXECUTE A MILLS ACT CONTRACT AND ANY AMENDMENTS WITH DAVID BIGHAM AND HOWARD ARENDTSON FOR THE MAINTENANCE AND RESTORATION OF AN HISTORIC PROPERTY LOCATED AT 1542-1544 LA LOMA AVENUE IN ORDER TO OBTAIN A PROPERTY TAX REDUCTION FOR A PERIOD OF TEN YEARS

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

WHEREAS, on May 2, 2002, 1542-44 La Loma Avenue (The Tolman Cottages) were designated contributing structures to the La Loma Historic District and became eligible to take advantage of the Mills Act; and

WHEREAS, on September 12, 2013, the Landmarks Preservation Commission reviewed the proposed projects listed in the Mills Act Contract Application for 1542-44 La Loma Avenue, and recommended specific changes. The Commission recommended that the City enter into a Mills Act contract with the property owner; and

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

WHEREAS, on December 3, 2013, the City Council, in light of all the evidence, found that the contract was consistent with the purposes of the Mills Act program.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a Mills Act Contract and any amendments with David Bigham & Howard Arendtson for the maintenance and restoration of the historic property located at 1542-44 La Loma Avenue in order to obtain a property tax reduction for a period of ten years. A record copy of such contract and amendments to be on file in the Office of the City Clerk.

Estimated Rehabilitation - Maintenance Schedule for Mills Act Application

Feature (see Historic Report for figs.)	Location	Character Defining?	Condition	Recommended Treatment	Maintenance Schedule (estimate)	Estimated 10yr Budget
<b>A. LANDSCAPE/SITE</b>						
A1. Garden and Yards (figs.A-B)	Front Garden and Yard, and South Side Garden	Yes	Fair-good	Maintain historic gardens and yards; maintain plantings; prune (or remove non-original) trees; maintain and repair brickwork; repair irrigation system	Bi-annual	\$10,000
A2. Perimeter concrete retaining walls (figs. C- E)	West frontage and driveway	Yes	Fair	Inspect and maintain as required, repair concrete cracks; maintain and repair brickwork; clean and repaint	Ongoing, repairs 2019	\$5,000
A3. Sidewalks & Site paths (figs. E-G)	Sidewalk at frontage; Brick and concrete paths at front yard	Yes	Good-poor	Repair and selectively replace where deteriorated	2022	\$10,000
A4. Garden and Yards (figs. A, H)	Trees - Redwood and sequoia grove at rear yard	Yes	Good	Maintain and prune	2016/2021	\$6,000
<b>B. HOUSE EXTERIOR &amp; STRUCTURE</b>						
B1. Porches and terraces (fig. I)	Front Veranda	Yes	Good-fair	Brick masonry maintenance, repair (grouting, sealing)	Annual maintenance; 2022 selective replacement	\$6,000
B2. Exterior wood and trim (figs. J-M)	Entire structure	Yes	Fair	Periodically repair and maintain wood, including selective repairs and sealing; prepare and repaint overall exterior c2020	Maintain bi- annual; refinish 2018-20	\$25,000

Estimated Rehabilitation - Maintenance Schedule for Mills Act Application

B3. Exterior stucco (figs. J-P)	Entire structure	Yes	Fair	Periodically repair and maintain wood, including selective repairs and sealing; prepare and repaint overall exterior c2020	Maintain bi-annual; repaint 2018-20	\$25,000
B4. Chimneys - see also, Fireproofing/Fire Protection (fig. N)	South Roof	Yes	Poor	Remove existing masonry chimney and replace with new frame chimney to match existing stucco-clad brick chimney	2014	\$18,000
B5. Wood frame structure	Entire building	No	Fair	Provide new footings, hold downs, and shear plywood at interior rooms and crawl space following Structural Engineer's specifications	2014	\$18,500
B6. Wood frame structure	Kitchen floor	No	Poor	Repair dry-rot (per pest report)	2015	\$12,000
<b>C. HOUSE EXTERIOR - WINDOWS, DOORS &amp; GLAZING</b>						
C1. Exterior Windows (figs. L-S)	Entire structure	Yes	Good-poor	Repair and maintain, selective replacement of south side windows, prepare and repaint overall exterior c2020	Annual maintenance; 2020 selective replacement and repainting	\$10,000
C2. Exterior doors (fig. O)	Entire structure	Yes	Good-poor	Repair and maintain; prepare and repaint overall exterior c2020	Annual maintenance; 2020 repair and selective replacement	\$5,000
C3. Glazing	Entire structure	Yes	Fair-poor	Selectively replace window glazing with tempered glass, or apply safety film	2020	\$2,000

Estimated Rehabilitation - Maintenance Schedule for Mills Act Application

<b>D. HOUSE EXTERIOR - WATERPROOFING</b>									
D1. Perimeter drainage	Building perimeter - uphill	No	Fair	Repair at north side	2015				\$5,000
D2. Sloped roofing, roof drainage and flashing assemblies (figs. T-V)	Entire structure	Yes	Fair	Repair and maintain; Reroof, including drainage assembly repair, selective replacement; connect system to storm drains	Annual maintenance; 2020 reroof				\$50,000
<b>E. HOUSE FIREPROOFING/FIRE PROTECTION</b>									
E1. Fire Extinguishers, Smoke Detectors & Alarm Systems	Entire Structure	No	Fair	Annual inspection and maintenance	Annual				\$2,500
E2. Chimney Flue	South and North Roof	No	Poor	Annual inspection and cleaning to remove creosote and soot accumulation (fire hazard)	Annual				\$5,000
<b>F. HOUSE BUILDING SYSTEMS</b>									
F1. Heating system	Each floor level	No	Poor	Annual inspection and repair as needed; replace furnace	Annual; replace 2015				\$20,000
F2. Plumbing system	Entire Structure	No	Fair	Monitor operation and make repairs as needed; selective replacement of older galvanized piping and hot water heater	Bi-annual; 2020 selective replacement				\$20,000
F3. Electrical system	Entire Structure	No	Fair	System-wide inspection and selective repairs; alterations to meet code requirements, replace old wirings	Bi-annual; 2017 selective replacement				\$20,000
F4. Exterior lighting (figs. J, O)	Entire Structure	Yes	Good-poor	Maintain good fixtures; replace selected poor/inappropriate fixtures	2018				\$5,000

Estimated Rehabilitation - Maintenance Schedule for Mills Act Application

<b>G. HOUSE INTERIOR</b>						
G1. Interior Architectural Woodwork (figs. a-e)	Throughout original main and second floor spaces	Yes	Fair	Periodic cleaning and wood care	Bi-annual	\$7,500
G2. Interior lighting (figs. f-g)	Entry Hall	Yes	Fair	Maintain; sensitively relamp with energy efficient lamps	2018	\$2,000
<b>H. GARAGE EXTERIOR</b>						
H1. Exterior wood and trim (figs. h-i)	Entire structure	Yes	Fair	Repair and maintain wood, including selective repairs and sealing; repaint	Maintain bi-annual; refinish 2018-20	\$5,000
H2. Exterior stucco (figs. h-j)	Entire structure	Yes	Fair	Repair and maintain wood, including selective repairs and sealing; repaint	Maintain bi-annual; repaint 2018-20	\$5,000
H3. Waterproofing	Building walls - uphill	Yes	Fair-poor	Repair	2018	\$5,000
H4. Sloped roofing, roof drainage and flashing assemblies (figs. h-i)	Entire structure	Yes	Fair	Repair and maintain; Reroof, including drainage assembly repair, selective replacement; connect system to storm drains	Annual maintenance; 2020 reroof	\$8,000
<b>Total Estimated Preservation &amp; Maintenance Costs</b>						<b>\$312,500</b>

<b>PART 2A: Owner's 10 Year Maintenance Plan</b>		
<p><u>Item Number: A</u></p> <p>Project: Upper &amp; Lower Cottages</p> <p>Feature: Exterior and interior system, including walls, windows, doors, roof, finishes, and building infrastructure (MEP, Structural) of Upper Cottage</p> <p>Condition: Ongoing maintenance, check and review</p> <p><b>Anticipated Cost: \$ 143,000</b></p>	<p><u>Description of the Work:</u></p> <p>Maintenance checkup and building review every two years based on worksheet with item description, field observation of conditions, current estimated costs of repair anticipated for remaining 10-year budget cycle, and priority.</p>	<p>Schedule: 2015-2023</p>
<p><u>Item Number: B</u></p> <p>Project: Landscape and Hardscape</p> <p>Feature: Landscape and Hardscape including pavement, walkways, walls, drainage &amp; irrigation systems, plantings, fences, and other outdoor elements</p> <p>Condition: Ongoing maintenance, check and review</p> <p><b>Anticipated Cost: \$ 42,000</b></p>	<p><u>Description of the Work:</u></p> <p>Maintenance checkup and landscape/hardscape review every two years based on worksheet with item description, field observation of conditions, current estimated costs of repair anticipated for remaining 10-year budget cycle, and priority.</p>	<p>Schedule: 2015-2023</p>

<b>PART 2B: Owner's Repair and Replacement List (10 Year Plan)</b>				
Checklist shall be updated by the Owner every 2 years, including the item description, background, approximate useful life, recommendations, sources, estimated costs for repair (quantity, unit, cost/unit, and total costs anticipated).				
Item	Description	Current Observations	Priority (1= highest)	Budget Costs adjusted at Owner's discretion
A.1	Walls- Exterior (including finishes and associated components)	+12-years old	1	\$ 20,000
A.2	Walls- Interior (including finishes and associated components)	+12-years old	3	\$ 10,000
A.3	Ceiling (including finishes and associated components)	+12-years old	4	\$ 5,000
A.4	Flooring	Finish has failed	7	\$ 10,000
A.5	Doors & Windows	In need of renov./repair	2	\$ 10,000
A.6	Roof & Eaves	See Primary Project #2		\$ 0 (Primary Projects item 2)
A.7	Foundation	In need of repair/replace	6	\$ 75,000
A.8	Electrical System	okay		\$ 0
A.9	Mechanical System	New furnace needed	5	\$ 10,000
A.10	Plumbing System	Minor repairs anticipated	8	\$ 3,000
<b>Total Item A:</b>				<b>\$ 143,000</b>
B.1	Sitework	okay		\$ 0
B.2	Walkways, Pavings	See Primary Project #8	Bi-annual repair	\$ 4,000
B.3	Retaining Walls	Need repair/replace	9	\$ 35,000
B.4	Plantings	See Primary Project #8	Bi-annual repair	\$ 3,000
B.5	Other Site Elements	okay		\$ 0
<b>Total Item B:</b>				<b>\$ 42,000</b>

