



# Historic Resources Board

## Staff Report (ID # 8201)

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<b>Report Type:</b>	Study Session	<b>Meeting Date:</b> 6/8/2017
<b>Summary Title:</b>	Mills Act Discussion (continued from May 25, 2017)	
<b>Title:</b>	Mills Act Discussion: Consideration of Potential Pilot Program for Palo Alto Mills Act Properties	
<b>From:</b>	Hillary Gitelman	

### Recommendation

Staff recommends that the Historic Resources Board (HRB) resume its discussion of the Mills Act program in Palo Alto, including a discussion of the HRB subcommittee's attached draft proposal from April. In addition, staff has reviewed the HRB subcommittee's draft and recommends further discussion of a Mills Act program that could address concerns about limiting tax exposure. Staff would then proceed with next steps, including drafting an ordinance to modify the Historic Preservation section of Palo Alto's Municipal Code (16.49).

### Background

On April 27, 2017, staff presented a written report about the Mills Act to the HRB members and the HRB discussed the topic. An excerpt of the meeting minutes are attached to this report (Attachment A). The HRB formed a subcommittee during the HRB meeting of April 27, 2017 to discuss this topic and the item was continued to the May 25, 2017 HRB meeting; the item was not taken up on May 25<sup>th</sup> due to the agenda time constraints, and it was continued to June 8, 2017. The subcommittee had met and prepared a draft proposal (Attachment B); staff met and discussed the draft proposal on June 1, 2017.

### Subcommittee Materials

Staff and the City Attorney have reviewed the HRB subcommittee proposal and will take the HRB subcommittee findings into consideration when drafting the pilot program. The Historic Preservation Planner, who joined the City of Palo Alto on May 16, 2017, will continue working with the HRB subcommittee following the HRB full discussion of the draft on June 8, 2017.

### Report Author & Contact Information

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**Attachments:**

- Attachment A: Excerpt HRB Meeting Minutes of April 27 Discussion of Mills Act (DOCX)
- Attachment B: Mills Act Pilot Program 4-28-2017 (DOCX)



# HISTORIC RESOURCES BOARD MEETING EXCERPT MINUTES: April 27, 2017

Mills Act Discussion  
City Hall/City Council Chambers  
250 Hamilton Avenue

## Study Session

### 3. HRB discussion of Mills Act

Chair Bernstein: Alright, next on our – yeah? Ok, next on our agenda will be a study session and it's regarding Historic Resources Board discussion of Mills Act. Shall staff have any introduction on this subject?

Ms. French: Sure, I'll just briefly cover the points that are in the staff report. I did do a background summary the last time that Council and the HRB had a joint session. That was in May of 2015 and we didn't have one last year and I don't know – there's nothing on the schedule for this year, yet. At that meeting, there was some discussion about the Mills Act because it did appear as one of the incentives on our list of incentives for historic preservation. I captured here Council Member Dubois's statement about that, as far as what he suggested for the HRB to do, so I quoted that in our background here. Then I did a little bit of research on looking at some other Cities. I looked at Oakland in particular, because that's where our Historic Planner went for his next job and I thought, oh, that's interesting, it's very robust over there. They had a pilot program, they have a Historic Preservation Element in their Comprehensive Plan, it's a very robust program. I had some – I put some links in here in the staff report for anybody on the Board or the public to go in and find out about that. I do want to state that – that's in the report as well but Squire House is our only Mills Act contract at this point and they have requested to end that contract; the Mills Act contract. So, 10-years from now, basically, we will have no Mills Act contract properties in Palo Alto. Unless somebody else comes forward and seeks one of those contracts. Now is a good time to have that discussion because we're listed as a City with Mills Act contract program and I think it would be nice to have one or two or more.

Chair Bernstein: Ok, thank you for that. I do see on packet page 17, where it says locate criteria for eligibility and there are three criteria. It has to be Category one, must be individually listed, and only a single-family home outside downtown CD – commercial downtown district. I'm curious if anyone knows how many Category One, non-CD zone, single family residents are there in Palo Alto? Did...

Board Member Kohler: What page are you on?

Chair Bernstein: Packet page 17.

Board Member Kohler: Ok.

Ms. French: So, I – can I just put a context around this page and this staff report? This is a staff report from former planner Dennis Backlund...

Chair Bernstein: Oh, ok.

Ms. French: ... that was a proposed – looks like a staff proposed criteria. I don't – I didn't find any evidence that this was adopted or...

Chair Bernstein: Oh ok, alright.

Ms. French: ...yeah, so this is – this was ruminations and I couldn't even find the minutes that went with these to say what the HRB thought of these.

Chair Bernstein: I do see it says proposed local policy, ok. Alright, good. Alright – but responding to Council Member DuBois comment about what are the some of the parameters? That might include, in our discussion today, that does it have to be a Category One single family residence? Can it be a duplex unit, for example? Does it need to be – can it be within the commercial – anyway, we have lots of flexibility that we can discuss today because today is a discussion. Alright, so I look forward to any – I'd like to also put on the record that Board Member Brandon Corey has – is – has joined us. Welcome. The – for Board Members, why don't we just head down and see if we have any comments or suggestions on day one for our next discussion on Mills Act. Board Member Bunnenberg.

Board Member Bunnenberg: My memory – if my memory is correct, we did have a – the City did have a Mills Act on the Juana Briones House but that one had a very sad outcome and I think left a (inaudible) to proceeded with more properties. That has lasted us quite a while and yet, former Board Member Pat Di Cicco talked about the rules for her house down in, I think it's Coronado. That it had been working very successfully but with two special provisions. That each year the people owning the properties had to report what they had done with what was their tax saving. That seems to me to be a very important part. Then I think the big question is, how do you lay out that plan so that property owners can see what steps they can take first and what needs to wait a while till it's another year or whatever?

Board Member Kohler: Oh, I'm sorry.

Chair Bernstein: Board Member Wimmer.

Board Member Wimmer: Oh, Corey has his light on.

Chair Bernstein: Board Member Brandon or Corey.

Board Member Corey: Yeah, so I actually attended a recent workshop as well on the Mills Act. I had some – I got some pretty interesting data out of that. Shannon [Lochner] who runs the program for the State of California was there and she actually gave a presentation on it. A couple of things that were interesting. First I heard that there are 290 contracts in Santa Clara County, which is actually pretty extensive. I thought that was kind of – that was surprising. I think Oakland has 50 so that was – I guess that's not even in Santa Clara County so I thought that was kind of interesting given our – give what we've kind of come too. Also, interesting, I had asked questions and talked to a handful of people in other Cities in the area who had actually adopted this. The overall – they kind of came to two conclusions. First of all, everyone was always nervous about the properties tax impact and while nobody had any conclusive data on any impacts of the schools that they could put together. Of course, there was nothing that kind of discounted any possible impact either but even Shannon had said that she had been doing it for a long time and they'd never had any report of any really bad side effect from a school for this. The interesting thing was that a lot of Cities – what they had talked about was Los Gatos, I remember in particular, had a plan where they tried to have a pilot program where they added say – they allowed up for up to five initially, as a way to kind of have City Council feel better about the impact. Then they could kind of let that grow over time depending on how it went. It seemed like they – I hadn't – of course, this isn't to say that there hasn't been anybody but it generally sounded like that seems like a reasonable approach because if you had more of a pilot program or some limited number to start with. Then you could kind of gauge the interest as well but then you would be able to mitigate this by having a cap so I thought that was pretty interesting. Then there's – then overall in California, there are many places that have it. I think San Diego has over 1,000 of them they said so it's all very City dependent. There's a lot of flexibility as far as the local designation and what you can do there. The other thing that was -- Board Member Bunnenberg had mentioned this, as far as having to keep track of what was on the property. That was or what you'd spent money on the property, I think that was important. Another thing that was added in the last couple years, I think it was 2015, but I guess it was revised; maybe it was

2014. Where the City has the requirement, although there's some flexibility in what that means, to actually inspect the property to verify that those improvements have been made so that's something that we would have to consider as well as far as what the impact would be. They said something – I think LA was one of the strictest where they actually went underneath the house and inspected down to the detail of the foundation and everything. Then there are other Cities that do drive-by inspections so it's just – again, it's up to the local authority but that is part of the plan now. I think that was the gist of it but it was a lot of good information.

Chair Bernstein: Well, thanks for that report. I mean, that suggests that there is just a lot of flexibility. Each City can decide what is appropriate and acceptable.

Board Member Corey: Yeah, I think overall the message was a lot – all – there are many, many Cities that do it. (Inaudible) there are 90 separate programs in California; I forgot to mention that. So, different cities and they all – they have – there's just a lot of local flexibility on what they want to implement that's right for them.

Chair Bernstein: Ok, good. Ok. Alright, other Board Members? Yeah?

Board Member Wimmer: Yeah, sure.

Chair Bernstein: Board Member Wimmer.

Board Member Wimmer: I mean, I think – it seems to me like the City needs to review what the Mills Act offers and how – we need to define it for ourselves. Also, I think there's a bit of a Staff impact if we have a lot of contracts out because it's the City – the City Staff that would have to monitor it or be involved in it so I guess that's one of the number one questions. I know that the Staff is pretty overworked, rumor has it. Is that even something that the – that we can take on and maybe that's primarily why we don't encourage people to have Mills Act contracts because maybe Staff isn't prepared or doesn't have the ability to have – to monitor those. I don't know. That's not something that I can answer but it would be interesting to know why our one and only contract – why they are interested in breaking their contract. I thought it was because they are required to have the house open once a year. I remember this recent year when it was open and I think Karen had announced at the meeting that morning that – you guys, the Squire House is open and so you need to email them and request to be put on the list. Of course, right after the meeting I instantly emailed and they said sorry it's full. I just went anyway. I just thought I'm going to show up and see if I can go because I was really interested in seeing the house. No one was really monitoring a list at the door. So, I – maybe it would be good to know why – I guess the advantages and disadvantages for these people to have these contracts -- maybe that's the primary disadvantages of having to have to have your house open once a year and also the bookkeeping aspect of it. It might be hard – I mean for some people maybe that outweighs the benefits but I think that the City has to embrace this program and define it for themselves. Then offer it to people because I don't think that people are coming to us saying hey, I have a historical house. I want to participate in the Mills Act. They just don't – people don't know about it. I think the City has to offer this as a program if the City wants this to truly be an incentive. I've actually – I have a -- I think a Category two project that I worked on. Gosh, it's been like 12-years ago and I actually contacted them and said, do you know about this program? Would you be interested in participating? They'd never heard of it and I don't know if they would participate. I mean it would almost be interesting – I think our first step is to see – to define the Mills Act for the City of Palo Alto and define what Palo Alto wants to offer within the realm of the Mills Act. Then find one or two people who –homeowners who would like to participate in it and sort of witness – walk them through it and witness what are the experiences like so we can all – it feels like we all need to participate in it. To that degree where we sign up two or three houses or whoever is interested in it and go through the application process and go through the first year with them and support them and see what their feedback is and have them – like a pilot program I guess. Have – give – have them say, yeah this is great. I'm saving 50% of my property taxes or I can go on vacation now or is it like wow, this is a lot harder. All this paperwork, we don't really have the ability to fill out these forms. I

mean, it would just be interesting to go – to experience that with someone or a group of people so that we have a better understanding of it altogether.

Chair Bernstein: Thank you. Board Member Makinen.

Board Member Makinen: Well, I think the evidence is rather clear that it is a popular program across the State and sadly to say that we're just behind the eight ball as far as promoting this type of incentive. I think it's really – does not reflect well upon the City of Palo Alto when we hear much smaller Cities and less economical endowed Cities like Santa Ana, having over 300 type contracts and what do we have? One that may be – I think the program is a popular program. Just – well, the City needs to get behind it and start promoting it as a preservation tool.

Chair Bernstein: Board Member Bunnenberg.

Board Member Bunnenberg: I think that it's important for the members of the public to see that it is – I believe the top cap amount is \$10,000 on a Mills Act. Certainly, there are many properties, for instance in the Professorville and even throughout the City, that need the seismic strengthening, need the – perhaps basement reinforced, may need complete re-wiring and all those things are quite expensive these days. Those might be samples of the kinds of things that people would be asking for. I feel like it is a positive program and that – one that is well worth making at least a trial. The other possible problem is a reduction in the amount of money that the school district gets because it shares those incomes that we pay on property tax.

Chair Bernstein: The – I heard – I recall – I think one of the two – when we had two Mills Act contracts intact, I thought the organization – private organization, Palo Alto Stanford Heritage, was administering that so I think that gave good relief to the City Staff I believe. Council Member Holman, comment on it? Yeah.

Council Member Holman: I don't know about the Mills Act but I'm – I've been involved with a couple of projects where covenants were put on the properties. One of them is on Melville and that one Palo Alto Stanford Heritage is the inspector if you will, according to that covenants and that's one example but at least so far, that one's been very positive. I was involved in another project where I'm – Staff is over worked but the City is the overseer and I'd say that that hasn't been – had such a positive outcome to this point in time. Again, each one of those is just one example. To Board Member Wimmer's point, I mean Staff does have a large load but I think Palo Alto Stanford Heritage, I think is a willing participant. Also, Board Member Wimmer's question about why don't we have more here? It has -- as Board Member Bunnenberg said, my experience for a long, long time has been that the school district has always been very touchy about whether we have these or not but the extent of impact on the school district, I think would be compared to their size of a budget so it would be pretty minimal. I don't know that there's a – I just don't know if there's a \$10,000 limit or not. I thought it was kind of what the City and the property owner would negotiate as far as the agreement was concerned. There also – something that I haven't heard mentioned yet, is that there's also like what kinds of properties? I mean, the Staff report on page 17 that you mentioned, the reason for properties outside of the CD district is because there are other incentives there like TDRs and seismic bonuses and that sort of thing but you might look at also, what kinds of properties like – which kind of properties is the most threatened? I have my own perspective but it's not for me to say, but what's the most threatened and is it also to maybe help somebody to get into a home in exchange for reduced property taxes and a covenant for the public benefit on that home. You know how do you – there are ways to flavor it, if you will, that you might consider as well.

Vice Chair Bower: Martin.

Chair Bernstein: That includes even what Categories are considered – are allowed to apply for a Mills Act and I always bring up the example of the former University Art Building as a Category three so maybe the Category is not so important. It's just the attribute of the historic resource. Vice Chair Bower.

Vice Chair Bower: So, I share all of my fellow Board Member's comments. I'd like to move to a discussion of specifics because I think that's where this discussion needs to go. I'd like to first say that in the seminars that I have attended either on the web or in person that the California Preservation Foundation has presented, the issues of property tax reduction are a slight misnomer. It's not a reduction but a redirection of property taxes. In both the seminars that I attended, they pointed out that when a Mills Act contract is signed, the tax savings is actually redirected into the preservation of the building and the contract specifies that every year the homeowners has to spend the money that their saving on their buildings. They can accumulate that amount – that savings and do large projects with the approval of the Building Department or the Planning Department but that's part of the definition process and that's really what a Mills Act needs. When we create this act, we have to have definitions and the first one is that you have to decide as a City, what is the maximum amount of money or evaluate – property evaluation that we will identify as redirected taxes? Again, in both seminars, they said a million dollars seems to be the appropriate level. That's the maximum so I would suggest that we start there. That's roughly \$12,000 in taxes and in the case of a property that is not worth a million dollars and I don't think that there are any properties in Palo Alto that are under a million, sadly. We might make – we might have an alternative evaluation that is a percentage of the value so it's a maximum of a million that could be redirected – in value redirected in taxes to your house. The second issue would be how you define the projects that this redirected funding will support and again, the most important one that was identified in these seminars was foundation upgrades and building anchors to a new foundation. That doesn't mean that you have to replace the foundation. You can do parallel foundations as I did on my daughter's house in the Liberty Hills Historic District in San Francisco. Where we left the brick foundation intact and we just built a new foundation next to it and that supports the building and the old brick foundation has some load but basically doesn't take the earthquake loading. In a situation where you have a foundation anchoring project, those are pretty expensive and you're not going to do it for \$12,000. Especially if you are adding foundation or replacing foundations so that might be a 3-year project and it is – the homeowner would need to propose that to the Planning Department, create a set of drawings and then create a funding program so that the project is identified, specified in both timeline and cost and scope. Then the building department typically would manage the actual construction and then notify the Planning Department that the project is complete or that it's underway. The next item is – and by the way, you – they suggest that the projects that this redirect – sorry – the redirected funding would be targeted to, would be foundations first, electrical systems, mechanical systems, plumbing, so you're – and roofing and outside the enclosure, waterproofing and insulation. Specifically, you don't want somebody taking their money and remodeling their kitchen, which might be needing it but not necessarily the best use of the funds. Definitions are really critical and so you're target projects have to be part of this. We've already spoken about a yearly review of projects and use of funds. I think that could be because the City has so many different entities that might participate in this. At least the building department and Public Works and of course planning, we don't need to duplicate that effort. So, if a building permit has been issued, the Building Department – the building permit system could notify planning that there is a project underway, it would probably come through planning anyway because they'd have to review it, tag it in some way, and then let the building inspector do his job – his or her job. Then planning just gets a report that this is done. Somebody is just going to have to look at it every year but right now we're talking about zero projects so we can do this. We can figure that out as we go. I already talked about the accumulation of funds for a large project. They did say that these should not be more than 3-years so if you can't do it in 3-years – you don't want to have a 10-year project, which allows a homeowner to accumulate \$120,000 say as the \$12,000 max and then say, oh whoops, sorry. We didn't save the money, we can't do it now. I found the assessed evaluation models in the Mills Act -- there are three different ways you can calculate the value -- to be incredibly complicated. I don't understand them and I read them, I've listened to the explanation in two seminars and I still don't get it. Clearly, articulated assessment evaluation in the local ordinance is necessary; a clear description. So, a homeowner – if I can't understand it after two seminars and as Historic Resources Board Member, I don't know how a homeowner would. I would make Category One – Four eligible. I don't see any reason why only Category One homes need to be eligible. I just think that's an arbitrary issue and the last – one of the last things is in terms of definitions. Establishing in the ordinance a day of the year that all houses have to be open at the same time and ought to establish in the definition what part of the house has to be available to the public. I can understand the (inaudible) of a homeowner having to open their entire house to the public and not knowing who the public is and

wondering if the people here are actually casing their house for burglaries. I mean, you know those privacy issues are important so I think there are ways of dealing with it. Having a sign up, for instance, having a maximum number – a reasonable maximum number and maybe have a four to eight-hour window or maybe two days. So, this is – these are the things that I think we want to continue to think about as ways to accommodate the public access but at the same time, preserve the privacy of the people who are a part of this. The people – the homeowners who take advantage of this program have a benefit and as part of that benefit, the public needs to see what it is. So, I wanted to just finish by taking two examples of properties near me; I live in Crescent Park. The house next door to me was purchased in 1981 by friends of ours for \$81,000. It sold in 2015 for \$1.7 million. The property taxes prior to a sale were \$1,800 a year. The property taxes today are \$20,400 and I'm using the 1.2%. They are higher because there is other school district adds but that is clearly a tenfold increase in property taxes in one hit. There is another property on Hamilton Avenue that was sold in 2013 to a developer for \$3 million. Prior – I don't know the tax rate prior to that sale but the new sale was basically \$3 million so the tax rate in 2013 went to \$35,000 – basically \$36,000. The new house that was built on that was sold for \$8.5 million and the property tax rate today or in 2015 when it was sold, was \$102,000 so we saw a fourfold increase in – a little less than a fourfold increase in property taxes in two years but over – if we could get to the original tax rate prior to that last sale, it would be probably in the \$2,400 - \$3,000 amount because that house had been owned by the same family – a prominent local family in Palo Alto. I've lived in Palo Alto for 66-years. I went to Palo Alto's schools for 13-years. From kindergarten through 12<sup>th</sup> grade. I cannot remember a time when the Palo Alto school district ever had enough money. They are – they have a budget – if I'm – I think that last budget that they show in our materials today -- that we got for today. I think the last budget was 20 – in 2005, \$20 million. Now, I may be reading this wrong but they have a significant budget. They have a significant task and all of the community supports the task. We're talking about \$12,000 per – maximum per Mills Act contract. Even if we had ten Mills Act contracts, that's \$120,000 as opposed to – well, a \$20 million budget in 2005. It's higher, I know today because that was 12-years ago. I think we have a number of initiatives in Palo Alto that need attention. Schools aren't the only one, I know they are important but this is a very, very small piece and it's important to do.

Chair Bernstein: Thank you Vice Chair Bower. That's a good formula that you've presented that can help and perhaps turn into a welcome program. Picking up on Board Member Wimmer's comment about how do property owners learn about this? I think that whatever kind of outreach program, we encourage to happen and make happen. It would be great. Ok. Picking up on Bower's comment about specifics and how will the comments presented by Board Member Bower and other Board Members, how does that become more – how do we put that into effect I guess? There's already a Mills contract program that already exists. There's a required contract provision. Essentially, is it City Council agendaize and then to – it's already – the Mills Act already exists already so I guess, what action would -- what's the next way to make this into effect? But it's already in effect so it's – I guess maybe just publication.

Ms. French: Yeah, I mean the Mills Act is not a City program per say.

Chair Bernstein: Right, right.

Ms. French: It's a – the County assessor. We don't have an ordinance and we don't have anything in our code that I am aware of that I could find. So, it's a resolution, is there some kind of recommendation? I think that's what DuBois had a suggestion that some kind of recommendations come from the HRB as to the parameters of how we would do it in Palo Alto. Then, if there's some legal instrument that we could have the Council adopt, that would be one way to do it. Then from there, do the publications, the pamphlets, what have you, the website. We have on our website links to Mills Act, but is it decipherable to the average person? Certainly, the math sounds like it's not.

Chair Bernstein: Board Member Bower.

Vice Chair Bower: So, would it be reasonable – if we have no ordinance and I think that's what's required here. I don't know. Council Member Holman, do you have a sense of the history of how the Squire House Mills Act contract was created if there is no ordinance or maybe – actually, my question should be –



that's not really relevant. In the seminars that I attended they, in both cases, said that you need an ordinance so I'm assuming that's where we should move.

Council Member Holman: So, if I remember this correctly, the Squire House has an easement on it so the outside of the house is already protected. That happened when the fate of the Squire House was in jeopardy. This happened, gosh, I think the 80's maybe.

Vice Chair Bower: 70's I think or even (inaudible)(crosstalk)

Council Member Holman: I'm not sure exactly the timing but it was a long time ago. Longer ago than any of us think to – care to think about actually. Then the owner –when the Mario's, who use to be an HRB Member, (inaudible) was. They actually requested the Mills Act because they wanted further protections on the house and they did a lot of restoration on the house too. That's – I'm confident of a couple of those things. That there's an easement on the house that protects the outside and the Mario's requested the Mills Act and that they did a lot of restoration on the house so that's a – can't tell you exactly what years but that's how it came about.

Vice Chair Bower: Is – should we be crafting language for an ordinance then? Definitions and the scopes?

Council Member Holman: I think – well, and Amy will have her own comments to make with this but I think it's cleaner and simpler if you have an ordinance and somebody who wants to apply has some guidance on what the parameters are. I think the City always doesn't want to look at these as one offs either. We're talking about a burden on Staff. I mean, they need something to refer to say ok, this application does or doesn't comply or conform to what the ordinance says in terms of parameters. Maybe Amy has something to add to that but that would be my perspective. Otherwise, you're just doing one-offs and I don't think that's...

Vice Chair Bower: No.

Council Member Holman: ... very effective or an efficient way to do it.

Ms. French: You know, I would just echo that it's nice to have something that's discoverable in a legal document that people can see at the same time there saying, what are my setbacks? What is – I mean – so that would be nice to have something in the zoning code that may be refers you to a different section of the Municipal Code pertaining to this tax benefit.

Chair Bernstein: Who are the signatories on a Mills contract? The property owner, City of Palo Alto, State of California, does anybody know?

Board Member Wimmer: I – Corey, you could correct me if I am wrong but I think it's the City and the property owner.

Chair Bernstein: Ok.

Vice Chair Bower: Yeah, it has to be the owner of the property because it's a – it's like a covenant. If the property were to be sold within the 10-year contract period, it would remain throughout the end of the contract. I think it's the City and the owner.

Chair Bernstein: Does anybody know if a property owner today wanted to enter a Mills contract, they can just request it?

Ms. French: I can tell you – I think I read about this a little bit in the report but there is a fee...

Chair Bernstein: Yeah, I saw that.

Ms. French: ...on our – yeah, it's not expensive but (crosstalk)...

Chair Bernstein: (Inaudible)

Ms. French: ...to establish...

Chair Bernstein: \$1,936.

Ms. French: ...yeah, to enter into – so what that means is that you're getting support from a planner, me probably, and the City attorney's office Staff, to invent the contract for that property and take it through the process. Then they have to record it at the County from the date of recordation and that starts the 10 years.

Chair Bernstein: Ok, so no Council action to enter a contract?

Ms. French: Correct.

Vice Chair Bower: I would like to suggest that we take Dennis Backlund's 2006...

Chair Bernstein: Proposed.

Vice Chair Bower: ...proposal – I guess this was a recommendation and modify it to reflect the things that we've discussed today because this document is a very broad outline but lacks enough specifics to actually give guidance to Council. Then propose that this move to Council for consideration. Whatever – I'm – if we could do a planning – make this part of the Planning Department documents. I don't know. That part of it is beyond me but I think we could – we as a Board can refine the requirements as we see are necessary and then propose that and let the Council – help the Council move this into a real program. I would like – I think a pilot program makes some sense. Say we limit the number of properties in the first 10-years to some number and allow for some flexibility to come back and redefine needs as we, the community and the City and the homeowners, experience them.

Ms. French: So, that might be – I would just weigh in on that. If you're going to think about this pilot program concept. I mean the way Oakland, it was the one I studied, did it is they did that and then came forward with an ordinance so an ordinance would have to go to the Planning Commission for - at least a zoning code ordinance. That might be the next step after establishing the pilot program and that would be to go through that process of an ordinance.

Vice Chair Bower: That sounds like – that's fine. I mean, I don't have a problem with that. It's 10-years. How long did Oakland's – I didn't actually get to that document because I was looking at all the other more historic ones. How did their pilot program last? 5-years?

Ms. French: I believe it was 2-years.

Vice Chair Bower: 2-years, interesting. Ok, well, so that's different.

Chair Bernstein: From the – when the City of Palo Alto signs this contract in addition to the property owners, is it – whose signs? The City's Manager's office, Planning Director? Who signs the contract from the City?

Ms. French: Well, I'm – at least attorneys as to the form of the legal working and I'd have to go look at the one contract that exists and see what that says. I can show that – I think that's a public document. I can show that to you.

Chair Bernstein: Yeah. Council Member Holman.

Council Member Holman: Oh, I was just going to say that I think it would be advisable for – because you're the experts on historic preservation, other than our City Staff so it might be good if you guys took a look at the contract itself and see if you saw any holes in it or any suggestions – recommendations based on past history or what you hear from other communities.

Board Member Kohler: I have to just make a small...

Chair Bernstein: Yeah, Board Member Kohler.

Board Member Kohler: ...modest comment about time marches on. You look at this date hereof a regular meeting November 5<sup>th</sup>, 1997, talking about what we're talking about today. I see that Martin Bernstein was on the Board and I was on the Board. I didn't know you'd been on the Board that long, Martin, but it's just amazing to think how things go. I think it's about time – maybe we would do something after 22 – 21 – 22-years of mulling it around; it's a good idea. I vote for it.

Chair Bernstein: Board Member Wimmer.

Board Member Wimmer: I definitely think that I'm so glad that this conversation is started. I think that we need to do a little bit of – I guess more research on our – individually and then come back so I think we should continue this item for sure. Maybe a month from now we can continue this discussion but I know that I've done a little bit of research on it 2-years ago. I wish I had brought that. I kind of forgot where I left off because I was trying – because I was looking at some information that you had to do an application through the County so I'm going to go back and see what research that I had done. Also, I mean, Pat Di Cicco, a past Board Member, she – I mean maybe we could even – so she has a Mills Act in Coronado but she also has a significant historic house in Palo Alto. I'm just curious to know why she doesn't seek – has not sought out having a Mills Act contract on her house in Palo Alto. That would be an interesting question to ask her. Maybe she could be – participate in our pilot program. I don't know. I just – a good questions.

Chair Bernstein: Board Member Corey.

Board Member Corey: I had asked around about this a while ago with some of my neighbors as far as if – my – the feedback that I got and this is actually, I think going back -- even back to Dennis's time. Was that we – that there is no process for getting a Mills Act so people clearly don't know this is the case. That if anyone – if it needs – if you wanted to go and approach that, it would definitely have to be brought to City Council for approval because of the cost impact so that's – you know, maybe that was 5-years ago but that seemed to be the consensus from the people who did know about it. Who had actually contacted the City and were told that there's no process right now beyond what -- the existing ones. Maybe this is hearsay but...

Ms. French: (Inaudible)

Board Member Corey: There's no published process so – and those who had contracted Dennis, it sounded like there wasn't a process in place so it was kind of an unknown.

Chair Bernstein: Board Member Makinen.

Board Member Makinen: I think the evidence is rather clear that this is a workable program, it's been demonstrated through a number of different communities throughout California. I think it's just a – we're just dragging our feet here, saying that this how to do this thing. Ever other communities in the State are doing it. Let's move ahead and do it.

Chair Bernstein: Ok.

Board Member Makinen: If we keep thinking of reasons of why we can't do it or the technicalities, it's never going to happen. We got to get behind it and push it.

Chair Bernstein: Board Member Corey.

Board Member Corey: I can volunteer to contact the State and see if we can get any update contracts or any various contracts they have because they certainly seem willing to – she certainly seemed willing to help and I got her card and we talked for a while so I can do that if that's helpful. Yeah.

Chair Bernstein: Thank you for that. May I suggest that a subcommittee takes a look at this. Board Member Bunnenberg.

Board Member Bunnenberg: The last Mills Act discussion that I remember attending, there was some talk about that it's really important to tailor it to your community. That was one of the points but on page 18 of our packet – of our – in our packet, there is a list of basic portions – basic things that are usually included. So, we at least have that much of a framework.

Chair Bernstein: Doing the idea of the specifics as Vice Chair Bower had suggested, I think it would be really important because as Board Member Corey mentioned, when the signatory is the representative of the City of Palo Alto and that maybe be then the Council may have to approve entering that contract. Then having the specifics so that if any school administrators have issues with property tax, if there's some limit of that, then that can help reduce any anxiety of the school district regarding the loss of revenue. Board Member Corey has suggested to be a part of the – to take a look at this. How's the Board feel about creating a subcommittee to examine this? (Crosstalk) Alright. We have one Board Member who volunteered to be on that subcommittee. Board Member – are there any – ok, Board -- Vice Chair Bower. We can up to one more and then Board Member Wimmer, ok. That will be the subcommittee so it will be Vice Chair Bower, Board Member Corey, and Vice – and then former Vice Chair Wimmer to be on the subcommittee for this. Great, good.

Vice Chair Bower: So, Amy...

Chair Bernstein: We need your light.

Vice Chair Bower: ...could you send us – find the contract and send it to the three of us and any documentation like the actual contract. Then maybe a moment after our meeting, Margaret and Corey and I can get together and just plain strategy.

Ms. French: I guess you could, if you wanted to, come back in a month so the meeting in a month would be the meeting of May 25<sup>th</sup>. If that is of interest, then the subcommittee could come make a statement there about what you'd done.

Chair Bernstein: I think the timing of this is actually good because we're going soon be without any Mills contracts enforced in the City. (Crosstalk). Yeah, ok. Additional comments on this agenda item? Ok. Alright, thank you very much. Ok, I think that concludes. Any other comments from staff before me move ahead on this topic? Ok.

Ms. French: Nope.

Chair Bernstein: OK, thank you.

## City of Palo Alto Mills Act Pilot Program

The City of Palo Alto Historic Resources Board recommends that the City Council adopt a two-year Mills Act pilot program. The purpose of this program is to establish a basis for instituting a permanent incentive program to protect and maintain historic residential properties within the City of Palo Alto boundaries.

### Program Outline

- Eligibility. All Mills Act applications must meet the State of California's requirements as set forth in the California Government [Code 50280.1](#). A Mills Act contract would be granted to all Palo Alto historic properties listed on the National Register of Historic Places, identified as eligible for listing on the National Register of Historic Places, or identified as Category 1-4 on the city historic survey (Danes & Moore?). Any property not listed as a Category 1-4 property could apply for recognition as an historic property. The Historic Resources Board would review all applications---Mills Act and Historic Category listing requests. Only single family or multi-family residences are eligible.
- Local Contract Requirements. As allowed by state law, the following conditions would be added to the City of Palo Alto's Mills Act contract.
  1. The contract would run for a 10-year period and automatically transfer to new owners during the contract term. At the end of ten years the contract could be extended by one to two years to complete a rehabilitation project underway but not yet completed.
  2. The contract would allow a maximum tax adjustment up to \$1 million of property value (\$12,000.00 per tax year maximum). Tax payment savings would be redirected to property renovation and rehabilitation at a minimum of a

dollar for dollar rate. All work would be focused upon extending the life of the building (See approved project list in [Appendix A](#))

3. Projects would be approved by the Planning Department and construction supervised by the appropriate city officials (building inspectors, planning director, historic planner). The planning department would review contracts yearly for compliance with contract terms. Rehabilitation project funding could be accumulated for up to three years to cover larger projects with planning department approval.
4. Rehabilitation projects must include protection or restoration of identified character-defining features of the property and the removal or compatible replacement of incompatible additions. All work must conform to the State Office of Historic Preservation and the State Historic Building Code and comply with the Secretary of Interior Standards. Rehabilitation of both interior and exterior features would qualify. Exterior facades of properties participating in the Mills Act program must be clearly visible from the sidewalk and not obscured by any vegetation or other structures.
5. All Mills Act properties will be open to the public on the same day of the year for a period of time determined by the Planning Department ([a 4-6 hour period?](#)). Tour participants would be required to register to participate in the tour. If interior restoration was included in the restoration project then the tour will extend to the specified areas of the interior.
6. A base application fee \$XXX.00 would be charged for each contract. An additional \$2 would be charged for every \$1,000 assessed value of the contract (\$1.5 million

exemption would be \$3000). A \$415 yearly fee would be charged for annual inspections.

7. Penalties may be imposed for breach of contract or failure to maintain the property per contract terms. If the contract is canceled under [Section 50284](#), the property owner will pay a cancelation fee of 12 ½% of the property.