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May 22, 2016

The Honorable Paula Devine and Members of the City Council
City of Glendale
613 East Broadway, Suite 200
Glendale, CA 91206

RE: FY 2016-17 Proposed Citywide Budget and Fee Schedule for the City of Glendale

Dear Mayor Devine and Members of the City Council:

The Glendale Historical Society is grateful for the opportunity to address the proposed fee increase for Mills Act applications, which is part of the FY2016-17 proposed Citywide Budget and Fee Schedule. Established in 1979, our non-profit organization has more than 650 members and works to preserve and celebrate Glendale's rich history and remaining architectural heritage.

The proposal to increase the fee for Mills Act applications by 500 percent will have a crushing effect on this important program. It will sharply curtail if not end the nomination of properties to the Glendale Register of Historic Resources and discourage the restoration of historic district contributors in need of repair. The proposed \$7,000 fee does not adequately consider the public benefits that the preservation of historic properties confers upon Glendale and its residents, the high costs associated with maintaining historic properties, and Council's stated interest in making contracts more available to lower-income property owners.

TGHS also questions whether \$7,000 is a reasonable representation of the cost to the City of processing and administering Mills Act applications and whether the average annual property tax savings for Mills Act properties is \$8,000 as asserted by staff.

A \$7,000 Fee Would Be Excessive

According to staff at the California Office of Historic Preservation, a \$7,000 fee would make Glendale the most expensive known place in the state to participate in the Mills Act program. Formerly, the highest fee by far was \$6,500 in Sonoma County, but it appears to have disbanded its Mills Act program. It is difficult to believe that Glendale's program is subject to abuse by multi-millionaires in a way that Santa Monica's or San Francisco's is not.

The Glendale Historical Society (TGHS) advocates for the preservation of important Glendale landmarks, supports maintaining the historic character of Glendale's neighborhoods, educates the public about and engages the community in celebrating and preserving Glendale's history and architectural heritage, and operates the Doctors House Museum. TGHS is a tax-exempt, not-for-profit 501(c)(3) organization, and donations to TGHS are tax-deductible to the extent permitted by law.

Even at the current level, Glendale continues to charge more to apply for a Mills Act contract than its neighbors, which pick up a larger share of staff costs as a matter of policy. Glendale now charges \$1,250 for all types of properties. Here is what our neighboring cities charge:

- Los Angeles: a \$250 application fee for single-family residential properties and \$1,142 for multi-family, industrial, and commercial properties.
- Pasadena: a \$1,074 application fee for single-family residential properties. This amount doubles to \$2,147 for multi-family, industrial, and commercial properties.
- Burbank: Mills Act application is free.

A \$7,000 application fee would bring us radically out of line not only with our neighbors but with cities and counties all over the state.

Why would cities charge property owners less to apply for a Mills Act contract than it costs to administer it? Because the Mills Act is an incentive program, and its property tax reduction is the State of California's most important tool for encouraging private owners to restore and preserve historic buildings, which are simply more expensive to restore and maintain. That expense is one reason so many of Glendale's architectural treasures have already been lost to demolition or extensive alteration.

Owners of properties on the Mills Act pledge to restore and maintain their historic resources through a legally binding contract with the City. This is not a freebie for lucky owners but rather a serious financial obligation they undertake to maintain these properties "at the highest preservation standards," according to the City's Planning Department website. The penalty for failing to comply with the terms of the contract is daunting: 12.5 percent of the current fair market value of the property, ensuring that the City gets a benefit from the program, one way of the other.

Owners of potentially eligible Glendale Register properties often undertake significant restoration work so that their buildings can qualify for the Mills Act; conditions established by the Historic Preservation Commission and City Council can add further to that cost. Repair and maintenance over the years is expensive as well, because cheap shortcuts are not available. For many property owners the tax reduction does not nearly cover the cost of the work. Now that the Mills Act will be extended to historic district contributors in 2017, these property owners will need to demonstrate that their properties are in need of repair and restoration to qualify. There is a significant benefit to our neighborhoods and to Glendale as a whole when property owners are able to undertake the costly work of restoring deteriorated buildings to something like their original condition.

These are not "multimillion-dollar homes"

There seems to be a misunderstanding on the part of some Council members that the Mills Act program mostly benefits owners of multimillion-dollar homes. The median last sales price of the sixty-seven single-family houses with Mills Act contracts is \$950,000. Six of these properties were last sold before 2000, thirty-five between 2000 and 2009, and twenty-six since 2010. Many

of these properties (but by no means all) have gone up in value, but as the most recent housing crisis has taught us, those are paper gains.

In the last two years seven property owners entered into Mills Act contracts with the City. The most recent purchase prices with year of sale are: \$6.6 million (2015), \$1.9 million (2012), \$700,000 (2013), \$680,000 (1999), \$623,000 (2008), \$500,000 (2013), and \$340,000 (1993). The first is, of course, the sales price of the Masonic Temple, and TGHS agrees that a higher fee would probably not have deterred Caruso Affiliated from seeking an annual property tax reduction through the Mills Act.

The other properties are single-family houses, and five of the six properties sold for significantly below one million dollars, even though two changed hands as recently as 2013. The benefits of the Mills Act diminish significantly for less expensive properties, and for properties that have not sold recently, because the owners pay less in property taxes. Thus, the proposed \$7,000 fee makes it far more likely that *only the recent owners of multimillion-dollar properties* will pursue a Mills Act contract. Glendale will continue to preserve some of its mansions, but it will lose even more modestly sized and priced Craftsman bungalows, for example, even though they are equally important and historic.

The \$7,000 application fee cannot be legally justified

We dispute that it costs the City \$7,600 to process and administer a Mills Act contract. No documentation has been submitted to support this figure. At the Historic Preservation Commission meeting on May 19, staff speculated that “it was developed several years ago in a previous budget study.” That cannot be the grounds for a 500 percent increase in the Mills Act fee. A fee cannot legally be greater than the cost of providing the service; otherwise it is a tax, which must be passed by voters.

The work involved in handling the Mills Act contract is not burdensome. Francesca Smith, a qualified architectural historian who formerly handled Mills Act contracts for the City of Los Angeles as its Historic Property Contract Manager, reports that it took her between 5-10 hours to process an application from initial receipt through recording with the County, with minimal additional time to administer thereafter.

Even at the upper limit, how could this cost \$7,600 in Glendale? The City cannot base the fee on the costs associated with applications to the Glendale Register of Historic Resources, which is an entirely separate process and application and confers no tax benefits. It is worth observing that with a minimum of two historic district contributors now eligible for the Mills Act per year, which do not require individual landmark designation, the costs to the City of processing both Glendale Register and Mills Act applications may well go down.

The annual property tax savings are not \$8,000

Council has been repeatedly told that the average annual property tax savings for Mills Act properties in Glendale is \$8,000. However, according to City data, the average annual property tax savings is \$7,382, meaning the amount of the actual savings has been inflated by more than

eight percent. And again according to City data, the median property tax savings – which is a more accurate representation of the benefits – is \$6,776, which is fifteen percent below the figure given by staff. TGHS has requested data from the City regarding the property tax savings of individual properties so that Council can accurately understand the true benefits to residential properties, as opposed to commercial properties, but has yet to be provided this information.

Conclusion

Even if Council could increase the Mills Act fee to \$7,000, we have made the case that it should resist the temptation to increase revenue at the expense of less affluent property owners and the city's historic resources. Such a steep increase, which will bring us further out of line with neighboring cities and likely exceed the actual cost, which is not allowed under state law, will have a significant negative impact on historic preservation in Glendale and thus on our city's attractiveness and vibrancy, and on the wellbeing of all residents. The proposed fee increase does not adequately recognize that the ever diminishing stock of historic resources in Glendale is special, that historic properties "promote the health, prosperity, cultural enrichment, and general welfare of the people" (Glendale Municipal Code), and that they are well worth the costs the City shares as a matter of policy to foster them.

Thank you for your consideration of our position on this very important matter.

Sincerely,

Greg Grammer

Greg Grammer
President, The Glendale Historical Society

Cc:

The Honorable Ardy Kassakhian, City Clerk
Mr. Scott Ochoa, City Manager
Mr. Michael J. Garcia, City Attorney
Mr. Phil Lanzafame, Community Development Director