CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
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Cover Memo

File #: PH 16-075, **Version:** 1

DATE: July 19, 2016

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT
Approval of an Application for and Authorization for the City Manager to Accept an Application for a Mills Act Historical Property Contract for the Property Located at 22654 Main Street

RECOMMENDATION
That the Council approves the application for a Mills Act Historical Property Contract and adopts the attached resolution (Attachment I) authorizing the City Manager to enter into a Mills Act Historical Property Contract for the Property Located at 22654 Main Street ("Green Shutter Hotel").

BACKGROUND
At the May 3, 2016 City Council meeting, the City Council passed the Mills Act Historical Property Contract Ordinance, Hayward Municipal Code (HMC) Chapter 10, Article 27 (see related file LB 16-052, Adoption of Ordinance Establishing the Hayward Mills Act Historical Property Contract Program. May 3, 2016 Council Meeting).

The goal of this program is to help provide financial assistance through a property tax abatement for property owners of certain qualified historical properties. Those property owners would then utilize the tax savings to help pay for improvements to the historical property. Since the passage of this program, the City has received one completed application.

DISCUSSION
Per HMC Chapter 10, Article 27, Section 040, each Mills Act Historical Property Contract must include the following:

1. Minimum term of ten years; and
2. The owner's commitment and obligation to preserve and, when necessary, restore and rehabilitate the property to conform to the rules and regulations of the Office of Historic Preservation of the State of California Department of Parks and Recreation, the United States Secretary of the Interior's Standards for Rehabilitation, and the State historical building code; and
3. The owner's permission for periodic examinations of the interior and exterior of the premises by state and local officials to verify contract compliance; and
4. A provision binding all successors in interest of the owner to the benefits and burdens of the contract; and
5. A requirement that the owner provide written notice of the contract to the Office of Historic

Preservation within six months of entering into the contract; and

6. Automatic annual renewal(s) of the contract, absent timely written notice of nonrenewal by the owner or the City as prescribed in California Government Code Section 50282; and

7. A provision that the City may cancel the contract if it determines that the owner has breached any of its conditions or has allowed the property to deteriorate to the point that it no longer meets the standards applicable to a qualified historical property as defined in California Government Code Section 50286. The contract shall also state that if the City cancels the contract for either of the above reasons, the owner shall pay the county auditor a cancellation fee set forth in California Governmental Code Section 50286; and

8. A provision that if, pursuant to an owner's application, the City Council determines that preservation, restoration, or rehabilitation has become infeasible due to damage of the property caused by a natural disaster or otherwise (e.g. earthquake, fire, etc.), the City may cancel the contract without the owner being required to pay the above referenced cancellation fee, to the extent that nonpayment is permitted by law.

The proposed Mills Act Historical Property Contract is with B Street Apartment Group, LP ("Owner") for the property located at 22654 Main Street, otherwise known as the Green Shutter Hotel (APNs 428-0066 -039-00 & 428-0066-024-00). The National Register of Historical Places recognizes the Green Shutter Hotel as a historical place (established May 2004). The Owner is applying for the Mills Act Contract to help fund necessary improvements to the building, including voluntary seismic strengthening, to help restore and rehabilitate the historical building. The owner is converting the hotel to include forty-one (41) market rate studio apartments. The total estimated cost of these improvements is $4,552,000.

Staff finds this application for a Mills Act Historical Property Contract consistent with and supportive of the General Plan goals and policies for historical preservation (Goal LU-8: "Preserve Hayward's historic districts and resources to maintain a unique sense of place and to promote an understanding of the regional and community history") as well as the provisions of HMC Chapter 10, Article 27. Moreover, the goal of the Mills Act Program and this contract is to preserve a historically significant property and the project is therefore categorically exempt from CEQA pursuant to Section 15723 of the California Environmental Act (CEQA) guidelines.

FISCAL IMPACT
Per the Hayward Municipal Code Chapter 10, Article 27, the City's Finance Director must prepare a fiscal impact analysis of the proposed Mills Act Contract. For this contract, the City will forgo approximately $21,000 in property tax revenue annually in exchange for the owner's contractual obligation to maintain the property in good condition and to preserve the historic features of the building.
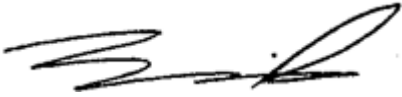
NEXT STEPS
If the Council authorizes this action, staff will prepare the Mills Act Historical Property Contract for execution by the property owner and the City Manager. Once executed, the City Clerk shall forthwith record with the County Recorder a copy of the executed Historical Property Contract. The City will also complete annual compliance checks for the life of the contract in accordance with HMC 10-27.050.

Prepared by: John Stefanski, Management Analyst I

Recommended by: Kelly McAdoo, Assistant City Manager
David Rizk, Director of Development Services
Dustin Claussen, Acting Finance Director

Approved by:

Fran David, City Manager

Attachments:

Attachment I   Resolution