



Agenda Report

Item #: 24-252

Meeting Date: 6/18/2024

TITLE: PLANNING APPLICATION PDRC-23-0001 TO ADD THE “LEROY ANDERSON HOUSE” AT 208 MAGNOLIA STREET TO THE LOCAL HISTORIC REGISTER AND APPROVE A MILLS ACT CONTRACT FOR THE PROPERTY

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/PLANNING DIVISION

PRESENTED BY: CAITLYN CURLEY, ASSISTANT PLANNER

CONTACT INFORMATION: CAITLYN CURLEY, ASSISTANT PLANNER, 714-754-5692

RECOMMENDATION:

Staff recommends that the City Council:

1. Find that the project is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) (“Common Sense”) of the CEQA Guidelines.
2. Adopt City Council Resolution 2024-XX to place the “Leroy Anderson House” at 208 Magnolia Street on the Local Register of Historic Places.
3. Approve a Mills Act contract between the City and the property owner to facilitate preservation of the subject property as a historic resource.

APPLICANT OR AUTHORIZED AGENT:

The applicant and property owner is John Barnett.

BACKGROUND:

The property owner of 208 Magnolia Street (Assessor Parcel Number 425-402-02) has submitted an application to place his residence on the City’s Local Register of Historic Places and to enter into a Mills Act contract with the City of Costa Mesa. The subject property is located on the north side of Magnolia Street between Orange and Westminster Avenues.

Historic Designation

The subject property, also referred to as the “Leroy Anderson House”, is identified in the 1999 *City of Costa Mesa Citywide Historic Resources Survey* prepared by PCR Services Corporation as being eligible for local landmark designation and is also identified as a potential historical resource in the City’s General Plan *Historical and Cultural Resources Element*. Based on historic aerial photographs, the original house is estimated to have been constructed between 1927 and 1931.

The original house consisted of a one-story single-family residence facing Magnolia Street. The garage and second-story addition located at the rear of the property, was constructed in 1997. The home's locally significant architecture, and association with an early prominent local citizen, Leroy Anderson, qualify the home as a potential historic resource.

Mills Act

The Mills Act is a State law allowing cities to enter into contracts with the owners of historic structures. Such contracts allow for a limited reduction in property taxes in exchange for the continued preservation of an historic resource. The Mills Act law enables the City Council to enter into a 10-year contract with owners of historic properties. Under these contracts ("Mills Act contracts"), owners agree to maintain and, if necessary, rehabilitate their historic structures with specific improvements during a 10-year contract period, and subsequently maintain the property pursuant to local, State and federal historic laws. Mills Act contracts automatically extend annually for one year after the initial 10-year term.

The intention of the Mills Act contract tax benefit is to provide the historic property owners with greater means and motivation for historic property maintenance. The City does not control or set the assessed value of property and benefits permitted under the Mills Act contract. Instead, this value and the ultimate property tax paid by the property owner is determined by the Orange County Assessor's Office, using a formula that is established by the State Mills Act legislation. Pursuant to California Government Code Section 50281 (State Mills Act Legislation), Mills Act contracts shall contain the following provisions:

- a) The term of the contract shall be for a minimum period of 10 years, and all protections and incentives for the property owner and City will remain in effect following the 10-year contract period; and
- b) Where applicable, the contract shall provide for the following:
 1. Preservation of the historic resource, and conformance with rules and regulations of the Office of Historic Preservation of the Department of Parks and Recreation, the United States Secretary of the Interior's Standards for Rehabilitation, and the State Historical Building Code.
 2. For an inspection of the interior and exterior of the premises by the City, prior to a new agreement, and every five years thereafter, to determine the owner's compliance with the contract.
 3. For it to be binding upon and continue to benefit all successors in interest of the property.

Pursuant to State Code Section 50281, if the City Council designates the subject property on the City's Historic Register and also approves a Mills Act contract, the contract would include the aforementioned provisions and a "Rehabilitation/Restoration/Maintenance Plan". The City's Historic Consultant and the applicant have worked together to prepare the proposed project "Rehabilitation, Restoration, Maintenance and Plan" (see Attachment 5.) The Plan includes an itemized future property maintenance schedule to be completed within the 10-year contract term. The schedule includes the specific work/task to be completed, the building features to be improved and the date in which the work/task will be completed within the 10-year contract.

Planning Commission Recommendation

On January 22, 2024, the Planning Commission recommended that the City Council approve the application to add the Leroy Anderson House to the Local Register of Historic Places, and that the City and property owner enter into a Mills Act contract for the long-term preservation of the subject property.

During the public hearing, the Commission inquired about, and staff responded to, the potential for an accessory dwelling unit on the site, future modifications to the structure, if the property could be removed from the Local Historic Register and the Mills Act contract at a later date, and the related City fiscal impacts of a Mills Act contract. On a vote of three to two, with two Commissioners being absent, the Planning Commission recommended that the City Council designate the house as a local historic resource, and directed Planning staff to finalize a draft Mills Act contract for City Council consideration and approval. Planning Commissioners Zich and Vivar voted against the project, based on concerns regarding community benefit of the project and the structural integrity of the building. The Planning Commission Resolution is provided as Attachment 9 to this report. The Mills Act contract, Attachment 4, was prepared by GPA Consulting, the City's Historic Resources consultant, reviewed by the City Attorney's Office, and confirmed by the applicant.

A detailed description of the historic resource value of the property is included in the Historic Assessment Report (provided as Attachment 3 of this report) and provided in the January 22, 2024 Planning Commission staff report and its attachments, which are linked below and are also provided as Attachment 11:

<https://costamesa.legistar.com/LegislationDetail.aspx?ID=6485514&GUID=3BDAE55A-1717-4B01-A836-C2BF3F1ACE83>

The Planning Commission meeting minutes are provided as Attachment 10 to this report and the meeting video is linked below:

https://costamesa.granicus.com/player/clip/4080?meta_id=310026

Historical Society Endorsement

The Costa Mesa Historical Society (Society) reviewed the application on March 20, 2024, and voted unanimously to endorse the project. The Society found that the information presented in the Historic Assessment Report is substantiated and supported by their research into historic archives. Specifically, the Historical Society found that architecture of the home is period-correct, and that Leroy Anderson was a person of prominence and made significant contributions to the Costa Mesa community. The Costa Mesa Historical Society's Letter of Endorsement is provided as Attachment 7 to this report.

ANALYSIS:

Pursuant to the Costa Mesa Municipal Code (CMMC), the City Council, upon the recommendation of the Planning Commission, may designate any building, structure, site, object, district, improvement, or natural feature that is over fifty (50) years of age on the City's Local Register of Historic Places if it meets the criteria for listing in the National Register of Historic Places, or one or more of the City's local historic resource criteria as listed below:

- a. Exemplifies or reflects special elements of the City's cultural, social, economic, political, aesthetic, engineering, architectural, or natural history;
- b. Is identified with persons or events significant in local, state, or national history;
- c. Embodies distinctive characteristics of a style, type, period, or method of construction;
- d. Is a valuable example of the use of indigenous materials or craftsmanship;
- e. Represents the work of a notable builder, designer, or architect;
- f. Contributes to the significance of an historic area, being a geographically definable area possessing a concentration of historic or scenic properties or thematically related grouping of properties which contribute to each other and are unified aesthetically by plan or physical development;
- g. Has a unique location or singular physical characteristics or is a view or vista representing an established and familiar visual feature of a neighborhood, community or of the city;
- h. Embodies elements of architectural design, detail, materials, or craftsmanship that represent a significant structural or architectural achievement or innovation;
- i. Is similar to other distinctive properties, sites, areas, or objects based on a historic, cultural, or architectural motif;
- j. Reflects significant geographical patterns, including those associated with different eras of settlement and growth, particular transportation modes, or distinctive examples of park or community planning;
- k. Is a type of building or is associated with a business or use which was once common but is now rare; and/or
- l. Yields, or may yield, information important in prehistory or history; and retains the integrity of those characteristics necessary to convey its significance.

The subject property was identified in the *City of Costa Mesa Citywide Historic Resources Survey*, and the Survey indicated that the property was "Not eligible for the National Register but is of local interest because the property is eligible for separate designation under an existing local ordinance." As a result of the Citywide survey, a Building, Structure, and Object Record (Attachment 6) was filed with the State, outlining the features and historic value of the property. In order to determine if the property at 208 Magnolia Street is a cultural resource pursuant the CMMC, an updated historic survey evaluation has been prepared by GPA Consulting (2023 - *Historic Assessment Report*). The Report includes a comprehensive building conditions assessment that documents the current conditions of the historic building (see Attachment 3). The conclusions of the Historic Assessment Report indicate that the property is eligible for City Historic Register designation as a local landmark under local criteria.

The Report specifically indicates that 208 Magnolia Street is eligible under CMMC criterion “a”, “because it reflects the transitional period of early residential development during which the former farming community of Harper evolved from an agricultural area to the more densely developed town of Costa Mesa, and is one of the earliest residences constructed in the Newport Heights Tract during that period. The period of significance under criterion “a” is 1927. Additionally, the Report indicates that the property is eligible under CMMC criterion “b” because the house was the long-term residence of Leroy P. Anderson, a prominent local attorney who was instrumental in the early development of Costa Mesa. The period of significance under criterion “b” is 1936 to 1957, when Anderson resided at the property.

Lastly, the 2023 Assessment Report provides an analysis of the subject property’s “character-defining features” (criterion “c”). According to the Report, “character-defining features are the architectural components that contribute to a building's sense of time and place. Character-defining features can be generally grouped into three categories: (1) the overall visual character of a building, (2) the exterior materials and craftsmanship, and (3) the interior spaces, features, and finishes. The relative importance of character-defining features depends on the level of craftsmanship, visibility, and integrity”. The Report concludes that the residence located at 208 Magnolia Street retains integrity of location, design, setting, feeling, and association, and has sufficient physical integrity to convey its historical significance.

ENVIRONMENTAL DETERMINATION:

The project is exempt from the California Environmental Quality Act (CEQA) pursuant to Guidelines Section 15061(b)(3) (“Common Sense”) in that there is no possibility that the addition of the Leroy Anderson House to the Local Register of Historic Places will have a significant impact on the environment. The maintenance/rehabilitation plan will ensure that the site’s historic characteristics are protected.

ALTERNATIVES:

As an alternative to the recommended action, the City Council may:

1. Deny the application to place the Leroy Anderson House on the Local Register of Historic Places and decline to enter into a Mills Act contract with the property owner.
2. Continue the application to a date certain and direct staff to return with additional information, changes and/or clarifications.

FISCAL REVIEW:

Pursuant to CMMC Section 13-200.11 (Preservation Incentives), the City Council may adopt a program of economic and other incentives to support the preservation, maintenance, and appropriate rehabilitation of the City’s cultural resources. The owner of 208 Magnolia Street is requesting that their property be designated on the City’s Local Register of Historic Places, and for the approval of a Mills Act contract with the City for the long-term preservation of the property.

The City’s Finance division reviewed the proposal and estimated an updated fiscal impact to the City for the requested Mills Act contract. Based on the County of Orange’s assessed value of \$1.9 million for the subject property, the City’s current annual tax revenue for the property is approximately \$2,825.

The Mills Act program provides a property tax reduction between 40% and 60%, annually, as detailed in Attachment 8. This tax reduction may increase or decrease each year in proportion to a property's assessed value. At its current value, under the requested Mills Act contract, the subject property will generate between an estimated \$1,130 and \$1,695 in property tax revenue to the City.

LEGAL REVIEW:

The City Attorney's Office has reviewed this report and approved it as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goals:

- Diversify, Stabilize and Increase Housing to Reflect Community Needs.

CONCLUSION:

The placement of the Leroy Anderson House on City's Local Register of Historic Places and approval of a Mills Act contract is consistent with the City's Historic Preservation Ordinance "Purpose" in that designating the property on the City's Historic Registry will: (1) further safeguard the City's heritage as embodied and reflected in the subject property, (2) encourage public knowledge, understanding, and appreciation of the City's past by fostering civic and neighborhood pride and a sense of identity based on the recognition of a cultural resource, (3) preserve an architectural style that reflects the City's history, and (4) enhance property values and increase economic and financial benefits to the City by protecting a local neighborhood historical resource asset.