



**City of South Pasadena
Planning and Community
Development Department**

Memo

Date: September 17, 2020

To: Chair and Members of the Cultural Heritage Commission

From: Kanika Kith, Planning Manager

Prepared By: Aneli Gonzalez, Management/Planning Intern

Re: Additional Document No. 1 for September 17, 2020 Cultural Heritage Meeting
Item No. 3 – Mills Act Contract for 1506 Rollin Street (Project No. 2305 - MIL)
– Revised Work Plan

Applicant has revised the proposed scope of work on their rehabilitation and restoration plans and maintenance program.

Staff had recommended that the Commission have the Applicant re-evaluate their financial analysis and work plan for 1506 Rollin Street. Previously, the estimated tax benefit was expected to exceed the Applicant's proposed financial investment in the cultural resource over the first 10 years of the contract. The total cost of the proposed scope of work is \$117,350 and the estimated total tax savings to the owner is \$119,070. This would create a surplus of \$1,720 in tax benefits.

The applicant revised their scope of work and financial investment. The total cost of the proposed work has been changed to \$127,350, and the estimated total tax savings to the owner is \$119,070. The estimated tax benefit is not expected to exceed the applicant's proposed financial investment in the cultural resource over the first 10 years of the contract. Staff recommends that the Cultural Heritage Commission make a recommendation to the City Council to enter into a Mills Act contract for 1506 Rollin Street based on the revised findings:

Criteria for Mills Act Contract (SPMC Section 2.68B.1.c.)

As outlined in the Cultural Heritage Ordinance, in considering the merits of a proposed Mills Act Contract, the Commission shall use the following criteria in making a recommendation to the City Council. Staff reviewed the proposed work plan and provided the following finding for recommendation of approval to City Council:

(i) Financial Investment. The estimated tax benefit is not expected to exceed the applicant's proposed financial investment in the cultural resource over the first 10 years of the contract.

The total cost of the repairs is \$127,350 between 2021 and 2028. The tax benefit over the same period is expected to be \$119,070. The proposed scope of work includes potential chimney restoration which has not been included in the total cost. Overall, the estimated tax benefit is not expected to exceed the applicant's proposed financial investment in the cultural resource over the first 10 years of the contract.

~~The estimated tax benefit is expected to exceed the Applicant's proposed financial investment in the cultural resource over the first 10 years of the contract. The total cost of the proposed scope of work is \$117,350 and the estimated total tax savings to the owner is \$119,070. This would create a surplus of \$1,720 in tax benefits.~~

(ii) Public Benefit. The proposed Mills Act contract features a work plan that will provide a benefit to the public by: rehabilitating the property for continued occupancy or adaptive reuse; improved viability through systems upgrades and structural reinforcement upgrades; preserving and maintaining the character-defining features of the property, and/or restoring character-defining features of the property that have been significantly altered or removed over time.

The application proposes significant repairs and restoration of the concrete porch and stone wall, driveway, would restore damaged siding, shingles, and windows that are visible to the public from the sidewalk and street. The proposed improvements will contribute to the preservation of this contributing property in the designated local historic district.

(iii) Retroactive Limitations. The estimated tax benefit will not be used for any maintenance or alteration work that was previously completed or initiated before the contract is approved, unless it can be shown that the completed work was necessary in the interest of the public health or safety following involuntary damage or destruction caused by fire, act of nature, or any other casualty.

The application does not propose maintenance or alteration work that was previously completed or initiated.

(iv) Limitations on Maintenance. The estimated tax benefit will not be used for routine maintenance work except for exemplary or exceptional properties that have financially burdensome maintenance requirements.

The Work Plan proposes an annual termite inspection, if required. The cost for the inspection is \$150 and cost of treatment is \$6,000 both are not included in total cost of proposed work.

~~The application does propose to use the estimated tax benefit for maintenance of the property for an annual termite inspection. The cost for the inspection is \$150, if required the cost of the fumigation~~

~~treatment is \$6,000. This cost has been deducted from overall scope of work since it does not qualify for Mills Act Contract~~

(v) Limitations on Interior Work. The estimated tax benefit will not be used for work within the interior of a cultural resource unless the commission determines the following exceptions should be made: the interior work is necessary to improve the structural integrity of the property; the interior work is necessary to preserve and maintain character-defining features within the cultural resource that are specifically identified as part of the official landmark nomination; and/or the interior work is necessary to preserve and maintain character-defining features of the property that were discovered subsequent to its landmark designation. The commission must first determine that those interior features are character-defining based on substantial evidence provided by the applicant.

The proposed work plan does not include interior work. It is estimated that the entire scope of work will be completed by the eighth year (2028) of the Mills Act contract.

~~The proposed work plan includes interior work of preserving the interior wood trim and paneling which does not qualify because the subject property is not a historic landmark property. Therefore, the cost without the interior work is \$117,350 and therefore would be less than the tax savings benefit amount. It is estimated that the entire scope of work will be completed by the eighth year (2028) of the Mills Act contract.~~

(vi) Limitations on Landscaping. The estimated tax benefit will not be used for landscaping work unless it will be used for specific landscape features that were identified as part of the official landmark nomination.

The application does not propose landscaping work.

Attachments:

1. Revised Work Plan

ATTACHMENT 1

Revised Work Plan



Mills Act Application (revised)

1506 Rollin Street, South Pasadena, CA 91030

- Rehabilitation Plan, Maintenance List
- Work Plan and Cost Estimate
- Financial Analysis

Prepared for: Li Li and Shen Chong

Prepared by: Marina Khrustaleva

September, 2020

Mills Act Application, 1506 Rollin Street, South Pasadena
Section II: Rehabilitation Plan, Maintenance List, and Reporting System

<i>Proposed Scope of Work</i>	<i>Year</i>
Restore original wood windows and French doors	2021
Replace non-original sliding aluminum windows on the east side of the house with wood windows identical to the original ones	2021
Restore damaged siding and shingles and repaint the house	2022
Repair roof frame including a split rafter	2023
Reinforce foundation, including bolting the walls per state requirement, and excavating the 18" crawlspace to provide access to plumbing	2024
Repair cracks in the concrete porch and stone porch wall	2025
Repair damaged driveway	2025
Inspect the chimney, repair cracks or restore to the original appearance if possible	2026
Replace outdated plumbing and electricity	2028
<i>Maintenance:</i>	
Check wood structure for termites and treat if necessary	Annually

Reporting System:

The property owners of 1506 Rollin Street will provide written updates to the City of South Pasadena every two years, documenting progress and providing updates and photos on the Mills Act work plan.

Certificates of Appropriateness (CoA) will be obtained by property owners for major work efforts, as required by the City of Pasadena Cultural Heritage Ordinance. The CoA may be needed for the restoration of the river stone chimney.

Progress reports will include detailed work descriptions, photographs of work completed, and copies of permits and CoAs.

Mills Act Application, 1506 Rollin Street, South Pasadena
 Section III: Cost Estimate of Rehabilitation/Maintenance Plan

All work efforts described in these plans will be carried out in accordance with the *Secretary of the Interior's Standards for the Treatment of Historic Properties*. Architects and/or contractors leading work efforts will have demonstrated historic preservation experience and will meet the *Secretary of the Interior's Professional Qualifications Standards* in their respective fields.

Proposed Scope of Work and Description **Est. Cost**

<p>Restore original wood windows and French doors <i>All preparatory work will be undertaken in compliance with the Secretary of Interior's Standards. All surfaces to be treated with the gentlest means possible.</i></p>	<p>\$ 7,800</p>
<p>Replace non-original sliding aluminum windows on the east side of the house with wood windows identical to the original ones <i>Match design, stain, and finish of the existing wood windows.</i></p>	<p>\$ 8,500</p>
<p>Restore damaged siding and shingles and repaint the house <i>Wood elements shall be restored and may be replaced in-kind only if deteriorated beyond repair. Damaged or deteriorated paint shall be removed using the gentlest method possible (preferably hand-scraping or hand-sanding). The color shall be period-appropriate.</i></p>	<p>\$19,300</p>
<p>Repair and reinforce the roof frame <i>The Building Inspection Report identifies a number of issues related to the roof frame to be addressed: split rafter above the kitchen; split purlin wall at the front of the home; undersized ridge board. Restore to ensure structural stability.</i></p>	<p>\$4,500</p>

<p>Reinforce foundation, including bolting the walls per state requirement, and excavating the 18" crawlspace to provide access to plumbing</p> <p><i>Foundation repairs and expanding the crawlspace according to industry standards and applicable building codes.</i></p>	<p>\$13,800</p>
<p>Repair cracks in the concrete porch and stone porch wall</p> <p><i>Remove failing mortar in the joints between the stones. Restore the vertical crack in the stone portion of the porch wall.</i></p> <p><i>Repair / recreate the 50-foot concrete wall cup and 595 sq. ft. of the porch floor. Repair of historic concrete may consist of either patching the historic material or filling it with new material to match the historic material and detailing.</i></p>	<p>\$39,100</p>
<p>Repair damaged driveway</p> <p><i>Driveway is considered to be a character-defining feature of the Rollin Craftsman Cluster Historic District landscaping.</i></p> <p><i>Repair and replace concrete in-kind.</i></p>	<p>\$7,900</p>
<p>Inspect the chimney, repair cracks or restore to the original appearance if possible</p> <p><i>The Building Inspection Report identifies cracks inside the chimney and recommends additional inspection. The exterior of the chimney was stuccoed (probably, in 1990), with its footing not reaching the ground level – see a photo attached. It is possible that originally the chimney was built of Arroyo river stone, same as used for the porch wall and the fireplace mantel. If this original stone chimney proves to be intact under the stucco, the home owner is willing to restore it back to the original condition.</i></p> <p><i>Chimney Level-2 inspection</i></p> <p><i>Cracks repair and structural reinforcement</i></p> <p><i>or Potential chimney restoration</i></p>	<p>\$250</p> <p>\$10,000</p> <p>\$28,000</p>

Replace outdated plumbing and electricity	\$16,200
<i>Maintenance:</i>	
Annual termite inspection	\$150
Fumigation treatment, if needed	\$ 6,000

Total investment in Rehabilitation (Maintenance not included): \$127,350

Potential Mills Act Property Tax Savings over a 10-year period¹: \$119,070

Potential Cost to the City of South Pasadena over a 10-year period: \$19,050

¹ This is only a preliminary estimate, final tax adjustments are conducted by the Los Angeles County Assessor's Office.

Mills Act Application, 1506 Rollin Street, South Pasadena

Section IV: Historical Property Tax Analysis²

Based on the City of Los Angeles 2020 Historical Property Tax Adjustment Worksheet Guide³

AIN: 5319-004-013

A: DETERMINE ANNUAL INCOME AND ANNUAL OPERATING EXPENCES:

Gross Income (Monthly Rent x 12) Zillow.com Rent Estimate: \$7,455/mo	\$89,460.00
Less 3% Vacancy & Collection Loss	\$2,684.00
Effective Annual Income	\$86,776.00
Less Expenses 20% Insurance, Utilities (gas, electricity, water, trash), Maintenance, Management	\$17,355.00
Annual Net Income:	\$69,421.00

B: DETERMINE CAPITALIZATION RATE:

2020 Interest Component	4.25%
Historical Property Risk Component	4%
Property Tax Rate	1.02%
Amortization Component (30 years) Improvements to Land Value Ratio \$379,487 / \$1,517,951 0.25*0.03=0.075	0.75%
Total Capitalization Rate:	10.02% (0.1002)

² For informational purposes only. This worksheet estimates the tax adjustment possible through the Mills Act Program. This is only a preliminary estimate, final tax adjustments are conducted by the Los Angeles County Assessor's Office.

³ https://planning.lacity.org/odocument/8ad7060d-b4c0-42b3-b3e0-2d3f77dbdf15/Tax_Adjustment_Worksheet.pdf

C: CALCULATE MILLS ACT ASSESSED VALUE:

Annual Net Income / Capitalization Rate	\$692,824.00
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D: DETERMINE ESTIMATED TAX REDUCTION:

Current Taxes (2019) (Current Assessed Value x 0.0102) \$ 1,860,235 x 0.0102	\$18,974.00
Less Mills Act Taxes (Mills Act Value x 0.0102)	\$7,067.00
Potential Annual Mills Act Property Tax Savings ⁴ :	\$11,907.00

Potential Annual Cost to City (16%)	\$1905.00
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⁴ For informational purposes only. This worksheet estimates the tax adjustment possible through the Mills Act Program. This is only a preliminary estimate, final tax adjustments are conducted by the Los Angeles County Assessor's Office.

Proof of Legal Description:

File No: 117072437

EXHIBIT "A"

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

Lot 24 in Block "A" of Smith and Jacob's Subdivision, in the City of South Pasadena, County of Los Angeles, State of California, as per Map recorded in Book 17, Page 26 of Miscellaneous Records, in the Office of the County Recorder of said County.

Assessor's Parcel Number: 5319-004-013

Additional Photograph:

(more photos in the Letter of Intent)

Stuccoed chimney with its footing not reaching the ground level
(probably, stuccoed over Arroyo river stone)

