

CITY OF LONG BEACH

The City Planning Commission

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December 7, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Mills Act Historic Property Contracts with The Lafayette Condominium Association and Individual Owners (District 2)

DISCUSSION

The Mills Act Historic Property Contracts for The Lafayette, an historic landmark with 140 units and six (6) commercial spaces, located at 140 Linden Avenue, was recommended by the Cultural Heritage Commission on January 21, 2004, and approved by the Planning Commission on October 21, 2004 (Attachment 1). The Association and owners of 17 of the 140 residential units have applied for contracts.

The Mills Act is State Legislation that allows a reduction of property tax for owners of designated historic properties in order to compensate for the financial burdens of restoring and maintaining historic buildings. The concept behind the Mills Act is that the public benefit of preserving and restoring a community's heritage justifies the reduction of public sector revenues generated through property taxes. The tax savings allow property owners to absorb the increased costs of restoring historic materials and archaic building fabric for buildings that are valued cultural resources of the community.

The City Council approved a policy to extend Mills Act contracts to condominium owners of designated landmarks in July 2001. Approximately seven possible candidate condominium buildings are eligible to apply for this program. The first condominium association to enter this program was the Rose Towers, located at 1728 East Third Street, with the condominium association and 14 out of 20 owners executing Mills Act contracts. The Villa Riviera has also recently entered into a Mills Act agreement with the City.

The Lafayette complex, located in the East Village Arts District, is composed of three buildings (the Campbell Apartments, the Lafayette Hotel, and the Broadway Addition) and was designated a City of Long Beach Historic Landmark in 1986.

The Campbell Apartments at 130 Linden Avenue were designed by Parker O. Wright and Francis Gentry, and built in 1928 by Reginald Campbell in the Spanish Baroque style. The apartments served as luxury homes for the City's elite. The Campbell's Spanish Baroque style is typical of the pre-Art Deco architecture of the 1920's, with

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beautiful glazed cast terra-cotta ornamentation and balconies. When they were built, the Campbell apartments were considered the first step in the development of the new downtown business district. The building's eleven stories met the height limitation of the time and provided a metropolitan feel.

The Lafayette Hotel (built in 1929) at 140 Linden Avenue was the work of Arthur and Cecil Schilling, masters of the Art Deco style. The building is, in fact, considered one of the finest examples of Art Deco architecture in the City. In 1948, an addition was built at 520 East Broadway in the International Style.

The three separate buildings were joined as one hotel in 1952 when purchased and operated by Conrad Hilton. They were converted to condominiums and retail space in 1969. The Lafayette Association of Homeowners (LAHO) was the first condominium association in the State of California.

The legal framework for a Mills Act contract with an historic condominium building requires a contract with The Lafayette Condominium Association as well as with the individual condominium owners. This dual contract is necessary in order to achieve the objectives of the program, as it is the Association that is responsible for the building's exterior and common areas, but individual owners who benefit from the tax reduction. The Association provided a plan for the restoration and maintenance of the building over the next ten years; it will include replacing the interior hall lighting; replacing the four (4) boilers; renovating the former ballroom with new carpet, paint and lighting; painting the exterior of the Lafayette and Broadway buildings; and restoring lighting in the large "L" signage on the rooftop. The proposed contract is for a ten-year term with an option to automatically renew annually, unless or until discontinued by either party.

This report was reviewed by Assistant City Attorney Michael J. Mais on November 23, 2004, and Budget Management Officer David Wodynski on November 19, 2004.

TIMING CONSIDERATIONS

City Council action is requested on December 7, 2004, as the final recordation of the Mills Act contract needs to be completed by the City Clerk's office by December 31, 2004, if the unit owners of the Lafayette are to be able to realize a tax savings benefit on their 2005 taxes.

FISCAL IMPACT

The Mills Act property valuations are calculated according to a complex formula defined in State Legislation, based upon a capitalization-of-income approach. The applicant and the City make the best estimation of this valuation that is possible with the information available to the public. The County Tax Assessor determines the final Mills Act valuations after the filing and recordation of the Mills Act contracts.

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The County of Los Angeles bears the largest share of property tax revenue loss from Mills Act contracts; however, they are not party to the agreement. The City's share of the property tax is 24 percent. The fiscal impact to the City has been calculated for The Lafayette's 17 individual applicants (Attachment 2). It is approximately \$7,500 annually (an average of \$441.00 per unit). Over the ten-year period of the contract, it will amount to approximately \$75,000. It should be noted that there exists the option, by either party, that the term of the contract could be continued after the initial ten years for an indefinite period. This would increase the fiscal impact proportionately. In addition, it is suggested that the City Manager be given the authority to execute appropriate amendments to the 'master' Mills Act contract described in this communication, so as to provide a mechanism to add additional unit owners to the contract should such owners make application for inclusion. As additional owners are added to the contract, the fiscal impact to the City is expected to increase in a proportional amount.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute the Mills Act Historic Property Contracts with The Lafayette Condominium Association and 17 condominium owners at The Lafayette, a designated historic landmark located at 140 Linden Avenue, and further authorize the City Manager to execute future amendments to the contract to add additional qualified condominium homeowners who make application for inclusion in the Mills Act contract.

Respectfully submitted,

MORTON STUHLBARG, CHAIR
CITY PLANNING COMMISSION

BY: 
FADY MATTAR
ACTING DIRECTOR OF PLANNING AND BUILDING

Attachments:

1. Planning Commission Staff Report October 21, 2004
2. Fiscal Impact Statement