



Agenda Report

Fullerton City Council

MEETING DATE: NOVEMBER 4, 2025

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: SUNAYANA THOMAS, DIRECTOR OF COMMUNITY AND ECONOMIC DEVELOPMENT

PREPARED BY: CHRIS SCHAEFER, AICP, PLANNING MANAGER
BENJAMIN KOFF, ASSOCIATE PLANNER

SUBJECT: MILLS ACT CONTRACT BETWEEN CITY OF FULLERTON AND OWNERS OF HISTORIC PROPERTY AT 229 NORTH CORNELL AVENUE

SUMMARY

Consideration of a Mills Act Contract for historic property preservation, rehabilitation and maintenance for 229 North Cornell Avenue.

PROPOSED MOTION

1. Adopt Resolution No. 2025-XXX.

RESOLUTION NO. 2025-XXX – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING A MILLS ACT CONTRACT BETWEEN THE CITY AND THE OWNER OF HISTORIC PROPERTY LOCATED AT 229 NORTH CORNELL AVENUE IN THE FORM OF A HISTORIC PROPERTY PRESERVATION AGREEMENT

2. Authorize the City Manager, or designee, to review subsequent updated schedules of improvements and maintenance items provided by the property owner pursuant to the Historic Property Preservation Agreement (Agreement) prior to the tenth anniversary of the Agreement and every tenth anniversary thereafter.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Modify or deny proposed Mills Act Contract
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

None.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

The City of Fullerton receives \$0.1564 of every \$1 of property taxes, with the remaining portion going to the County, school districts and special districts. The Mills Act Program results in a 15.64% reduction to the City general tax levy portion for each property with a Mills Act Agreement. The general levy property tax component does not include additional taxes such as special assessment charges and is not affected by Mills Act Contracts.

The Orange County Assessor's Office calculates Mills Act property tax savings annually. The formula that calculates tax savings to the property owner involves determining the property's annual net operating income by subtracting the projected rental income from the property's operating expenses (typically 30%). The annual net operating income is then divided by the State capitalization percentage rate, resulting in the new assessed value, otherwise known as the Restricted Value. The amount of annual property tax revenue loss to the City depends on the assessed valuation of the property once the subject property has entered a Mills Act Contract. The Orange County Assessor's Office conducts assessment values on January 1 of every year, therefore a property must enter a Mills Act Contract by December 31 of the previous year to receive tax savings on the property.

The adopted Mills Act Program Guidelines allow the City to process no more than ten Mills Act Contracts per calendar year. City Council must adopt a resolution reauthorizing the program when the number of approved Mills Act Contracts reaches 50 and specify how many additional Mills Act Contracts it would consider. The 229 North Cornell Avenue property application is one of five applications submitted during the 2025 calendar year and the tenth property in the City requesting a Contract.

The City would impose a penalty equal to 12.5% of the property assessed fair market value when the City finds a property owner in breach of contract terms or the property owner petitions for immediate contract cancellation.

BACKGROUND AND DISCUSSION

City Council adopted Resolution No. 2020-38 on April 21, 2020 establishing a Mills Act Program (Program) and Mills Act Program Guidelines authorizing local use of the Mills

Act of 1972, as amended and codified in California Government Code Sections 50280 through 50290 and Revenue Taxation Code Section 439. The Mills Act allows historic property owners to execute contracts with the City to receive a property tax reduction in exchange for restoring and maintaining their historic property.

Mills Act Contracts have a ten-year term and automatically renew each year on the anniversary of contract approval. In effect, the contract is always ten years away from termination unless the property owner or the City submits a notice of non-renewal, at which point the contract would terminate at the end of the current ten-year term.

The Orange County Assessor's Office reassesses historic properties under a Mills Act Contract to determine the "Historical Property Value" based on property income-producing potential to determine property taxes under the Mills Act Contract. The amount of property tax reduction varies based on each property's income-producing potential and current assessed value.

The Fullerton General Plan (The Fullerton Plan) includes a Historic Preservation Chapter to guide historical resource preservation, protection, restoration and rehabilitation to reaffirm their value as a resource contributing to the vitality and diversity of the present. The Fullerton Plan Short-Term Action Plan supports City efforts to preserve historic resources and identifies Mills Act Program development and implementation to provide financial incentives to restore and preserve historic resources.

Eligible Properties

Revenue and Taxation Code Section 439 defines a "qualified historical property" as a privately owned property not exempt from property taxation and listed on any national, state or local historic register. The Fullerton Plan contains several historic designations based on the level of significance, including:

- National Register
- Local Landmark
- Significant Property
- Potential / Possible Significant Property
- Historic Districts / Preservation Zones.

Additional eligibility criteria identified in the City program include:

- property must have private ownership
- property subject to property taxation
- property is residential in nature and use.

Property Background

Kyle and Shana Beym applied for a Mills Act Contract for their property located at 229 North Cornell Avenue on June 10, 2025. The property is located on the west side of North Cornell Avenue, approximately 150 feet south of the intersection with Chapman

Avenue (see Figure 1). The property was built in 1923 and represents a “Craftsman Bungalow” architectural style that was popular from 1905 to 1925.

The property at 229 North Cornell Avenue is a privately owned residence located in the R-2P Zoning Designation categorized as a “Two-Family Residential, Historic Preservation” Zone. Given that the property falls under a qualified historic designation and meets additional Eligibility Criteria, the property qualifies for consideration for a Mills Act Contract.



Figure 1

The detached, two-bedroom, single-family dwelling incorporates design elements commonly seen in Craftsman homes. Exterior design elements include a low-pitched roof, overhanging eaves, exposed beams and a wide, covered front porch. The home, surfaced in clapboard, also includes attic venting in the gable end.

Existing Conditions

Fullerton Heritage conducted a pre-application survey prior to application submittal to determine and discuss whether the property makes a good Mills Act Contract candidate. A member of Fullerton Heritage met with the property owner, took pictures of the property exterior and provided documentation to the City of Fullerton Planning Division. In evaluating the qualifications of the property, considerations were made regarding areas that may appear to have lost their historic integrity and areas that are unsightly or unkempt including:

- inappropriate landscaping
- incompatible fencing in front or side yards
- architectural features that were not historic features of the residence
- mechanical equipment.

Staff conducted a pre-contract property inspection June 30, 2025. A thorough walk-through of the property exterior revealed that the property is generally in good standing with proper maintenance of its historic integrity. Figure 2 demonstrates the home exterior is well maintained and its original architectural features, including clapboard siding, low-pitched roof, wide and covered front porch, remain intact.



Figure 2

The pre-contract inspection finds the property continues to maintain its architectural integrity, according to state and local standards and remains a qualified historical property appropriate for Mills Act Contract consideration.

Mills Act Contract

The Mills Act Contract does not require properties to return a building to its appearance during a specific historic period. However, work completed on the property should support the long-term preservation of the building and shall conform with the Secretary of Interior Standards for Rehabilitation. All work must relate to the exterior or building systems.

The City requires Mills Act Contract applicants to submit a description of work, timeline and cost estimates for the rehabilitation of the property during the first ten-year term of

the Contract. The Rehabilitation / Maintenance Plan (Attachment 3, Exhibit D) provides a ten-year work plan. The Mills Act Contract between the property owner and the City of Fullerton includes the Rehabilitation / Maintenance Plan as an attachment and becomes binding on all future property owners. The proposed Rehabilitation / Maintenance Plan identifies qualifying exterior improvements.

The owner must submit a report to the City each year after the execution of the Mills Act Contract to demonstrate the progress of the Rehabilitation / Maintenance Plan and demonstrate compliance with Contract terms. The owner must obtain building permits required for the on-going rehabilitation work and any long-term maintenance work.

Property Tax Revenue Impacts

Staff has analyzed the reduction in property taxes from this Mills Act Contract. The following table estimates the property tax reduction, based on the Tax Assessment Worksheet (Attachment 4) and using the income method described in the Mills Act Program Guidelines, the City would receive from this property, if City Council approves the Contract:

Fullerton's Share of the Property Tax Estimated from this Property	Before Mills Act (Estimate)	After Mills Act (Estimate)
229 North Cornell Avenue	\$1,368.50	\$ 354.25

The Assessor's estimate indicates the City would receive approximately \$1,014.25 less per year in property taxes (\$12,171 after ten years) from this Agreement. The estimated tax reduction to all taxing entities over the initial ten-year term totals \$77,820. The proposed rehabilitation budget for the same period totals \$60,200.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Draft City Council Resolution No. 2025-XXX
- Attachment 3 – Historic Property Preservation Agreement
- Attachment 4 – Tax Assessment Worksheet

cc: Interim City Manager Eddie Manfro