



Agenda Report

Fullerton City Council

MEETING DATE: NOVEMBER 18, 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 PROPERTY OWNERS OF HISTORIC PROPERTY AT 400 WEST BROOKDALE PLACE

SUMMARY

Consideration of a Mills Act Contract for the preservation, rehabilitation and maintenance of historic property for the subject property located at 400 West Brookdale Place.

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 400 WEST BROOKDALE PLACE IN THE FORM OF A HISTORIC PROPERTY PRESERVATION AGREEMENT

2. Authorize the Director of the Community and Economic Development Department 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

Modify or deny proposed Mills Act Contract for subject property.

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 fiscal impact of the Mills Act Program results in a 15.64% reduction to the City's 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 used to calculate the 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's 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 into a Mills Act contract. The Orange County Assessor's Office conducts assessment values on January 1 of every year, therefore a property must enter into a Mills Act contract by December 31 of the previous year to receive tax savings on the property.

Pursuant to the adopted Mills Act Program Guidelines, the City may process no more than ten Mills Act Contracts per calendar year. Additionally, when the total number of Mills Act Contracts approved reaches 50, City Council must adopt a resolution reauthorizing the program and specifying how many additional Mills Act Contracts it will consider. The application for the 400 West Brookdale Place property is one of four applications submitted in the 2025 calendar year and is the City's ninth property requesting a Contract.

Should the City find a property owner in breach of the contract terms or the property owner petitions for immediate cancellation of the contract, a penalty of 12.5 percent of the property's assessed fair market value will be imposed.

BACKGROUND AND DISCUSSION

On April 21, 2020, the Fullerton City Council adopted Resolution No. 2020-38 establishing a Mills Act Program (Program) and associated Mills Act Program Guidelines authorizing the local use of the Mills Act of 1972, as amended and codified in California Government Code Section 50280 - 90 and Revenue Taxation Code Section 439. The Mills Act allows owners of historic properties to voluntarily enter into individual contracts with the City in order to receive a property tax reduction in exchange for the restoration and maintenance of their historic property.

Mills Act Contracts run for a ten-year term and automatically renew each year on the anniversary of City Council's 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 will terminate at the end of the current ten-year term.

Under the Mills Act Contract, the Orange County Assessor's Office reassesses the historic property to determine the "Historical Property Value." The Historical Property Value is based on the property's income-producing potential and is used 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) included a Historic Preservation Chapter with the stated purpose to guide the preservation, protection, restoration and rehabilitation of historical resources in order to reaffirm their continuing value as a resource contributing to the vitality and diversity of the present. The Fullerton Plan's Short-Term Action Plan supports the City's efforts in the preservation of historic resources and identifies the development and implementation of a Mills Act Program 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 by the City's Program includes:

- Property must be privately owned.
- Property must be subject to property taxation.
- Property must be residential in nature / use.

Property Background

On September 2, 2025, property owners Ernest C. Kelsey and Timothy J. Holmes submitted an application requesting approval of a Mills Act Contract for their property located at 400 West Brookdale Place. The property is located on the southwest corner of the intersection formed by West Brookdale Place and North Ford Avenue (see Figure 1).

The property, constructed by local building contractor Charles Oscar Smith in 1930, represents a “Monterey-style” Spanish Colonial architectural style that was popular from 1915 to 1940. The home was constructed for T.J. Hirigoyen, an oil driller for the Standard Oil Company. The Hirigoyen family owned the property until 1958. The house is Fullerton’s best example of Monterey-style Colonial Revival architecture; its corner location and distinctive architecture make the residence a prominent landmark in the Brookdale Hights neighborhood.

400 West Brookdale Place is a privately owned residence located in the R-1-7.2P Zoning Designation categorized as a “One-Family Residential (7,200 square foot minimum lot size) Preservation” Zone. The property is identified in the City of Fullerton Local Register of Historical Resources as Historical Landmark HL-51 (Hirigoyen House). Given that the property falls under a qualified historic designation and meets additional Eligibility Criteria, the property qualifies for consideration of a Mills Act Contract.

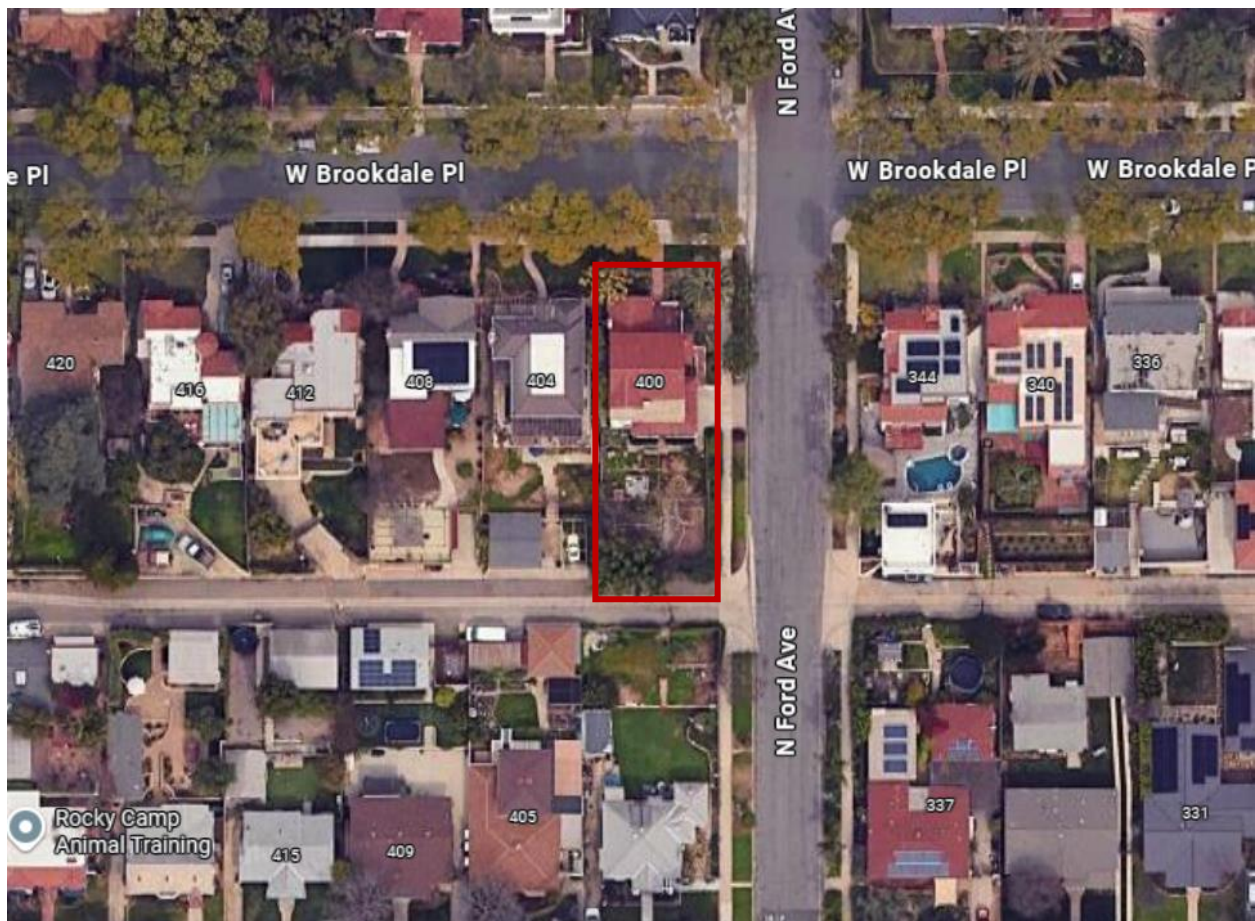


Figure 1

As a multi-level structure on a corner lot, this residence is an exceptionally fine example of Monterey-style Spanish Colonial Revival architecture. In addition to the recessed arched picture window, the house has several custom features from the original owner. Two balconies, each wrapping around two sides of the house, feature a Monterey-style design with clay-tiled shed roofs, supported by post and beam construction. The top deck at the rear has been enclosed – the only alteration from the original construction. Other hallmarks of the Monterey Revival style include low pitched gable roofs and plaster (stucco) walls.

Existing Conditions

Pursuant to adopted guidelines, a pre-application survey with Fullerton Heritage was conducted prior to submittal of this application. The purpose of the pre-application survey is to determine and discuss whether the property is a good candidate for a Mills Act Contract. A member of Fullerton Heritage met with the property owner, took pictures of the exterior of the property and provided the 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. These included:

- Inappropriate landscaping
- Incompatible fencing in front or side yards
- Architectural features that were not historic features of the residence
- Mechanical equipment.

On September 18, 2025, Staff visited the property and conducted a pre-contract inspection of the property. A thorough walk-through of the exterior of the property revealed that the property is generally in good standing with proper maintenance of its historic integrity. As demonstrated in Figure 2, the exterior of the home is well maintained and its original architectural features, including plaster (stucco walls), clay-tiled roof, arched picture window and second-story balconies remain intact.

Based on the findings from the pre-contract inspection, the property continues to maintain its architectural integrity, according to state and local standards, and remains a qualified historical property that is appropriate for consideration of a Mills Act Contract.



Figure 2

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's 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 4) 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 would need to 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 to demonstrate compliance with the terms of the contract. The owner must obtain any necessary building permits required for the on-going rehabilitation work and for any long-term maintenance work.

Property Tax Revenue Impacts

Staff has analyzed the reduction in property taxes as a result of this Mills Act Contract. Based on the Tax Assessment Worksheet shown in Attachment 5, and using the income

method described in the Mills Act Program Guidelines, below is an estimate of the reduction of property taxes the City will 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)
400 West Brookdale Place	\$1,689.50	\$559.34

Using the Assessor's estimate, the City will receive approximately \$1,130.16 less per year in property taxes (\$11,301.60 after ten years) as a result of this contract. Over the initial ten-year term, the estimated tax reduction to all taxing entities totals \$72,260. The proposed rehabilitation budget for the same period totals \$121,000.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Draft City Council Resolution No. 2025-XXX
- Attachment 3 – Historic Property Preservation Agreement
- Attachment 4 – Rehabilitation / Maintenance Plan
- Attachment 5 – Tax Assessment Worksheet

cc: Interim City Manager Eddie Manfro