



Agenda Report

Fullerton City Council

MEETING DATE: AUGUST 19, 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 621 NORTH RICHMAN AVENUE

SUMMARY

Consideration of a Mills Act Contract for historic property preservation, rehabilitation and maintenance for 621 North Richman 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 621 NORTH RICHMAN AVENUE IN THE FORM OF A HISTORIC PROPERTY PRESERVATION AGREEMENT

2. Authorize Director of Community and Economic Development 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 tax savings calculation for the property owner determines the property annual net operating income by subtracting the projected rental income from property 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 executes a Mills Act Contract. The Orange County Assessor's Office assesses values on January 1 of every year. A property must execute a Mills Act Contract by December 31 of the preceding year to receive tax savings.

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 will consider. The 621 North Richman Avenue property application marks the third application submitted in the 2025 calendar year and the eighth City property requesting a contract.

The City will 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 will 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

Raymond Sly and Kathlene Norsworthy-Sly applied for a Mills Act Contract for their property located at 621 North Richman Avenue on May 14, 2025. The property is located on the west side of Richman Avenue, approximately 275 feet north of the intersection with Malvern Avenue (see Figure 1). Local building contractor Earle F. Heiden constructed the property in 1930 which represents a “Spanish Colonial Revival” architectural style popular from 1915 to 1941.

Notable mortician and longtime Fullerton businessman Harry N. Suters and his wife Susan commissioned the home. Mr. Suters was an active presence in Fullerton, joining and participating in multiple local businesses, political and civic clubs and organizations (Fullerton American Legion, Fullerton Rotary Club and Toastmasters Club). Mr. Suters co-owned and operated the McAulay and Suters Mortuary, established in 1914 and represents the oldest continuously operating business in Fullerton.

The house at 621 North Richman Avenue is a privately owned residence located in the R-1-7.2 Zoning Designation categorized as a “One-Family Residential” (7,200 square foot minimum lot size). The City of Fullerton Local Register of Historical Resources identifies the property as Historical Landmark HL-109 (Suter’s House). The property qualifies for consideration of a Mills Act Contract because it falls under a qualified historic designation and meets additional eligibility criteria.

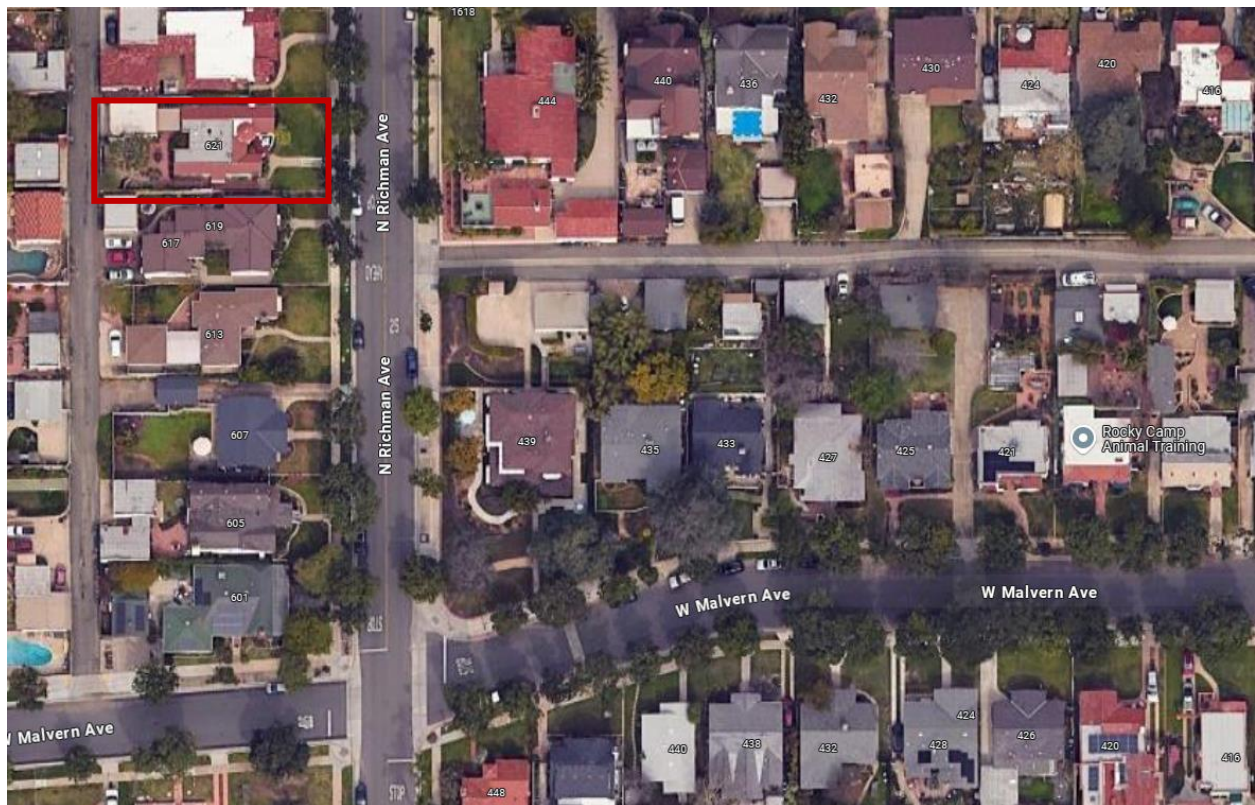


Figure 1

The one-story, 1,577 square-foot Spanish Colonial Revival dwelling has striking Spanish styled elements, including a turret centered between two wings. Other Spanish Colonial Revival features include smooth stucco walls, a barreled red tile roof, wrought iron detailing, arched and multi-paned windows, terracotta attic gable vent tubes and a

round arched entryway. The home has historically appropriate off white paint with dark green trim.

Existing Conditions

Fullerton Heritage conducted a survey prior to application submittal pursuant to adopted guidelines to determine and discuss whether the property makes a good candidate for a Mills Act Contract. A member of Fullerton Heritage met with the property owner, took pictures of the property exterior and provided the documentation to the City of Fullerton Planning Division. Staff evaluated property qualifications and made the following considerations regarding areas that may have lost historic integrity and unsightly or unkempt areas:

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

Staff visited the property on June 3, 2025 and conducted a pre-contract inspection. Staff determined the exterior of the property is generally in good standing with proper maintenance of the historic integrity. The exterior of the home is well maintained and its original architectural features, including smooth stucco walls, barreled red tile roof, arched and multi-paned windows and wrought iron detailing remain intact, as demonstrated in Figure 2.



Figure 2

The pre-contract inspection found the property maintains the 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 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 submit a description of work, timeline and cost estimates for property rehabilitation during the first ten-year term of the contract. The Rehabilitation / Maintenance Plan (Attachment 2, Exhibit D) provides a five 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 submit a report to the City each year after the executing the Mills Act Contract to demonstrate Rehabilitation / Maintenance Plan progress and contract terms compliance. The owner must obtain any building permits required for ongoing rehabilitation work and any long-term maintenance work.

Property Tax Revenue Impacts

Staff analyzed the reduction in property taxes resulting from this Mills Act Contract, based on the Tax Assessment Worksheet (Attachment 3) and using the income method described in the Mills Act Program Guidelines. The following table estimates the property tax reduction the City would receive from this property if City Council approves the contract:

Fullerton Share of the Property Tax Estimated from this Property	Before Mills Act (Estimate)	After Mills Act (Estimate)
621 North Richman Avenue	\$ 6,860.33	\$ 4,297.16

The City would receive approximately \$672.07 less per year in property taxes (\$6,720.75 after ten years) under this contract using the Assessor's estimate. The estimated tax reduction over the initial ten-year term, to all taxing entities totals \$25,631.70. The proposed rehabilitation budget for the same period totals \$62,977.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Draft Resolution No. 2025-XXX
- Attachment 3 – Tax Assessment Worksheet

cc: Interim City Manager Eddie Manfro