



Date: September 30, 2014

To: Patrick H. West, City Manager *PW*

From: *AJ Bodek*
Amy J. Bodek, Director of Development Services

For: Honorable Mayor and Members of the City Council

Subject: **Update on the proposed revisions to the Mills Act Program for historic properties**

On February 4, 2014, the City Council requested an update on the status of re-instituting the Mills Act historic preservation incentive program.

The City Council originally established a local Mills Act program in 1993. As provided by State law, entering into a Mills Act contract results in a property tax reassessment by the local county tax assessor, who assesses property value by applying a complicated formula based on income capitalization, risk factors, and expected life of the property. Generally, experience with such contracts indicates that owners benefit from approximately a 30-50 percent reduction in property tax, which in turn lowers City revenue from property taxes from these properties. The contract runs with the property, and is passed on to subsequent owners. The contract is for a period of 10 years, and automatically renews itself on a continuous basis unless steps are taken by the City to cancel a contract.

Owners of historic properties benefit from property tax relief under the Mills Act as compensation for the additional costs they assume in restoring and maintaining a designated historic property, providing a public benefit by preserving the architectural heritage of a community.

The most recent Mills Act contract was executed in 2006 for the Henry Clock House at 4242 Pine Avenue. At that time, the City stopped accepting new applications for Mills Act contracts in order to assess the merits of the program and to conduct compliance audits on the agreements. The City hired GPA Consulting (formerly Galvin Preservation Associates) to help conduct Mills Act inspections. There are 31 single-family and duplex properties, which were inspected by staff and consultants. Staff sent audit letters and inspection reports to those homeowners to verify completion of contract improvements and gather additional information about the properties.

There are three multi-family properties with a cumulative total of nearly 100 individual units that also have applicable Mills Act contracts in the Villa Riviera, Rose Towers (El Cordoba), and the Lafayette Tower. Because the Mills Act contracts for these properties include some, but not all, of the individual condominium units, it is difficult to comprehensively inspect and audit the maintenance of buildings. Visual inspections of the common areas and individual units in these three buildings were completed in the spring of 2014.