



Legislation Text

File #: RES 18-0034, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Anne McIntosh, Community Development Director

Laurie Jester, Planning Manager

Angelica Ochoa, Associate Planner

SUBJECT:

Resolution No. 18-0034 Adopting a Mills Act Program and Consideration of Associated Fees to Provide Reduced Property Taxes for Properties Designated by the City as Historic Resources (Community Development Director McIntosh).

a) **DISCUSS AND PROVIDE DIRECTION**

b) **ADOPT RESOLUTION NO. 18-0034**

RECOMMENDATION:

Staff recommends that the City Council consider the attached Resolution No. 18-0034 to establish a Mills Act Program and consider associated application fees.

FISCAL IMPLICATIONS:

Adoption of the Mills Act Program will require additional staff time and resources. A reduction in property tax revenue is anticipated with the implementation of a Mills Act Program as described in the staff report from October 2014 (Attachment 1).

BACKGROUND:

On June 17, 2014, the City Council discussed the implementation of a Mills Act Pilot Program to provide tax incentives to property owners to preserve, maintain and restore designated historic properties in the City. On October 7, 2014, the City Council approved the Mills Act Pilot Program Resolution (Attachment 2). The Pilot Program expired on October 7, 2016. Since no applications were received, City Council did not establish a permanent Mills Act Program.

On August 1, 2017 the City adopted a new Historic Preservation Ordinance to conserve historical landmarks throughout the City. A provision regarding Mills Act contracts is included in the Historic Preservation Ordinance as a preservation incentive to property owners.

DISCUSSION:

As part of the Mills Act Program, the City has the option of limiting annual revenue loss from property tax revenues, the maximum number of Mills Act contracts approved per year, the maximum assessed

property value, the type of property, and the timing for submittal of applications.

The 2014 Pilot Program had the following limitations:

- 1) Property type limited to private property, residential and commercial zoning
- 2) Maximum assessed property value limited to \$3 million for each historic property
- 3) Maximum annual City revenue reduction limited to \$50,000
- 4) Maximum number of agreements per year limited to three (3)
- 5) No requirements for when applications needed to be submitted
- 6) No flat fee was established- consultant costs would be paid by the applicant

Since many properties in the City exceed a property value of \$3 million dollars, many properties in the City would not qualify. The \$50,000 annual revenue loss could also limit the number of properties. Limiting application submittals to the same time as a Historic Designation application is submitted, or to 2 or 3 times a year, would allow a more comprehensive approach to review.

Staff is recommending that the City Council adopt the attached Resolution No. 18-0034 to establish the Mills Act Program. The maximum property value will be increased to \$5 million dollars so that more properties can qualify for the program. A new provision for application deadlines will be twice a year, April 1 and October 1 of each year. This will allow the City to evaluate the economic impacts more comprehensively and process applications more efficiently. All other limitations originally approved in the 2014 Pilot Program will remain the same.

On February 6, 2018, the City Council reduced the fees for Historic Preservation applications to zero and Certificates of Appropriateness to \$1,500. These fees do not fully cover the City's cost of providing the service, but the City Council felt reducing the fees would encourage residents to submit applications to designate their properties.

Staff anticipates only 2 or 3 Mills Act applications for Historic properties per year will be submitted. If the Mills Act Program Resolution is adopted, staff will return to City Council with data that indicates the anticipated staff hours and associated costs for processing Mills Act applications. A Fee Resolution for City Council adoption will be provided at that time.

ENVIRONMENTAL REVIEW

Per the requirements of the California Environmental Quality Act (CEQA) the establishment of the Program is exempt from the CEQA environmental review requirements pursuant to Section 15061(b)(3) of Title 14 of the California Code of Regulations. Further, the Mills Act Program would be categorically exempt from environmental review pursuant to section 15331 of the CEQA Guidelines, which exempts projects limited to maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings in that it is a program that results in the preservation and maintenance of historic resources in exchange for property tax reductions. In addition, the Program is categorically exempt from CEQA, pursuant to CEQA Guidelines Section 15308 because it is an action by a regulatory agency (the City) to maintain, restore and protect the environment through protection of historical resources in the community.

LEGAL REVIEW

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachments:

1. Resolution No. 18-0034
2. Staff Report, Attachments and Resolution (October 7, 2014)