



## Legislation Details (With Board Report)

<b>File #:</b>	ORD 14-006	<b>Name:</b>	Mills Act Ordinance
<b>Type:</b>	Ordinance	<b>Status:</b>	Consent Agenda
<b>File created:</b>	3/17/2014	<b>In control:</b>	Board of Supervisors
<b>On agenda:</b>	3/25/2014	<b>Final action:</b>	3/25/2014

**Title:** Introduce, waive reading, and set April 8, 2014 at 1:30 P.M. as the date and time to consider adoption of an ordinance adding Chapter 18.28 to the Monterey County Code to establish an on-going, county-wide program to implement a state law commonly known as the Mills Act. The ordinance establishes uniform procedures under which the County may enter into a contract with owners of qualified historic properties to preserve, restore, and maintain the historic properties in exchange for preferential property tax assessment.  
(REF130101/Mills Act Ordinance, County-wide)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Attachment A - Discussion, 2. Attachment B - Draft Ordinance, 3. Attachment C - HHRB Resolution, 4. Completed Board Order

Date	Ver.	Action By	Action	Result
3/25/2014	1	Board of Supervisors	approved	

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(REF130101/Mills Act Ordinance, County-wide)

**RECOMMENDATION:**

Staff recommends that the Board of Supervisors introduce, waive reading, and set April 8, 2014 at 1:30 P.M. as the date and time to consider adoption of an ordinance adding Chapter 18.28 to the Monterey County Code to establish an on-going, county-wide program to implement a state law commonly known as the Mills Act.

**SUMMARY:**

The subject ordinance builds on experience gained through the Mills Act Pilot Program established in 2010 by adding Chapter 18.27 of the Monterey County Code. Chapter 18.27 was established for two years or until five contracts were approved, whichever occurred first. Only three contracts have been established over the past two years. On May 7, 2012, the Board of Supervisors received a report on the Pilot Program and directed staff to prepare an ongoing Mills Act program addressing the lessons learned from the Pilot Program and incorporating limitations for financial impacts to the County.

Chapter 18.28, added by this ordinance, would govern the selection and administration of historic property contracts executed after the effective date of the ordinance, while Chapter 18.27 would continue to govern the three contracts approved under the pilot program. This ordinance would: complete Board Referral No. 2008-27; implement 2010 General Plan policies; and meet goals of the Local Coastal Program. Chapter 18.28 would

apply county-wide.

The new ordinance is similar to the pilot program with the exception of some strategic changes to reflect lessons learned during the pilot program, amendments to state law since the County adopted its pilot program, and Board direction provided to staff on May 15, 2012. Key differences between the pilot program and the subject ordinance include:

- *No total number of contract limitations* - The pilot program was limited to approval of a maximum of five contracts. The new ordinance would not limit the number of contracts that could be approved;
- *Changes in the contract application review and approval process* - Efficiencies in the process can be achieved by eliminating intermediate steps, such as the contract ranking process, in conjunction with the removal of potential competition for a limited number of contracts, as was the case with the pilot program. These changes reduce staff time needed for program administration and thereby keep fees for contract application lower; and
- *A new limit on eligibility for a contract* - On May 15, 2012, the Board of Supervisors directed staff to prepare an on-going Mills Act program with direction to include some form of limitations to contain the financial impact from lost property tax revenue. Staff working with the Historic Resource Review Board (HRRB) considered several options to implement this direction. The recommended financial limitation is to cap eligibility to properties with a current fair market value not to exceed \$3,000,000 for residential properties and \$5,000,000 for commercial/industrial properties. Similar eligibility limitations are used by other jurisdiction including San Francisco, Santa Barbara, Los Angeles and others. This type of limit is also based on experience with the pilot program, in which one property with a high fair market value accounted for nearly 80% of the total reduction in property tax revenue experienced by the County as a result of the program.

#### DISCUSSION:

Detailed discussion is provided in **Attachment A**.

#### OTHER AGENCY INVOLVEMENT:

The following agencies have participated in development of this ordinance:

RMA - Planning;  
Assessor's Office;  
Parks Department;  
County Counsel; and  
The CAO's office (finance).

County Counsel has approved the ordinance as to form.

A similar but earlier version of the draft ordinance was reviewed by the Historic Resources Review Board on November 7, 2013. The Historic Resources Review Board recommended approval of the ordinance by a vote of 6-0 (**Attachment C**).

#### FINANCING:

Adoption of the ordinance itself will not have direct financial impacts; however, the ordinance will allow approval of Historic Property Contracts, each of which will result in reduced revenue from property taxes. It is not possible to know the exact financial impact at this time; however, based on figures, assumptions, and experience gained through the "pilot program", and factoring in new eligibility limits based on fair market

property value, staff estimates a cumulative reduction in property tax revenue of \$465,000 per year as measured at the end of the first five years following adoption of this ordinance (See Exhibit A to this report for more information). This 5-year figure includes the approximately \$108,000 already committed to as a result of the pilot program. Because the reduction in property taxes resulting from the program is based on the particular facts of how many and which properties take advantage of the program, the loss of property tax revenue cannot be predicted with certainty. Therefore, staff recommends that the program be tracked and reported on to the Board of Supervisors in five year increments. Five year reporting could inform the Board and the public of actual tax revenue loss. Given that the program is entirely voluntary for both the County and for property owners, the County could, at any point, and for any reason, choose to stop approving new Historic Property Contracts; however, tax reduction would occur under existing contracts even if the existing contracts are cancelled, as state law provides essentially for a ten year cancellation period. Staff time for processing Historic Property Contracts is proposed to be recovered through Mills Act fees established by the Board and as may be amended through separate action. Staff time for yearly monitoring and program oversight is proposed to be included in the RMA-Planning Department budget augmentation that would create a Historic Preservation position within the Department.

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Approved by: Mike Novo, Director, RMA-Planning, ext. 5192

Benny Young, Director Resource Management Agency

This report was reviewed by Jacqueline R. Onciano, Planning Services Manager

cc: Front Counter Copy; California Coastal Commission; Jacqueline R. Onciano, Planning Services Manager; Mark Norris; Belinda Taluban; John Farrow, Janet Brennan, Meg Clovis, Parks Department; State Office of Historic Preservation; The Open Monterey Project; LandWatch; Project File REF130101

The following attachments on file with the Clerk of the Board:

Attachment A	Discussion
Attachment B	Draft Ordinance adding Chapter 18.28 to the Monterey County Code
Attachment C	Historic Resources Review Board Resolution