



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: JUNE 11, 2024
DEPARTMENT: COMMUNITY DEVELOPMENT
FROM: LISA BRINTON, DIRECTOR
THROUGH: GRANT LEONARD, PLANNING MANAGER
BY: JESSICA SHULL, ASSOCIATE PLANNER
TITLE: MILLS ACT PROGRAM

RECOMMENDED MOTION:

A motion to:

1. adopt an Ordinance amending Chapter 3 of the Salinas Municipal Code making minor edits and updates; and
2. approve a Resolution establishing a permanent Mills Act Program for qualified historic properties.

EXECUTIVE SUMMARY:

The Mills Act is an economic incentive program that grants tax savings to property owners for the restoration and preservation of qualified historic buildings. In 2016, the City of Salinas adopted a 5-year Mills Act Pilot Program, which lapsed in 2022. During the Pilot Program, three contracts (2 residential and 1 commercial) were approved by the City Council. Due to renewed interest in the Mills Act, City staff worked with the Historic Resources Board (HRB) to conduct a Mills Act Program review and prepare an updated permanent Mills Act Program. The proposed permanent program and ordinance update would maintain the program criteria from the Pilot Program, make minor edits to the ordinance, and establish improved administrative procedures.

BACKGROUND:

Discussion:

The Mills Act is an economic incentive program that fosters the preservation of residential neighborhoods and the revitalization of commercial districts. Enacted in 1972, the Mills Act allows participating local governments the authority to enter into contracts with owners of qualified

historic properties to restore and maintain their historic properties while receiving property tax relief. The Mills Act allows local governments to design preservation programs to accommodate specific community needs and priorities. Local governments choose to adopt Mills Act Programs because they recognize the economic benefits of conserving resources and reinvestment in addition to the important role historic preservation can play in revitalizing older areas, creating cultural tourism, and retaining a sense of place and continuity with the community's past.

On February 7, 2016, City Council Ordinance No. 2588 clarified the responsibilities of the Historic Resources Board and provided the Historic Resources Board (HRB) and City Council the authority to establish a Mills Act Program, and per Section 3-02.14 of the Salinas Municipal Code and pursuant to California Government Code, Article 12, Section 50280 (known as the Mills Act), the City Council may establish a Mills Act Program.

Under the Mills Act, property owners are required to enter a contract to receive the benefits outlined below:

- A Mills Act Contract is an agreement between the City of Salinas and an owner of an historic property as designated by the City Council or on any official federal, state or county register, for the purpose of preservation, rehabilitation, and maintenance of a historic resource. The property owner benefits from a reduction in property taxes.
- The term of a Mills Act Contract is ten (10) years with one (1) additional year being added on each year's anniversary for ten years resulting in a total of up to twenty years unless it is cancelled. The Contract, rights and obligations are binding upon all successive owners of the property during the life of the contract.
- Property owners must prepare a Maintenance Plan and submit an annual report to the Community Development Department, which specifies all work done to maintain and preserve the historic building over the year in accordance with the Maintenance Plan. All work must be done in accordance with the Secretary of Interior's Standards for the Treatment of Historic Properties.
- The contract process is initiated by submittal of a complete application and fee to the City of Salinas Community Development Department. Staff then prepares a report for consideration by the Historic Resources Board. The HRB reviews the application materials and staff report and recommends approval, modification, or denial of the request to the City Council. The City Council takes final action on the request and either approves, modifies, or denies it.

On June 28, 2016, City Council Resolution No. 20986, provided as Attachment 5 to this staff report, established the Mills Act Program, with a five-year Pilot Program, which was to be considered for continuation in 2022 after review of the program performance between 2016 and 2022. Since the inception of the Mills Act Pilot Program, three Mills Act Contracts have been executed.

The City reached out via email to the Monterey County Assessor’s Office for observed property tax savings of the three Mills Act Contract properties. The Monterey County Assessor’s Office provided the following for each subject property: assessed value without the Mills Act Contract, the Mills Act Contract assessed value, and the tax rates since their contract inception; the staff then calculated the monetary tax savings, provided as Attachment 4 to this staff report and summarized in the Table 1 below.

Table 1

Mills Act Contract Estimated Property Tax Savings

Address	Improvements completed consistent with Contract	Approximate Property Tax Savings to Date
147 Central Avenue	Permit # R19-0076 (2019) Reroof	\$15,971.95
15 Los Laureles Avenue	No improvements consistent with the contract	\$34,746.24
301 Main Street	Permit #: B18-0736, B19-0361, B20-0520, B21-0652 (2018-2022) Various tenant improvements including restaurant and 50 studio units	2023 will be the first year of property tax savings

Analysis:

Based on information collected to date, the City currently has one fully compliant Mills Act Contract out of three. City staff is working with property owners to determine what work has been completed consistent with their Maintenance Plan to bring each Mills Act Contract into compliance.

Under the Mills Act, jurisdictions can establish their own criteria and determine how many contracts they will allow in their jurisdiction. The City of Salinas’s Mills Act Pilot Program contained the following criteria:

- The maximum amount of City property tax reduction allowed is \$100,000/year.
 - If the number of applicants exceeded the tax reduction limit, eligible applications are selected based on the order they are received.
- Applications are only accepted during the months of May, June, and July.
- Mills Act recipients must prepare a Maintenance Plan and submit an annual report that specifies all work done to maintain and preserve the historic building over the prior year.

Based on the discussion at the December 4, 2023, Historic Resources Board meeting, staff determined that no modifications would be made to the existing Mills Act program criteria. Proposed modifications to the program are administrative and focus on strengthening program oversight.

City staff reached out to three area school districts Alisal Union, Salinas City Elementary and Salinas Union High as a reduction in property tax has potential impact on these districts. Emails were sent to Associate Superintendents, with a follow up call, providing an opportunity to ask questions or raise concerns regarding the Mills Act Program. No comments were received from any of the school districts.

Fiscal Impact:

Property taxes equal 1% of the properties assessed value. The City of Salinas receives 6% of that 1%. The reduction in city property tax revenue resulting from a Mills Act Contract is offset by the public benefit of preservation of important historic resources. The fiscal impact of the Mills Act Program on the City is minimal. The tables above show an estimate of property taxes the City received for the 2023 tax year for the three Mills Act Pilot Program properties. Table 2 estimates what the City would have received in property taxes without a Mills Act Contract on the property. Table 3 estimates the amount of property taxes the City of Salinas received under the Mills Act Contracts. The difference in property taxes received for this tax year was \$1,466.63.

2023 Tax Year Analysis

Table 2: Tax Estimates Without Mills Act Contract

Property Address	Tax Rate Pre-Mills Act	Property Taxes Pre-Mills Act (1%)	City of Salinas (6%)
301 Main Street	\$11,568,969.00	\$137,670.73	8,260.24
15 Los Laureles Avenue	\$1,178,578.00	\$11,785.78	\$707.14
147 Central Avenue	\$634,644.00	\$6,346.44	\$380.79

Table 3: Tax Estimates With Mills Act Contract

Property Address	Tax Rate Post Mills Act	Property Taxes Post Mills Act (1%)	City of Salinas (6%)
301 Main Street	\$10,340,000.00	\$123,213.00	\$7,392.78
15 Los Laureles Avenue	\$445,000.00	\$5,059.00	\$303.54
147 Central Avenue	\$254,000.00	\$3,087.00	\$185.22

Updates to Salinas Municipal Code (SMC) Chapter 3

During the Mills Act Pilot Program review staff identified multiple minor edits and updates needed to Chapter 3 of the SMC, which established the Mills Act Pilot Program. These updates included correcting section citations and removing a reference to the five-year Pilot Program. The updates are reflected in the draft Ordinance in strike through and underline (Attachment 1).

Historic Resource Board Review and Recommendation:

The Historic Resource Board reviewed the Mills Act Program at the October 4, 2023, meeting and indicated support for establishing a permanent Mills Act Program. The Historic Resources Board discussed the Mills Act Program at the December 4, 2023, meeting to provide staff additional direction on the structure of a permanent Mills Act Program. The permanent Mills Act Program was presented to the Historic Resources Board on April 8, 2024, with a unanimous vote to recommend a permanent Mills Act Program.

The Mills Act is one tool used to support the preservation of historic buildings within the City. Staff has reviewed the Mills Act Pilot Program, best practices from many programs around the state, and updated the Pilot Program so that it can be adopted as a permanent program. A Resolution establishing a permanent Mills Act Program along with program criteria and administration is attached to this staff report. Staff recommends adoption of the Ordinance updates and approval of the Resolution to establish a permanent Mills Act Program.

CEQA CONSIDERATION:

The environmental impacts of the proposed improvements conform with the Secretary of the Interior’s Standards for Rehabilitation and have been analyzed in accordance with the California Environmental Quality Act (CEQA). Therefore, the project is categorically exempt (Class 31) from further environmental analysis per CEQA Guidelines Section 15331 (Historic Resource Restoration/Rehabilitation).

DEPARTMENT COORDINATION:

The Community Development Department’s Advanced Planning and Project Implementation (APPI) staffs the HRB and led the review of the City of Salinas’ Mills Act Program. APPI has

coordinated with Finance, Legal, and the City Manager's office.

STRATEGIC PLAN INITIATIVE:

While the Mills Act does not directly relate to one of the Council's Strategic Plan Goals or Strategies, it is closely aligned with the goals of Economic Development and Environmental Sustainability. A Mills Act Program aids in the preservation of City historic resources, enhances property values and stimulates economic benefits to the public.

FISCAL AND SUSTAINABILITY IMPACT:

Establishing a permanent Mills Act Program could create a fiscal impact to the General Fund of up to a maximum reduction of \$100,000 per fiscal year. Analysis of the Mills Act Pilot Program show the current fiscal impact is much less, approximately \$1,400 annually. Additionally, the savings are being reinvested in the rehabilitation and maintenance of historic properties. A Mills Act Program will have a positive impact on the environment by assuring the future review, preservation, and rehabilitation historic resources in the City of Salinas.

ATTACHMENTS:

- 1) Draft Ordinance
- 2) Draft Resolution
- 3) Historic Resources Board Mills Act Resolution
- 4) Mills Act Values; City of Salinas 2023
- 5) City Council Resolution 20986