

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: June 28, 2016

FROM: Megan Hunter, Director, Community Development Department

THROUGH: Courtney Grossman, Planning Manager

BY: Don Lauritson, Planning Manager

SUBJECT: **HISTORIC RESOURCES BOARD ORDINANCE AMENDMENT AND
RESOLUTION TO ADD MILLS ACT TAX SAVINGS PROGRAM FOR
HISTORIC PROPERTIES AND FOR OTHER MINOR ORDINANCE
CHANGES**

RECOMMENDATION:

It is recommended that the City Council:

- A) Introduce and then subsequently adopt the attached ordinance amending Chapter XI of the City Code to include a tax savings program for designated historic properties, and make other minor ordinance changes; and
- B) Adopt the accompanying resolution implementing a tax savings program for designated historic properties consistent with the above ordinance amendment.

DISCUSSION:

The Mills Act is a California State law allowing cities to enter into contracts with the owners of designated historic properties who agree to preserve, maintain, and improve their property, in exchange for property tax savings. Eighty-five cities and counties in the state have adopted such tax savings programs for designated historic properties. This is the most commonly used tax savings program for historic properties. The 2002 City General Plan, the 2010 Historic Resources Board Ordinance, and the 2015 Downtown Vibrancy Plan all call for the adoption of such a program to financially incentivize preservation of historic properties. The Pilot tax savings program will last for five years. After that period, the program will be evaluated and modified if necessary before its extension.

Key elements of the Mills Act tax saving program are as follows:

1. A Mills Act Contract is an agreement between the City of Salinas and property owner of a City historic building listed as a “historic resource.” The property owner benefits from a reduction in property taxes. The City is ensured the historic building is preserved via contract language requiring official designation by the City, historic design review of

exterior alterations, and maintenance and improvements according to an agreed-upon schedule.

2. A Mills Act Contract is for a period of ten (10) years with one (1) additional year being added on each year's anniversary; so the contract continues for ten (10) 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. This is a significant benefit because the property retains the lower Mills Act tax rate when the property is sold.
3. Recipients must prepare a Maintenance Plan and submit a bi-annual report to the Community Development Director, which will specify all work done to maintain and preserve the historic building over the year in accordance with the recipient's maintenance plan. All maintenance work must be done in accordance with the Secretary of Interior's Standards for the Treatment of Historic Properties.
4. 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 Board 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.
5. Once the contract has been approved by the City Council and signed by the applicant, the City will transmit the contract with the appropriate recording fee to the County Recorder's Office. After recordation, the recorded contract must be sent to the County Assessor who calculates the exact tax savings. The County Assessor must receive the recorded contract no later than December 31st for the contract (and tax savings) to start the following year.
6. The program would limit the amount of City property taxes reductions to \$100,000/year. The two attached examples demonstrate that the City gains more than five times this amount in improvements to historic properties which take advantage of the program.

Miscellaneous changes to the Historic Resources Board ordinance are minor in nature and are intended for clarification and correction of three ordinance sections.

REVIEW BY HISTORIC RESOURCES BOARD AND PLANNING COMMISSION

On December 7, 2015, the Historic Resources Board conducted a public hearing and voted unanimously to recommend City Council approval of a Mills Act Program. On June 1, 2016, the Planning Commission conducted a public hearing and also voted unanimously to recommend City Council approval of a Mills Act Program. Staff has made minor wording modifications to the ordinance and resolution since that time for clarity.

ENVIRONMENTAL REVIEW:

The environmental impacts of the project have been analyzed in accordance with the California Environmental Quality Act (CEQA). The proposed program and ordinance amendments are categorically exempt (Classes 5 and 31) from further environmental analysis per CEQA Guidelines Sections 15035 (Minor Alternations in Land Use Limitations) and 15331 (Historic Resources Restoration/Rehabilitation).

ISSUE:

Shall City Council introduce and subsequently adopt the proposed ordinance and resolution in order to create a five-year pilot historic property tax saving program and make minor changes to the ordinance?

FISCAL IMPACT:

The City could realize reductions in property taxes up to \$100,000 per year, in that up to this amount could be shifted to historic property-owners who take part in the program. However, the savings are used to reinvest in the rehabilitation and maintenance of historic properties that are an important asset to the City.

TIME CONSIDERATIONS:

There are no Permit Streamlining Act deadlines applicable to the project and the City is not required to adopt a Mills Act program. However, timely adoption will allow historic property-owners, including many within the downtown area, to improve their properties and receive savings in property taxes.

ALTERNATIVES:

1. Affirm the findings set forth in the attached ordinance and resolution finding the project exempt from the California Environmental Quality Act, (CEQA), introduce the ordinance and approve the resolution establishing a Mills Act program, with modifications; or
2. Find that the proposal is not appropriate and not establish a Mills Act program.

CITY COUNCIL GOALS:

The proposed ordinance and resolution can be found consistent with the following City Council goal:

Goal #2 – Economic Diversity and Prosperity. Approval of the Mills Act is expected to encourage historic property-owners, including many within the downtown area, to improve their properties and the City in general.

CONCLUSION:

Staff notes that there are few alternative methods for property tax savings for the improvement of historic properties. Federal tax savings programs are typically only viable for very large projects in major U.S. cities.

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Resolution
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