



DEPARTMENT OF COMMUNITY DEVELOPMENT

PLANNING DIVISION

DATE: April 23, 2015
TO: Historic Preservation Commission
FROM: Craig Jimenez, Planning Division Manager
SUBJECT: AR-5; Mills Act Compliance Update

At the last meeting, the Historic Preservation Commission requested that the status of the Mills Act Contract for the property at 145 West Hillcrest Boulevard be placed on the next agenda for discussion. Based on that request, a Staff Report was prepared. Since the time that the report was prepared, the property owners have completed the work and meeting the requirements of the Mills Act Contract and are now in compliance.

Although action is no longer warranted for the subject property, this provides an opportunity for the Commission and Staff to have a general discussion of the contract cancellation process. The originally prepared report is attached for your information and is a starting point for the policy discussion.



HISTORIC PRESERVATION COMMISSION STAFF REPORT

APPLICATION: MA-62

AGENDA ITEM: AR-5

PREPARED BY: Craig Jimenez
Planning Division Manager

MEETING DATE: April 29, 2015

TITLE: Review of Noncompliant Status of Mills Act Contract MA-62 for the Property Located at 145 West Hillcrest Boulevard, Marcos and Karen Castro, property owners

BACKGROUND: Established by state law, the Mills Act Contract is an incentive available to property owners of locally designated historic landmarks. The contract is between a local jurisdiction and the owner of a historical property. An executed and recorded contract authorizes the county tax assessor to apply the assessment formula established in state law to determining the amount of property tax owed. For the majority of property owners, this assessment method results in a substantial reduction in the amount of tax owed. Last year, the average contract in Monrovia resulted in a 51% decrease in the tax lien.

It is important to note that a Mills Act Contract is not a requirement for landmark owners, it is a benefit that must be applied for and is entered into freely.

The idea behind the Mills Act is to encourage owners of historically significant properties to restore and maintain their properties through a reduction in their property tax bill. In exchange for a tax reduction, the property owner agrees to preserve, maintain and restore the property as specified in the *Standards and Conditions* of the contract. Most of the conditions are standard and applied to all contracts. These include tasks such as placing a landmark plaque on the property, an electrical safety inspection and a seismic retrofit. Additionally, a contract may also include restoration items specific to that property. Conditions are only imposed on properties with Mills Act Contracts.

As per past direction from the Historic Preservation Commission, contracts that are out of compliant are placed on the agenda for review and possible recommendation of revocation of the contract. If the Commission decides to move forward on revocation, a public hearing will be set for the following meeting. The Commission's action is in the form of a recommendation to the City Council who will also hold a public hearing to decide the matter.

ANALYSIS: The property at 145 West Hillcrest Boulevard was designated Historic Landmark HL-65 in December 2003. A Mills Act Contract (MA-62) was also approved at that time. One of the requirements of the Contract was the completion of a seismic retrofit within 10 years. This is a standard requirement of all Mills Act Contracts. The completion of this requirement was due in December 2013. The owner requested and was granted a one-year time extension until December 2014.

A second time extension (until January 31, 2016) was requested at the meeting of January 29, 2015. This request was denied and the Historic Preservation Commission requested that

a discussion regarding the noncompliant status of the contract be placed on the agenda for April 29, 2015. As of the date of this meeting, the contract has been out of compliance for four months.

Over the past five years, the tax savings based on the Mills Act has averaged almost 80%.

As specified in the terms of the Mills Act Contract, the contract may be cancelled by the City if the owner has breached any of the conditions or covenants of the contract or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property.

Not only will cancellation cease any further tax benefit, there is a hefty penalty. As specified in the contract, the fee is equal to twelve and one-half percent (12½%) of the current fair market value of the property as determined by the County Assessor as though the Historic Property were free of the contractual restriction pursuant to this Agreement.

At this point, Staff has identified two options for the Commission's consideration:

1. Begin the cancellation process. If the Historic Preservation Commission determines that this is the appropriate direction, a public hearing will be set and noticed for the next regular meeting which is May 27, 2015. After the hearing, the Commission will be asked to make a determination on the future status of the Mills Act Contract. This could be either to take no action on the noncompliance or to forward a recommendation to the City Council that the contract should be cancelled.
2. Take no action until the contract is one-year out of compliance which if the condition is not fulfilled, will be in December 2015. The review of the contract would be scheduled for the next regularly scheduled meeting which would be January 2016.

The administration of the City's Mills Act Contracts is a time intensive task for Staff, which includes tracking the completion of all the conditions of approval. Several years ago, the issue of non-compliant contracts was discussed. As the due date for conditions are staggered throughout the calendar year, Staff requested that the Commission establish a policy to review all non-compliant contracts at the beginning of each calendar year.

Since it is not the intent or desire of the City to penalize property owners or cancel Mills Act Contracts, the policy also provided that contracts would not be brought to the Commission for discussion until it was at least one year out of compliance.

RECOMMENDATION: Based on the established policy, Staff is recommending that the Historic Preservation Commission take no action until the contract is out of compliance for one year. If the Historic Preservation Commission concurs with this recommendation, then the appropriate action is a motion to:

Receive and file the report