



HISTORIC PRESERVATION COMMISSION STAFF REPORT

APPLICATION: Mills Act Contract Update **AGENDA ITEM:** AR-10
PREPARED BY: Ili Lobaco **MEETING DATE:** January 29, 2014
Associate Planner

SUBJECT: Noncompliant Mills Act Contracts

REQUEST: Review of Mills Act Contracts that have been out of compliance with the Standards and Conditions for more than one year.

BACKGROUND: One of the benefits afforded to property owners of locally designated historic landmarks is the Mills Act Contract. The Mills Act Contract is an agreement between the owner of a historic landmark and the City that allows the Tax Assessor to use the assessment formula established in the Mills Act for the determination of the owner's property taxes. This usually results in a substantial reduction in property taxes owed.

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. An important part of the contract is the Standards and Conditions which specify certain restoration tasks to be completed within the term of the contract. The Standards and Conditions also require certain reporting and maintenance requirements.

One of the set conditions is to require an update or progress report every two years for the first 10 years and every 5 years, thereafter. As per previous direction from the Historic Preservation Commission, property owners who do not provide their required update report will be placed on the agenda for review of noncompliance and possible recommendation of revocation of the contract. There are currently seven contracts that are more than one year delinquent in fulfilling this condition of their contract.

DISCUSSION: To provide a greater level of customer service, Staff sends courtesy reminders to all Mills Act Contract property owners near the date of their required report submittal. Some updates come with pictures and full descriptions of all the work they have done over the reporting period. However, there is no specified format and the update can be as simple as a letter or email addressing progress made on the conditions of approval.

As of Thursday, January 23, 2014, there are seven contracts that have been noncompliant for at least a year. The compliance issue on all seven is non-responsiveness to the request(s) for their contractually required update. The out of compliance properties are listed on the next page.

MA#	Address	CC App Date	Update Due	Reminders Sent	Overdue
2	329 Melrose Ave	06-04-96	06-04-11	05-02-12, 12-26-13	2 ½ years
12	208 Highland Pl	11-25-97	11-25-12	08-14-12, 12-26-13	1+ years (see notes below)*
70	149 Highland Pl	11-02-04	11-02-12	01-23-13, 12-26-13	1+ years
71	263 N Encinitas Ave	11-02-04	11-02-12	01-23-13, 12-26-13	1+ years
88	310 E Foothill Blvd	11-15-05	11-15-11	08-16-12, 06-06-13, + via FAX, 12-26-13	2+ years (see notes below)**
92	212 East Colorado	10-17-06	10-17-12	01-23-13, 12-26-13	1+ years
101	311 East Lemon Ave	11-21-06	11-21-12	01-23-13, 12-26-13	1+ years

*The property at 208 Highland Place was granted a one-year time extension to complete the seismic retrofit until November 2008. In 2008, another four-year time extension was granted for the retrofit to coincide with the 15-year anniversary on November 2012. Staff has not received an update on the seismic requirement or the status of the house.

**The property at 310 East Foothill Boulevard was granted a time extension until April 2012 to complete the west end gable and until July 2012 to complete replacement of the non-original windows. The Commission did approve a Certificate of Appropriateness for the windows.

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.

Staff is looking for direction on the appropriate action to take 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, the Staff recommends that a public hearing be set and noticed for the next regular meeting which is April 23, 2014. 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 contract should be cancelled.
2. Provide additional outreach to the property owners to attempt to achieve compliance on this issue. If this is the direction that Commission wishes to pursue, Staff recommends that a subcommittee be established to directly contact and work with the property owners to gain compliance.

RECOMMENDATION: Based on the consensus of the Historic Preservation Commission, Staff recommends a motion based on one of the two options provided.