



Meeting Date 7/11/2006

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input checked="" type="checkbox"/> Study Session

Prepared By: Dennis L. Scala, City Manager's Office Agenda Item No. R-1

Reviewed By: City Manager [Signature] City Attorney [Signature] Finance [Signature] Other (Specify) SM

DATE: June 13, 2006

TO: City Council

FROM: Dennis L. Scala, Management Analyst
City Manager's Office

SUBJECT: Mills Act Property Tax Abatement Program.

RECOMMENDATION

That City Council consider a report concerning the Mills Act Property Tax Abatement Program and provide direction to the City Manager.

DISCUSSION

Enacted in 1972, the Mills Act legislation grants participating local governments (cities and counties) the authority to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of 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 for rehabilitating entire neighborhoods, encouraging seismic safety programs, contributing to affordable housing, promoting heritage tourism, or fostering pride of ownership. Local governments have adopted the Mills Act because they recognize the economic benefits of conserving resources and reinvestment as well as the important role historic preservation can play in revitalizing older areas, creating cultural tourism, building civic pride, and retaining the sense of place and continuity with the community's past.

A formal agreement, generally known as a Mills Act or Historical Property Contract, is executed between the local government and the property owner for a minimum ten-year term. Contracts are automatically renewed each year and are transferred to new owners when the property is sold. Property owners agree to restore, maintain, and protect the property in accordance with specific historic preservation standards and conditions identified in the contract. Periodic inspections by city or county officials ensure proper maintenance of the property. Local authorities may impose penalties for breach of contract or failure to protect the historic property. The contract is binding to all owners during the contract period.

Benefits to Owners

Owners of historic buildings may qualify for property tax relief if they pledge to rehabilitate and maintain the historical and architectural character of their properties for at least a ten-year period. The Mills Act program is especially beneficial for recent buyers of historic properties and for current owners of historic buildings who have made major improvements to their properties.

Mills Act participants may realize substantial property tax savings of between 40% and 60% each year for newly improved or purchased older properties because valuations of Mills Act properties are determined by the Income Approach to Value rather than by the standard Market Approach to Value. The income approach, divided by a capitalization rate, determines the assessed value of the property. In general, the income of an owner-occupied property is based on comparable rents for similar properties in the area, while the income amount on a commercial property is based on actual rent received. Because rental values vary from area to area, actual property savings vary from county to county. In addition, as County Assessors are required to assess all properties annually, Mills Act properties may realize slight increases in property taxes each year.

A qualified historic property is a property listed on any federal, state, county, or city register, including the National Register of Historic Places, California Register of Historical Resources, California Historical Landmarks, State Points of Historical Interest, and locally designated landmarks. Owner-occupied family residences and income-producing commercial properties may qualify for the Mills Act program.

On September 14, 1999, the City Council designated the Henry T. Oxnard Historic Area as Ventura County Landmark No. 161. Homeowners in that area would automatically be qualified to participate in Mills Act contracts.

FINANCIAL IMPACT

Participation in a Mills Act contract makes the homeowner eligible for a property tax reduction of between 40% to 60%, depending on the taxable valuation of the property. Based on the rate of homeowner participation in other cities that have offered Mills Act contracts, we could expect between 2 to 5 homeowners to participate. A two-thirds reduction in property tax would result in a loss of approximately \$450 per home. This would result in a loss of between \$900 to \$2,250 per year in property tax to the City.

(DLS, dls)