



Planning Commission Report

Meeting Date: July 14, 2011

Subject: Establishing a Mills Act Pilot Program for the City

Recommendation: Review and discuss the proposed Mills Act Pilot Program

REPORT SUMMARY

On April 21, 2011, the City Council directed City Staff to develop a Mills Act Program for the City to incentivize the preservation, maintenance, and rehabilitation of historic properties. A Mills Act Pilot Program has been drafted and attached for the Commission's review. Establishing a Pilot Program will provide the City with a means of developing and testing the application process, review procedures, and contract provisions of a permanent Mills Act program prior to adoption. This allows the City to work out any inefficiency in the process and will allow for feedback to ensure that implementation of the Mills Act best serves the community. The Pilot Program will also provide a practical understanding of what financial considerations may result from property tax reductions associated with the Mills Act. While the Pilot Program is in effect the City will utilize the services of an historic consultant to review applications and to train City staff in preparation for City staff assuming administration of a permanent program. Currently, the City's Architectural Commission is designated at the City's Landmark Commission. As proposed, the Architectural Commission, in this capacity, will review applications for participation in the Mills Act Pilot Program and make recommendations to the City Council. Development of the Pilot Program will be overseen by the Director of Community Development, with the City Council receiving updates on an annual basis, or as appropriate.

This report includes four attachments:

1. The proposed Pilot Program
2. Property Tax analysis for the Pilot Program
3. Case studies on how other cities are implementing the Mills Act
4. A draft resolution recommending adoption of the Pilot Program

With the Planning Commission's direction the draft resolution recommending establishment of a Mills Act Pilot Program will be finalized and returned at the July 28 meeting for consideration and adoption.

Attachment(s):

1. Proposed Mills Act Pilot Program
2. Property Tax Analysis
3. Local Mills Act Programs
4. Draft Resolution Recommending Adoption of the Pilot Program

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BACKGROUND

On April 21, 2011, the City Council directed staff to look into the establishment of the Mills Act Program for the City. On June 7, 2011, members of the City Council referenced the direction given on April 21 reconfirming their desire to have a Mills Act established for the City. On June 9, 2011, the Planning Commission held a study session and received a presentation from Jan Ostashay, the City's historic preservation consultant, on establishing a Mills Act Program.

MILLS ACT PROGRAM BASICS

The Mills Act, enacted by the State of California in 1972, grants participating local governments the authority to enter into contracts with owners of qualified historic properties to receive property tax relief by actively participating in the preservation, maintenance and rehabilitation of their historic properties. Contracts executed under the Mills Act are between the local government and the property owner. The contracts are set initially for ten (10) years. After the first ten (10) years have passed, the contracts will automatically renew annually each year by mutual consent of both parties thus extending the agreement term. Each local government establishes its own criteria and determines how many contracts will be allowed in their jurisdiction. Many local communities are participating in the Mills Act Program. Program summaries for Pasadena, Santa Monica, Glendale, Los Angeles, and West Hollywood are provided in Attachment 3.

HOW THE PROPOSED PILOT PROGRAM WILL WORK

The Pilot Program would commence on January 1, 2012, and would run for two (2) years. No more than five (5) properties a year, for a total of ten (10) properties will be accepted into the Pilot Program. Applications will be accepted from January 1 to May 31 of each year the Pilot Program is in effect. Closing the application window in May will allow the property owners and City staff time to complete the application process, review the property for local landmark designation if needed, and execute and record the Mills Act contracts by December 31. If a contract is recorded by this date, it will be considered for tax relief by the Los Angeles County Tax Assessor during the first six months of 2012, and the property owner can then expect to see tax reduction benefits reflected on the fall 2012 tax bill.

To be eligible for the program property owners must demonstrate with respect to the subject property that it is:

CRITERIA FOR PARTICIPATION IN THE PILOT PROGRAM

- A single family residence, or commercial theatre property
- Located entirely within the City of Beverly Hills
- Privately owned
- Not exempt from taxation
- Listed in any state, city, county, or city and county official register of historical or architecturally significant sites, places, or landmarks

Prior to accepting applications on January 1, 2012, and while the Pilot Program is running, the criteria for participating may be refined, if necessary. At the end of the Pilot Program a recommendation will be made that includes any recommended revisions if the Program is to be continued. Participation in a Mills Act Program is a voluntary choice by the property owner and the City and so providing broad criteria for participation in the initial phases of the process does not limit the City's discretionary power.

If a property owner fails to comply with the contract provisions however, a cancellation fee equal to 12.5% of the current fair market value of the property may be assessed.

IMPLEMENTING THE PILOT PROGRAM

Prior to accepting applications to the Pilot Program on January 1, 2012, the Community Development Department will develop program guidelines that further explain eligibility and review criteria for all Mills Act contract applications. Specific information will be required for each application including a ten-year preservation plan. All work must meet City requirements and follow the Secretary of the Interior’s Standards for Rehabilitation. An historic consultant will be retained to initially administer the program and train City staff with the intent that City staff will ultimately assume many of the Program’s administrative responsibilities.

The Pilot Program will require new applications, review processes, and fees. Application forms and instructions as well as associated outreach and brochures will be developed prior to implementation. A summary of actions and timelines for the Mills Act Pilot Program follows:

TIMELINE	ACTION
Prior to program commencement on January 1, 2012	<ul style="list-style-type: none"> Finalize draft criteria, application guidelines, and review process Develop outreach and brochures
January 1, 2012 – May 31, 2012	<ul style="list-style-type: none"> Public Outreach Accept applications for review (1st year of Pilot Program)
May 31, 2012 – December 31, 2012	<ul style="list-style-type: none"> Review applications and determine if properties are eligible, review for landmark designation if needed Complete all necessary documentation and have City and Property Owner execute Mills Act contract Work with County Assessor’s Office to assure tax reductions take effect the following year.
January 1, 2013 – May 31, 2013	<ul style="list-style-type: none"> Provide an annual report to the City Council Accept applications for review (2nd year of Pilot Program)
May 31, 2013 – December 31, 2013	<ul style="list-style-type: none"> Review applications and determine if properties are eligible Complete all documentation and have approved and signed by City and property owners Work with Assessor’s Office to assure tax reductions take effect the following year Review Pilot Program and make recommendation to City Council to continue or modify

ASSOCIATED FEES

Fees associated with processing Mills Act agreement applications are anticipated to be set by the City to recover the costs of administering the program. An application fee of \$750.00, which is comparable to the fee City of West Hollywood charges is initially proposed for Mills Act applications. Applicants will be responsible for any permits associated with rehabilitating the property under the Mills Act Pilot

Program. An additional fee to cover costs of administering the Pilot Program, including review of the preservation plan, executing the contract, and monitoring completion of the preservation plan, will be determined prior to launching the program on January 1, 2012.

Although the Mills Act allows municipalities to collect fees to cover costs associated with administering the program, the City may need to decide if the Mills Act Pilot Program should be a full-cost recovery program, or if fees should be set at a level that would cover costs, but not be full-cost recovery. Initial assessment of staff and consultant time required to accept, review, and process an application under the Mills Act Pilot Program is estimated to be more than \$20K at full-cost recovery. Charging this level of fees could decrease the financial incentive offered by the Mills Act enough that participation in the City's program is less than desired. In order to encourage participation in the program, the City may therefore need to set fees a level that is less than full-cost recovery. Fees charged by local municipalities for participation in the Mills Act are listed in the chart below. Although the fees vary by jurisdiction, all jurisdictions subsidize participation in the Mills Act to an extent.

Fees Charged by Local Municipalities to
 Participate in the Mills Act Program

CITY	FEE
West Hollywood	\$727
Pasadena	No fee to apply Single Family Residences \$1,030 to process All others (Multi-family Residential, Commercial, Industrial) \$2,060 to process
Santa Monica	No fee
Glendale	\$458.54
Los Angeles	Single Family Residences \$250 to apply \$1 for every \$1,000 of assessed property value to process Multi-family Residential, Commercial, Industrial \$1,142 to apply \$1,866 to process

Any work proposed that is not directly associated with the Mills Act program or associated preservation plan for contracted properties would be subject to the City's standard development application fees.

ANTICIPATED EFFECT ON PROPERTY TAX REVENUE

Mills Act contracts generally result in a reduction of property taxes of 20 to 60 percent for each assessed property for the standard ten year contract. The impact of the Mills Act on a property's assessment may vary depending on how recently the property was purchased. Properties purchased before the passage of Proposition 13 in 1978 are unlikely to receive a reduction, as they are already determined to be at baseline threshold values under the State's taxation and revenue code. More recently purchased properties would receive the greatest reductions.

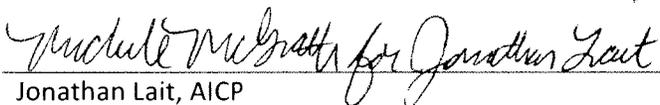
A property's value under the Mills Act is not set on market value. The Mills Act requires the County Tax Assessor to re-evaluate the property using a capitalization method rather than the market value. Accordingly, the Tax Assessor determines the value of the historic property based upon its current net operating income, rather than the traditional assessed valuation method. The result is a substantial reduction in property taxes for post-Proposition 13-qualified historic properties. The money saved on taxes is typically utilized, if not mandated by local regulations, for the long-term maintenance, restoration, and preservation of the historic property under contract.

Loss of property tax revenue from implementing the Pilot Program has been estimated. In 2010 total taxes collected by the State on properties in the City was greater than \$193,625,882 dollars. The City receives approximately 18.6% of property tax collected, or, in 2010, approximately \$36 million dollars. Based on estimated tax savings presented in Attachment 2 it is estimated that for a property with an assessed value of \$1.5 million dollars, participation in the Mills Act program could reduce total property tax from \$16,500 to \$4,689. The City's share, at 18.6%, of total tax collected for the \$1.5 million dollar home would be approximately \$3K. With the Mills Act, this would be reduced to approximately \$872 dollars. Thus, total anticipated lost in revenue based on 10 properties with an average assessed value of \$1.5 million dollars participating in the Pilot Program could result in an approximate \$22K reduction, or 0.06%, in property tax revenue to the City. Based on the same estimation, loss in revenue to the Beverly Hills School District from the Pilot Program could be approximately \$18K, or 0.06%, in property tax revenue, as well (based on an estimated 15.3% of total tax revenue, or in 2010 \$30 million dollars). This would be a revenue loss, initially for 10 years and would continue on a yearly basis unless the City or Property Owner canceled the contract.

NEXT STEPS

With direction from the Planning Commission, the draft resolution attached will be finalized and returned for consideration and adoption on July 28. The Pilot Program would then be presented to the City Council on August 16 for their review and consideration. Once the Pilot Program is adopted, which could occur on September 8, the Community Development Department will finalize the specifics of the program guidelines, application materials, and reviewing criteria and procedures, as well as the associated outreach materials. As noted in the timeline above, the City would begin accepting applications on January 1, 2012. Throughout the duration of the Pilot Program, the Department will continue to assess the effectiveness and efficiency of the Mills Act application process, reviewing procedures and criteria, and the overall viability of the program. The Department will provide updates on the success of, and recommended changes to, the Pilot Program to the City Council at the beginning of each year.

Report Reviewed By:


Jonathan Lait, AICP

Assistant Director of Community Development / City Planner

Attachment 1

Proposed Mills Act Pilot Program

Proposed Mills Act Pilot Program

PILOT PROGRAM

The following summarizes the core steps in the proposed Mills Act pilot program. As part of the pilot program, staff time required to complete each step will be estimated. Staff hours required for program administration can be recovered through application fees. Staff time estimated during the pilot program will assist the City in setting a fee that allows for cost recovery; however in order for the program to provide a financial incentive to property owners the City may need to consider a fee that is less than full cost recovery.

Initially, the City will use an historic preservation consultant to review applications and to train City Staff in understanding preservation planning policies, regulations, and guidelines. The historic consultant would be also involved in reviewing properties for Mills Act contract eligibility, reviewing the proposed preservation plan for consistency with the Secretary of Interior's Standards for Rehabilitation, and monitoring work scope progress, as well as performing the necessary annual inspections. Part of the consultant's duties will also be to train City Staff so that, over time, duties would shift from the consultant to City Staff.

Pilot Program

APPLICATION SUBMITTAL Applications for the pilot Mills Act program will be taken in through the City's permit counter following the City's established application processes. Applications will be dated upon arrival and this date will be used to determine the order in which applications were submitted. The City will process five (5) applications a year under the pilot program (ten [10] applications in total). A pre-application meeting will be available and may be beneficial for some applicants.

ELIGIBILITY ASSESSMENT Once accepted, the application will be reviewed for accuracy and completeness. Once complete, a determination will be made whether the property is eligible to participate in the process, this may require the Architectural Commission to review the property for designation as a local landmark.

PROJECT REVIEW A review of the proposed preservation plan will be conducted to determine its adequacy and compliance with the Secretary of the Interior's Standards for Rehabilitation. This determination review would also include a pre-contract inspection of the property. City staff would coordinate a site visit with applicants to visit the historic property, review conditions, and discuss their proposed preservation plan. Pre-contract inspections may sometimes result in additional contract stipulations for restoration or rehabilitation work to bring the property into compliance with the conditions of the Secretary of the Interior's Standards.

APPROVALS A public hearing with the Architectural Commission is scheduled and the Mills Act contract and preservation plan are reviewed and recommended for approval. If approved, the Mills Act contract is then scheduled for City Council consideration as part of its consent calendar action.

CONTRACT EXECUTION The City and property owner enter into a contract through which the property's taxes are reduced in exchange for rehabilitation of the property following the submitted preservation plan. A contract is executed and recorded with the County Recorder's Office prior to the end of the year, December 31.

ANNUAL INSPECTION The City is required to annually inspect all properties participating in the program to confirm that the properties are being maintained in accordance with the Mills Act contract. The City can assess a fee for this inspection, as well as any other costs for program administration.

Attachment 2

Property Tax Analysis

Property Tax Analysis

Estimating Total Tax Savings to the Property Owner from Participation in the Mills Act

Based on an analysis of median sale prices for single family homes conducted in 2009 for the General Plan Housing Element update, property taxes have been estimated for a 3-bedroom, 2,500 square foot single family home originally built in 1934 (average of 48 individual 3-bedroom home sales).

2009 Property Taxes Assessed

	Total	City's Share of Assessed Taxes (18.6%)	Beverly Hills School District Share of Assessed Taxes (15.3%)
Current Assessed Valuation	\$1,500,000		
Current taxes (1.1% rate – see tax rate below)	\$16,500	\$3,069	\$2,525

Calculated Property Tax Savings Based on Participation in the Mills Act Program

Gross annual income (rental rate based on comparable rentals at \$7,100/month x 12)	\$85,200		
Less expenses (25% of effective gross income; annual insurance, repairs, utilities, etc.)	\$21,250		
Net income	\$63,950		
Capitalization rate (mortgage rate+ risk rate+ amortization rate+ tax rate; 15% aver)	15%		
Property adjustment valuation (\$63950/15%)	\$426,333		
Taxes under Mills Act contract (\$426333 x 1.1%)	\$4,689	\$872	\$717
Tax savings to property owner	\$11,811		
Tax Revenue loss to City and School District		(\$2,197)	(\$1,808)

The City's share of total property tax assessed is approximately 18.6% (refer to tax rate distributions below). Based on estimated property taxes and tax savings for a 3-bedroom home, participation in the pilot program could result in a total tax savings to property owners on average of approximately \$12K annually. This would represent an average loss of \$2,197 dollars to the City, and \$1,808 dollars to the School District, per participating property annually.

Property Tax Analysis

City of Beverly Hills Property Tax Rate (2010/2011)

Tax rates paid by properties in City of Beverly Hills during the 2010/2011 tax year are listed on the following page. City of Beverly Hills receives a voter-approved tax rate augmentation of 0.015449% for additional police and fire services. This rate is in addition to the State voter-approved general tax levy rate of 1.0% of assessed property value. The general tax levy is broken down by receiving agency in the next chart.

TAXING AGENCY	TAX RATE
General Tax Levy	1.000000
City of Beverly Hills	0.015449
Unified Schools	0.050189
Community College	0.040310
Metro Water District	0.003700
Total Tax Rate (as a percent of assessed value)	1.109648

General Tax Levy (9/16/2010)

The 1.0% tax rate for real estate property is distributed in the following way. City of Beverly Hills receives approximately 17 cents on the dollar from property taxes collected. The Beverly Hills School District receives approximately 15 cents on the dollar.

TAXING AGENCY	TAX RATE
City of Beverly Hills	0.174158367
Beverly Hills Unified School District	0.153188251
CO. School SERV. Fund – Beverly Hills	0.010029948
Dev. Ctr. HDCPD. Minor – Beverly Hills	0.001080542
Los Angeles County – General	0.385649958
Los Angeles County – Accum. Cap. Outlay	0.000129820
Los Angeles County – Fire FFW	0.008855032
Los Angeles County – Flood Control Imp. Dist. Maint.	0.002106480
Los Angeles County – Flood Control Maint.	0.011921335
Los Angeles County – West Vector Control Dist.	0.000296323
Educational Rev. Augmentation Fund	0.070102393
Educational Augmentation Fund Impound	0.142959235
County School Services	0.001610109
Children’s Institution Tuition Fund	0.003195501
Los Angeles City Community College District	0.034361408
Los Angeles Community College Children’s Center Fund	0.000355298
Total Tax Rate (as a percent of assessed value)	1.000000000

Attachment 3

Local Mills Act Programs

Local Mills Act Programs

City	App Deadline	Fees (App/Contract)	Qualified Properties	Financial Cap	Annual Contract Cap	Other
Pasadena	May 2	No fee to apply. Processing fee for contract SFR \$1030, MFR/commercial/ industrial \$2060.	Locally designated individual landmarks and historic monuments, plus contributors to locally designated historic districts; properties listed on National Register; properties designed by Greene & Greene. Concurrent MA/landmark apps considered. Non-contributors ok if exterior is restored/ reconstructed per SOI	Not more than \$1.5 million for SFR. Exemptions (i.e. Greene/Greene works, NR listed individually).	20 per SFR 6 per MFR/ commercial/ industrial	Certified Local Government (CLG) Priority selection criteria defined and used for contracts (competitive process). Excludes previously completed rehab work from contract program. Excludes properties without need of future rehabilitation work. Requires a completed rehab/ restoration maintenance plan with timeline. Formal quotes for work not required but may be requested. Certificate of Appropriateness required for work stipulated in preservation plan. Preservation, rehabilitation, restoration of interior spaces and features is also included.

City	App Deadline	Fees (App/Contract)	Qualified Properties	Financial Cap	Annual Contract Cap	Other
Glendale	July 31	\$458.54 difference in property type (residential versus commercial) not specified (fee not fully cost recoverable)	Locally designated. Concurrent Mills Act consideration/landmark applications eliminated in 2011. Expanded in 2011 to include contributing props in locally designated historic districts	Not initially established. As of 2011, \$1.5 million valuation cap for Mills Act contract properties.	Not established.	Certificated Local Government (CLG) Changes to program made in 2011. Requires building inspection and termite report as part of application. Excludes previously completed rehab work from contract program. Bolted foundation required as part of 10 year plan, if not already seismically retrofitted. Self-monitoring of preservation plan work every 5 years. Set timelines established in contract for work stipulated in preservation plan work. Certificate of Appropriateness required for preservation plan.

City	App Deadline	Fees (App/Contract)	Qualified Properties	Financial Cap	Annual Contract Cap	Other
Santa Monica	August 15	No fee.	Locally designated landmarks, structures of merit, and contributors to designated historic districts. National Register listed properties.			<p>Certified Local Government (CLG) Landmarks Commission reviews/approves initial applications.</p> <p>Architectural report identifying the property's character defining features and their condition (i.e. historic structure report) is required as part of the application. Report must be prepared by a certified architect.</p> <p>Requires a completed rehab/restoration plan with cost estimates and time schedule prepared by a certified architect.</p> <p>Certificate of Appropriateness required for specified work in preservation plan. COA fee waived.</p> <p>Preservation, rehabilitation, restoration of interior spaces and features is optional.</p>

City	App Deadline	Fees (App/Contract)	Qualified Properties	Financial Cap	Annual Contract Cap	Other
West Hollywood	N/A	\$727	Any property locally designated/listed on local register or National Register	Not established	Not established	<p>Certified Local Government (CLG)</p> <p>As of 2010, city has 83 contracts. Program in place since 1991.</p> <p>Proposed rehabilitation/ restoration work will occur prior to, or in conjunction with, the use of the Mills Act contract.</p> <p>Architectural report identifying property's character defining features and their condition (i.e. historic structure report) is required as part of the application.</p> <p>A systems/structural report of the property's plumbing, electrical, roofing, and structural systems is required as part of the application.</p> <p>A 10 year restoration/ rehabilitation plan with timetable is required or if property is already restored a 10 year maintenance list with timetable must be submitted. The plan must be prepared by a specialist in historic preservation.</p> <p>Cost estimate of restoration/ rehabilitation work from a City-approved preservation architect is required.</p> <p>Certificate of Appropriateness required for preservation plan.</p> <p>Mills Act incentive included in Section 19.58, Cultural Heritage Preservation, of the City's Zoning Ordinance.</p> <p>Certain fees associated with rehabilitation incentives may be waived, per Section 19.58.150(G).</p>

City	App Deadline	Fees (App/Contract)	Qualified Properties	Financial Cap	Annual Contract Cap	Other
Los Angeles	May 27 Application available annually Feb to May.	Non-refundable SFR app fee: \$250. SFR Non-refundable contract execution fee: \$1,000 per every \$1,000 of assessed property valuation. Non-refundable MFR/commercial/industrial app fee: \$1,142. Non-refundable MFR/commercial/industrial contract execution fee: \$1,866. Valuation exemption processing: \$473. MA Ineligibility appeal fee: \$473.	Locally designated historic-cultural monument (residential, commercial, industrial) HPOZ (designated) contributors Condo/HOA properties. Concurrent MA/HCM applications not considered.	\$1 million annually (not to exceed revenue loss). SFR: limited to property tax assessment value of not more than \$1.5 million. MFR, Commercial, Industrial: limited to property tax assessment value of not more than \$3 million. Exemptions provided, historic structure report required.	Not established.	Certified Local Government (CLG) Separate Ordinance, LA Admin Code "Approval of Historic Property Contracts." Due to competitive nature of program LA also has priority consideration criteria. Preservation, rehabilitation, restoration of interior spaces and features is also required. Inspections: pre-contract, periodic inspections, self-inspections/appraisal to city recommended. Certificates of Appropriateness required for work outlined in preservation plan. As of 01/2010, MA program City's share of lost rev \$835K for 564 contracts.

Attachment 4

Draft Resolution Recommending Adoption of the Pilot Program

RESOLUTION NO. _____

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF BEVERLY HILLS RECOMMENDING THAT THE CITY COUNCIL ESTABLISH A MILLS ACT PILOT PROGRAM TO INCLUDE DEVELOPMENT OF AN APPLICATION PROCESS, REVIEW PROCEDURES, AND CONTRACT PROVISIONS FOR IMPLEMENTATION OF THE ACT IN THE CITY

The Planning Commission of the City of Beverly Hills hereby finds, resolves, and determines as follows:

Section 1. On April 21, 2011 the City Council directed City Staff to develop a Mills Act Program for the City of Beverly Hills to incentivize the preservation, maintenance, and rehabilitation of historic properties. A Mills Act Program would provide property tax reductions to property owners who agree to invest in the preservation and rehabilitation of a qualifying historic property. The City's General Plan supports the establishment of a Mills Act Pilot Program because the Historic Preservation Element includes a City policy to preserve resources that represent the City's history and culture or contribute to the City's special character and unique identity. Specifically, General Plan Policies HP 1.4 and 1.4a, as well as Program 2.3, focus on the development of financial and regulatory incentives, such as the Mills Act, to protect significant historic resources. The establishment of a Mills Act Pilot Program is also supported by the Municipal Code, which includes established procedures for identifying and designating historic resources. The Preservation of Landmarks Code (City of Beverly Hills Municipal Code, Title 10, Chapter 3, Article 32. Preservation of Landmarks) and the provisions of the Municipal Code regarding "character contributing" buildings (City of Beverly Hills Municipal Code, Title 10, Chapter 2, Article 7. Common Interest Development Projects) are intended to protect buildings, structures, and sites that are of particular historic or cultural significance and define the City's heritage and historic development. The preservation and rehabilitation of eligible properties, as defined in the Program, would enhance the character of Beverly Hills by retaining the City's sense of place and

continuity with the community's past. By encouraging property owners to maintain and restore historic buildings and landscapes, the Mills Act Program will help the City preserve its history and support the local economy by maintaining historic resources that attract visitors and businesses to the community.

Section 2. The Planning Commission held study sessions on July 9, 2011 and July 14, 2011, and a duly noticed public hearing on the matter on _____, 2011 at which times interested parties were given an opportunity to provide testimony regarding the establishment of a Mills Act Pilot Program.

Section 3. Pursuant to the requirements of the California Environmental Quality Act (CEQA), the City evaluated the action of establishing a Mills Act Pilot Program. The Mills Act Pilot Program establishes a property tax reduction for property owners that restore, maintain, and preserve properties that are determined to be of historic significance. The establishment of a Mills Act Pilot Program does not authorize any new development or construction of buildings, nor does it authorize any new land uses. The program encourages the continued use of existing structures and the continuance of existing land uses. For these reasons it can be seen with certainty that the Mills Act Program will not result in any significant adverse impact on the environment. Thus, the establishment of the Program is exempt from the CEQA environmental review requirements pursuant to Section 15061(b)(3) of Title 14 of the California Code of Regulations. Further, the Mills Act Pilot Program would be categorically exempt from environmental review pursuant to section 15331 of the CEQA Guidelines, which exempts projects limited to maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings (Weeks and

Grimmer, 1995) in that it is a program the results in the preservation and maintenance of historic resources in exchange for property tax reductions. In addition, the Program is categorically exempt from CEQA, pursuant to CEQA Guidelines Section 15308 because it is an action by a regulatory agency (the City) to maintain, restore and protect the environment through protection of historical resources in the community.

Section 4. The record of proceedings for establishment of the City's Mills Act Pilot Program is maintained by the City as part of the official records of the Community Development Department at 455 North Rexford Drive, Beverly Hills, California, 90210.

Section 5. The Planning Commission hereby recommends that the City Council adopt a resolution, substantially as set forth in Exhibit A, establishing a Mills Act Pilot Program for the City.

Section 6. The Secretary of the Planning Commission shall certify to the passage, approval, and adoption of this resolution, and shall cause this resolution and his Certification to be entered in the Book of Resolutions for the Planning Commission of the City.

Adopted: _____, 2011

Daniel Yukelson
Chair of the Planning Commission of the City of
Beverly Hills, California

Attest:

Secretary (Seal)

Approved as to form:

Approved as to content

David. M. Snow
Assistant City Attorney

Jonathan Lait, AICP
Assistant Director of Community Development
City Planner

Exhibit A
Draft Resolution of the City Council Adopting
the Pilot Program

[DRAFT] RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS ESTABLISHING A MILLS ACT PILOT PROGRAM INCLUDING DEVELOPMENT OF AN APPLICATION PROCESS, REVIEW PROCEDURES, AND REQUIRED CONTRACT PROVISIONS FOR IMPLEMENTATION OF THE ACT IN THE CITY

Section 1. On April 21, 2011 the City Council directed City Staff to develop a Mills Act Program for the City of Beverly Hills to incentivize the preservation, maintenance, and rehabilitation of historic properties.

Section 2. A Mills Act Program would provide property tax reductions to property owners who agree to invest in the preservation and rehabilitation of qualifying historic properties. Pursuant to Government Code Section 50280 et seq. (“the Mills Act”), the City Council may establish a program for a historical property preservation agreement (“Preservation Agreement”) with an owner of a historic property for the purposes of preservation, rehabilitation, and maintenance of a designated historic resource in accordance with the United States Secretary of the Interior’s Standards for Rehabilitation, the State Historical Building Code, and applicable City codes (“Mills Act Program”). The Preservation Agreement allows the owner to receive a reduction in property taxes in exchange for the property owner’s commitment to repair, restore, rehabilitate, and/or maintain the historic property.

Section 3. The preservation and rehabilitation of eligible properties would enhance the character of Beverly Hills by retaining the City’s sense of place and continuity with the community’s past. As a matter of public policy, the identification, designation, preservation,

enhancement, perpetuation and use of improvements, buildings and structures within the City that reflect special elements of the City's cultural, historical, agricultural, architectural, artistic, educational, economic, or heritage is in the interest of the health, economic prosperity, cultural enrichment and general welfare of the people. Preservation of historic resources is an important aspect of tourism. By encouraging property owners to maintain and restore historic buildings and landscapes, the City is preserving its history and supporting the local economy. Preservation Agreements would benefit residential neighborhoods, businesses, community pride, and regional image.

Section 4. The City's General Plan Historic Preservation Element includes policies related to preserving resources that represent the City's history and culture or contribute to the City's special character and unique identity. Specifically, General Plan Policies HP 1.4 and 1.4a, and Program 2.3, focus on the development of financial and regulatory incentives, such as the Mills Act, to protect significant historic resources.

Section 5. The City of Beverly Hills Municipal Code has established procedures for identifying and designating historic resources. The Preservation of Landmarks Code (City of Beverly Hills Municipal Code, Title 10, Chapter 3, Article 32. Preservation of Landmarks) is intended to protect buildings, structures, and sites that are of particular historic or cultural significance and define the City's heritage and historic development. The City's Architectural Commission is designated to serve in an advisory capacity to the City Council on the preservation of historic and cultural landmarks. In this capacity, the Architectural Commission and the Community Development Department, which is the department that

supports the Architectural Commission, are positioned to administer programs the City establishes for maintaining, restoring, and preserving historic structures, including a Mills Act Program.

Section 6. On July 14, 2011, the City of Beverly Hills Planning Commission, during a study session that was open to the public, considered the proposed Mills Act Pilot Program. Prior to taking action, the Planning Commission considered written and oral reports by City staff, and public testimony.

Section 7. On _____, the Planning Commission adopted a resolution recommending that the City Council establish a Mills Act Pilot Program to encourage preservation of historic properties in the City.

Section 8. On _____, the City Council held a duly noticed public hearing to review and consider the draft Mills Act Pilot Program. Prior to taking action on the proposed program, the City Council considered written and oral reports by City staff, and public testimony.

Section 9. Pursuant to the requirements of the California Environmental Quality Act (CEQA), the City evaluated the action of establishing a Mills Act Pilot Program. The Mills Act Pilot Program establishes a property tax reduction for property owners that restore, maintain, and preserve properties that are determined to be of historic significance. The establishment of a Mills Act Pilot Program does not authorize any new development or

construction of buildings, nor does it authorize any new land uses. The program encourages the continued use of existing structures and the continuance of existing land uses. For these reasons it can be seen with certainty that the Mills Act Program will not result in any significant adverse impact on the environment. Thus, the establishment of the Program is exempt from the CEQA environmental review requirements pursuant to Section 15061(b)(3) of Title 14 of the California Code of Regulations. Further, the Mills Act Pilot Program would be categorically exempt from environmental review pursuant to section 15331 of the CEQA Guidelines, which exempts projects limited to maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings (Weeks and Grimmer, 1995) in that it is a program the results in the preservation and maintenance of historic resources in exchange for property tax reductions. In addition, the Program is categorically exempt from CEQA, pursuant to CEQA Guidelines Section 15308 because it is an action by a regulatory agency (the City) to maintain, restore and protect the environment through protection of historical resources in the community.

Section 10. The City of Beverly Hills Mills Act Pilot Program (Mills Act Program) shall go into effect at midnight on January 1, 2012, and shall continue in effect, for two (2) years, until midnight on December 31, 2013. To allow adequate processing time, new applications for preservation agreements shall be accepted from January 1 to May 31 of each calendar year the Pilot Program is in effect. No new applications will be accepted after May 31, 2013 into the program unless a permanent Mills Act program is established to supersede the

Mills Act Pilot Program. If a permanent Mills Act program is not established, preservation agreements recorded prior to January 1, 2014, shall continue in effect unless terminated or cancelled in accordance with the Mills Act.

Section 11. To limit any fiscal impact of the Mills Act Pilot Program, the City of Beverly Hills shall not enter into or execute more than five (5) preservation agreements per calendar year during the term of the Mills Act Pilot Program. If less than five (5) preservation agreements are recorded during the first calendar year, the remainder may be rolled over to the second calendar year for a total of ten (10) preservation agreements for the two-year term of the Mills Act Pilot Program. No more than ten (10) preservation agreements shall be entered into and recorded during the term of the Mills Act Pilot Program. The City may establish a means of accepting applications to in the Mills Act Pilot Program that ensures that both commercial and residential property owners have an opportunity to participate.

Section 12. The City Council hereby delegates to the Director of Community Development or his or her designee, with review by the City Attorney, the authority and responsibility to develop, maintain, and amend, as necessary, an application, administrative guidelines, and forms of Preservation Agreements for properties seeking qualification and participation in the Mills Act Pilot Program. The Director of Community Development or his or her designee shall also report on an annual basis to the City Council the number of Mills Act preservation agreements executed and the effectiveness of the Program. The terms of the Preservation Agreement shall comply with Government Code section 50280 et seq. The maintenance, repair, rehabilitation, and/or restoration standards applicable to the subject property

shall be set forth in the Preservation Agreement. In consideration of abiding with the terms of the Preservation Agreement, the owner of the subject property shall be entitled to qualify for a reassessment of the historic property pursuant to State Revenue and Taxation Code section 439 et seq.

Section 13. The City Council hereby delegates to the Architectural Commission the authority and responsibility to review and make recommendations to the City Council on applications submitted pursuant to the Mills Act Program. The City Council shall be the final authority on the authorization and approval of Preservation Agreements pursuant to the Mills Act Pilot Program.

Section 14. Preservation Agreements will have a minimum contract term of ten (10) years, with automatic renewal on an annual basis, to be recorded against title to the property and running with the land. Owners shall maintain the regulated characteristics of historical significance of the historic property in accordance with the rules and regulations of the State Office of Historic Preservation of the Department of Parks and Recreation, the United States Secretary of the Interior's Standards for Rehabilitation, the State Historical Building Code, and any applicable local codes and policies. Owners must allow reasonable periodic examination of the interior and exterior of the premises, if a request is made by representatives of the County Assessor, State Office of Historic Preservation Department of Parks and Recreation, the State Board of Equalization, and/or the City's Community Development Director or his or her designee to determine the owner's compliance with the contract. No Mills Act Contract may be

cancelled without compliance with Government Code section 50280 et seq. which requires notice and a public hearing by the City Council.

Section 15. The City Council shall establish fees for the processing of applications for preservation agreements and other matters required by the Mills Act Pilot Program, as legally permissible by State and local law.

Section 16. A “qualified historic property” for the purposes of the Mills Act Pilot Program shall be defined as:

- a. A single-family residential, or commercial theater property;
- b. Located entirely within the City of Beverly Hills;
- c. Privately owned;
- d. Not exempt from property taxation; and
- e. Listed in any state, city, county, or city and county official register of historical or architecturally significant sites, places, or landmarks.

Section 17. The record of proceedings for establishment of the City’s Mills Act Pilot Program is maintained by the City as part of the official records of the Community Development Department at 455 North Rexford Drive, Beverly Hills, California, 90210.

Section 18. A Mills Act Pilot Program is hereby established based on the parameters included in this resolution to implement the State of California Mills Act in the City of Beverly Hills on a trial basis.

Section 19. The City Clerk shall certify to the adoption of the Resolution and shall cause the Resolution and his certification to be entered in the Book of Resolutions of the Council of the City.

Section 20. This Resolution shall go into effect on _____.

BARRY BRUCKER

Mayor of the City of Beverly Hills, California

ATTEST:

_____ (SEAL)

BYRON POPE

City Clerk

APPROVED AS TO FORM:

LAURENCE S. WIENER

City Attorney

APPROVED AS TO CONTENT:

JEFFREY KOLIN

City Manager

SUSAN HEALY KEENE
Director of Community Development