CITY OF BEVERLY HILLS
STAFF REPORT

Meeting Date: September 20, 2011

To: Honorable Mayor & City Council

From: Susan Healy Keene, AICP, Director of Community Development

Subject: Consideration of a two-year pilot program for the City of Beverly Hills as an initial step in participating in the Mills Act.

Attachments:
1. Overview of the Proposed Pilot Program
2. Summary of Local Mills Act Programs
3. How the Proposed Pilot Program will Work
4. Staff Report to the Planning Commission, 7/28/2011

INTRODUCTION

On April 21, 2011, the City Council directed staff to develop a Mills Act Program that would provide a tax incentive to property owners to preserve, maintain and rehabilitate historic properties in the City.

The Planning Commission and staff recommend that the City Council establish a two-year pilot program (Attachment 1) to provide the City with a means of developing and testing the application process, review procedures, and contract provisions of a permanent Mills Act program. Establishing a pilot program will allow any inefficiency in the process to be worked out, and will allow for public feedback to ensure that a permanent Mills Act best serves the community. Beginning with a pilot program will also provide a practical understanding of fiscal considerations.

While the Pilot Program is in effect the City will utilize the services of an historic consultant to review applications and train staff in preparation for assuming administration of a permanent program. Currently, the Architectural Commission is designated as 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.

Staff seeks direction from the City Council on the following issues:

- Limiting participation in a Mills Act Pilot Program to properties designated as local landmarks based on architectural significance;
- Capping property tax revenue losses to the City from properties participating in the pilot program;
- Limiting property tax revenue loss to the Beverly Hills Unified School District; and,
- Setting a fee for property owner participation in the pilot program.

With direction from the City Council, staff will return at a future date with a resolution adopting the Pilot Program, establishing an application fee, and requesting $25,000 from the General Fund or reserves to retain the services of an historic consultant.

BACKGROUND

The Mills Act, enacted by the State in 1972, is intended to encourage preservation of historically significant properties by allowing a property owner to receive property tax relief in exchange for rehabilitating, preserving, and maintaining an historic property rather than demolishing or significantly modifying it. The Act allows local governments to enter into binding contracts with owners of qualified historic properties. The City determines whether a property qualifies as an historic property.

The City has full discretion to enter into a Mills Act contract, which has a rolling (or "evergreen") 10-year term. Each year, unless either party submits a non-renewal notice, the contract automatically renews to provide for a full ten-year term. If either party (the City or property owner) submits a notice of non-renewal, the contract would then end 10 years from the prior renewal date, and the tax benefits would phase out over the ten year "wind down". If a property owner does not perform or cancels a Mills Act contract during the contract period, a significant fine is levied, pursuant to State law.

Surveyed Mills Act Programs

Many cities in Southern California participate in the Mills Act Program. Mills Act Program summaries for the Cities of Coronado, Pasadena, Glendale, Santa Monica, Los Angeles, West Hollywood and Laguna Beach are provided in Attachment 2 and a synopsis is presented below.

Surveyed Mills Act Programs

- All sampled cities require participating properties to be locally designated as a cultural or historic resource. West Hollywood was the only city that also allowed properties listed on the National Register to participate without also being locally designated.
- Three out of the seven cities surveyed set caps on assessed property value for participation.
- One City also set an annual maximum tax revenue loss from participation in the program.

The proposed pilot program for Beverly Hills is based on these existing programs and on public hearing discussions during the Planning Commission's consideration of the program.

Public Comments

Public comments were provided during the July 28, 2011 Planning Commission public hearing. Members of the community spoke in favor of the program; however a representative from the Beverly Hills School Board expressed concern about potential fiscal impacts the Pilot Program might have on the School District's property tax revenue. Other speakers included a representative from the Los Angeles Conservancy and owners of properties currently enrolled in the Mills Act in other jurisdictions.

DISCUSSION

Each local government establishes its own criteria for participation in the Mills Act, and can specify how many contracts will be allowed in its jurisdiction. Direction from the City Council on the following program provisions will inform design of the Pilot Program.

Limiting participation in the Pilot Program to properties designated as local landmarks based on architectural significance.

The Planning Commission and staff recommend limiting enrollment in the Pilot Program to those properties determined to be locally significant and designated as a local landmark. While the City's existing ordinance provides a process for designation, those standards and regulations will be updated with the City Council's recent direction to proceed with amendments to the City's Historic Preservation ordinance. Staff recommends revising the landmark eligibility standards to focus on architectural features and the structure's historic integrity, as opposed to current standards that extend eligibility to structures occupied by persons of known fame.

Capping property tax revenue losses from properties participating in the pilot program

The Planning Commission discussed the importance of maintaining historic properties in the City, including higher-value properties, while limiting tax revenue losses to the City. The Planning Commission recommended:

- Setting a $50,000 cap on total annual revenue loss to the City.

  To better understand the loss in property tax revenue from properties participating in the program, staff estimated potential Mills Act rental values and the corresponding property tax revenue losses for a series of properties based on assessed property values of $1.5 million, $3 million, $6 million and $10 million. The estimates are provided in the Planning Commission staff report (Attachment 6).

Staff recommends that the City Council also consider:

- Setting an additional cap on the amount of the tax base reduction for any single property. This additional cap would reduce revenue loss to the City from any single property, allow for higher valued properties to participate in the program and allow for greater opportunities for program participation.

Under the Mills Act, the tax incentive is provided by reducing the taxable basis for the property which reduces the amount of taxes paid. The taxable basis is reduced by calculating property tax under the Mills Act using a property's rental value, not its assessed value. As a result, long-time property owners may not benefit under the Mills

Act as they may have a much higher rental value today relative to the assessed value of their property. On the other hand, a property owner who purchased a property five years ago is likely to have a lower rental value today relative to the assessed value of their property. This results in lower taxes paid and a greater tax benefit under the Mills Act.

Limiting property tax revenue loss to the Beverly Hills Unified School District.

Potential revenue losses to the School District and to the City were analyzed and a discussion is presented in the staff report and attachments prepared for the Planning Commission's July 28th meeting (Attachment 6). The staff report states that the City's share of the 1% General Tax Levy is 18.6%. A more precise estimation of the City's share is 19.1% (including an additional percentage for safety services and for development of the emergency operations center).

Estimated Potential School District and City Revenue Losses

	Percent of Property Tax*	Potential Property Tax Revenue Loss
Beverly Hills School District	15.3%	$40,000
City	19.1%	$50,000

* Property tax allocations were obtained from the Los Angeles County Controller's Office. For the City of Beverly Hills 17.5% is allocated from the general tax levy and an additional 1.6% is allocated for safety services override.

The proposed caps as described above would limit School District revenue losses. .

Setting a fee for participation in the Pilot Program

State law allows the City to establish fees to recover program costs. There are initial application and ongoing fees that can be established. Staff estimates the initial application would cost approximately $15,000, which is comparable to other commission-level applications. Establishing a full cost recovery application fee would diminish the value gained from participating in the program and may deter some potential applicants. The surveyed cities referenced earlier in this report, all subsidize application fees. The lowest application and contract processing fee is $0 and up to $2,060 for commercial properties in Pasadena. Staff supports subsidizing the initial application fee up to 90% of the full cost recovery expense, or approximately $1,500. This fee would be among the highest fees collected for single family homes compared to the surveyed cities.

Ongoing fees are estimated to cost approximately $800 annually to review conformance with the Mills Act contract and conduct annual site inspections. Staff recommends these ongoing costs be recovered in full during the pilot program. As staff develops the required training to evaluate contract conformance and inspection, it is anticipated that these fees can be reduced over time.

FISCAL IMPACT

The following fiscal impacts have been estimated for the proposed Mills Act Pilot Program.

Initial Costs

Calendar Year 2012: $25,000 One-time Consulting Cost and up to approximately $42,000 in subsidized application fees

Initially, the City will use an historic preservation consultant to review applications and to train staff in understanding preservation planning policies, regulations, and guidelines. The historic consultant would be 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. The consultant will also offer training to elected and appointed officials.

Long-Term Costs (Estimated Loss in Property Tax Revenue)

Calendar Year 2013: Ongoing. $50,000 annual property tax loss and up to $42,000 in subsidized application fees to the City; costs to the School District is estimated at approximately $40,000 annually.

Losses to the City and the School District's property tax revenue as a result of the Pilot Program have been estimated assuming that annual property tax revenue loss remains constant over time. Estimating total program revenue losses in this manner is extremely conservative. In reality the assessed property value under Prop 13 rises no more than 2% per year; however, historically, rental prices have risen at a much higher rate. As a result, the benefit provided by the Mills Act will likely dissipate over the years for participating properties and the ongoing tax revenue loss to the City and School District will likely be considerably less than a straight multiplication of the first year's loss.

NEXT STEPS

With the City Council's direction, staff will proceed with the following next steps:

- A public hearing will be set with resolutions adopting the Pilot Program, and requesting $25,000 to retain the services of an historic consultant to initially administer the program and provide training to City personnel. A fee resolution will also be prepared to establish subsidized historic preservation fees and Mills Act fee.
- Working with an historic consultant, staff will prepare application materials, outreach materials and the review processes for the Pilot Program.
- Staff will establish a priority system in the event that more than three applications are received each year. Preference would be given to commercial theater properties.
- Code amendments related to the Mills Act Pilot Program will be incorporated into broader amendments planned this winter related to City Council directed amendments to the Historic Preservation ordinance.

RECOMMENDATION

Staff recommends that the City Council review and consider the proposed Mills Act Pilot Program, provide any necessary revisions and direct staff to set a public hearing to consider and adopt the Pilot Program.

For
Susan Healy Keene, AICP
Director of Community Development
Approved By

Attachment 1

Beverly Hills Pilot Program Summary

Overview	• 2 year Pilot Program • 6 Properties Maximum (3 per enrollment cycle) • 2 Enrollment cycles (January 1 – December 31, 2012) (January 1 – December 31, 2013) • Requires City and property owner to enter into a binding contact • Contract requires a "Preservation Plan" demonstrating how the property owner will maintain the property to meet the Secretary of the Interior Standards • Penalty for failing to complete the preservation plan is a fine equal to 12.5% of the property's market value • Contracts run with the land and are transferred to successive property owners
Begins	January 1, 2012
Ends	• Contracts automatically renew unless canceled by City or property owner • If contract is cancelled, property is brought back up to Prop 13 assessed value over a 10 year period
Program Requirements	• Maintain property in a manner consistent with the requirements of the Secretary of the Interior's Standards • Property tax savings intended to rehabilitate, preserve, and maintain historic property • Property owner required to submit annual reports, documenting work towards completion of the preservation plan • City annually inspects property, confirms that property is maintained to standards
Eligibility	• Open to single-family homes, and public theater properties • Must be located entirely within the City of Beverly Hills • Privately owned • Not exempt from property taxes • Listed on the City of Beverly Hills "Official Register of Historical
Beverly Hills Current Landmark Process	Architectural Commission designates, appealable to City Council
Beverly Hills Current Criteria for Landmarking	[An] "historical or cultural landmark" is any site (including significant trees or other plant life located thereon), building, or structure of particular historic or cultural significance to the city, such as historic structures or sites in which the broad cultural, political, economic, or social history of the nation, state, or community is reflected or exemplified, or which are identified with historic personages or with important events in the main currents of national, state, or local history, or which embody the distinguishing characteristics of an architectural type specimen, inherently valuable for a study of a period style or method of construction, or a notable work of a master builder, designer, or architect whose individual genius influences his age. *(BHMC 10-3-3202)*
Maximum Property Tax Revenue Loss	$50,000/year maximum for Pilot Program (Estimated to be up to a maximum $40,000/year loss to BHUSD)

Beverly Hills Pilot Program
Summary

Mills Act Reviewing Authority	Architectural Commission
Mills Act Approving Authority	City Council
Ancillary Objectives of Pilot Program	Update to the City Council on program success annually Pilot Program is to inform the establishment of a permanent program Facilitate further refinement of City's Historic Preservation policy

Attachment 2

Proposed Beverly Hills Pilot Program

Surveyed City	Eligibility	Cap(s) on Property Value	Other Cap(s)
Beverly Hills *Incorporated* *5.7 sq. miles* *35,000 pop.*	Locally designated* single family properties and 3 remaining public theaters * *Recommended to be based on architectural significance only*	None	$50,000 Cap on Annual Property Tax Revenue loss from program

Surveyed Mills Act Programs

Surveyed City	Eligibility	Cap(s) on Property Value	Other Cap(s)
Coronado *Incorporated 1890* *14 sq. miles* *24,000 pop.*	Locally designated - landmarks, historic monuments, and contributors to historic districts	None	None Council factors fiscal considerations into decision to enter into a contract
Pasadena *Founded 1874* *22.5 sq. miles* *150,000 pop.*	Locally designated - landmarks, historic monuments, and contributors to historic districts	$1.5 Million for Single Family Residences (SFR) Exception: Buildings by Greene/Greene Architects, NR listed individually	Annual Participation: 20 Single Family Residences 6 Multi-family Residences
Glendale *Founded 1887* *23.6 sq. miles* *202,000 pop.*	Locally designated - landmarks, historic monuments, and contributors to historic districts	$1.5 Million	None
Santa Monica *Founded 1875* *8.3 sq. miles* *90,000 pop.*	Locally designated - landmarks, structures of merit, and contributors to historic districts	None	None
Los Angeles *Founded 1781* *468 sq. miles* *3.9 Mil. pop.*	Locally designated – historic cultural monuments, and contributors to Historic Preservation Overlay Zones	$1.5 Million for Single Family Residences (SFR) $3 Million for Multi- Family Residences (SFR), Commercial, Industrial properties	$1 Million Cap on Annual Property Tax Revenue loss from program
West Hollywood *Incorporated 1984* *1.9 sq. miles* *35,000 pop.*	Locally designated, or listed on National Register	None	None
Laguna Beach *Incorporated 1927* *9.1 sq. miles* *25,000 pop.*	Specific sub-set of locally designated historic structures	None	None

Beverly Hills Pilot Program
Summary

Maximum Property Tax Revenue Loss	$50,000/year maximum for Pilot Program (Estimated to be up to a maximum $40,000/year loss to BHUSD)
Mills Act Reviewing Authority	Architectural Commission
Mills Act Approving Authority	City Council
Ancillary Objectives of Pilot Program	Update to the City Council on program success annually Pilot Program is to inform the establishment of a permanent program Facilitate further refinement of City's Historic Preservation policy

Attachment 3

Beverly Hills Pilot Program
How It Will Work

Eligibility Criteria

Criteria for participation in the City's Pilot Program are intended to assure that during the first two years that the Mills Act is in effect, and while the City is fine tuning the review and contract process, revenue losses do not exceed a fixed amount.

Proposed criteria for participating in the Beverly Hills pilot program are as follows:

Proposed Criteria for Participation in the Beverly Hills Mills Act Pilot Program	
Enrollment Window	• Two year eligibility window • Success of the Pilot Program will be evaluated after two years and a permanent program will be recommended
Eligibility Requirements	• Locally designated landmarks • Limited to single family residences and the three public theater buildings
Maximum Number of Properties	• Six properties (3 accepted by City each year)
Maximum City Revenue Loss	• $50,000 Annually • Minimum contract term is 10 years

The Pilot Program would commence on January 1, 2012. Under the proposed pilot program, no more than three (3) properties a year, for a total of six (6) properties will be accepted by the City for participation in the pilot program. Applications will be accepted from January 1 to May 31 in the years 2012 and 2013. 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, and execute and record the Mills Act contracts by December 31. If a contract is recorded by the end of the year, it will be considered for tax relief by the Los Angeles County Tax Assessor during the first six months of the following year, and the property owner can then expect to see tax reduction benefits in that following year's fall tax bill.

Enrolling Properties in the Pilot Program

A maximum of six properties would be accepted into the pilot program. The following steps will take place prior to the City entering into a Mills Act contract with each property.

STEP 1: Local Landmark Designation

The first step in the process will be to determine a property's eligibility. Eligibility criteria are presented in the chart on page 2. Determining if a property is eligible begins by confirming that the property has historic significance. This would require the property owner to hire an historic consultant to conduct an assessment. The assessment would then be reviewed by the City to

Beverly Hills Pilot Program
How It Will Work

confirm the consultant's assessment. Next, the property owner would apply to the City for designation as a local landmark.

Although local landmark designation has been available in the municipal code since the 1970's, few cases have been considered and no properties have been designated. For the Pilot Program, the City is recommending that the definition of an historic or cultural landmark be narrowed to include only those properties that could be designated based on their architectural significance.

STEP 2: Preservation Plan Review

Once a property is determined to be historically significant and has been designated as a local landmark, the next step would be for the property owner to provide the City with a preservation plan. The preservation plan includes an itemized list of actions the property owner will undertake to bring the property up to the standards of the United States Secretary of the Interior for historic properties. The preservation plan will be included in the Mills Act contract, and is binding.

STEP 3: Entering into a Contract

Contracts executed under the Mills Act are between the City of Beverly Hills and the property owner. The City Council has full discretion to enter into any given contract or not, regardless of whether a property meets the eligibility requirements. Mills Act contracts are for a ten-year term and are renewed automatically each year on the contract's anniversary. The purpose of the ten year termination period is to gradually bring the property back up to the Prop 13 assessed value. The rights and obligations to the contract stay with the title to the property and are binding upon successive property owners. The property owner may request an immediate cancellation. If immediately cancelled, a penalty equal to 12.5 percent of the market value is imposed.

Attachment 4

City of Beverly Hills
Planning Division
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TEL. (310) 485-1141 FAX. (310) 858-5966

Planning Commission Report

Meeting Date: July 28, 2011

Subject: Establishing a Mills Act Pilot Program for the City

Recommendation: Review, discuss, and recommend that the City Council adopt a Mills Act Pilot Program for the City

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REPORT SUMMARY

On July 14, 2011, the Planning Commission reviewed and discussed a proposed Mills Act Pilot Program for the City. During the course of discussion, Planning Commissioners asked for additional information and analysis prior to recommending that the City Council adopt the pilot program. This report provides the additional information and analysis requested. A resolution from the Planning Commission recommending that the City Council adopt the proposed pilot program is attached (Attachment 1). Once the Planning Commission adopts such a resolution, the Pilot Program would be scheduled for review by the City Council, which could occur as soon as August 16, 2011.

BACKGROUND

On April 21, 2011, the City Council directed staff to look into the establishment of a Mills Act Program 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. On July 14, 2011, the Planning Commission held an additional study session, considered a proposed Pilot Program, and asked for additional information and analysis (July 14, 2011 Staff Report provided as Attachment 4).

MILLS ACT PROGRAM

The Mills Act is a means by which the City can offer a property tax reduction to the owners of historically significant (landmark) properties. The intent of the program is that the money saved on property taxes will be used to preserve, maintain and rehabilitate the historically significant landmark. The City has full discretion to enter into a Mills Act contract, which is initially for a 10 year period and extends automatically each year thereafter, unless the City or the property owner wishes to terminate the contract. Each local government establishes its own criteria and determines how many contracts will be allowed in their jurisdiction. The City intends that the Mills Act Pilot Program will encourage the preservation of historically significant properties because the property owners of locally designated landmark properties will have a financial incentive to maintain their property instead of demolishing landmarks to make way for new construction. A summary of the Pilot Program is provided as Attached 2.

Attachment(s):
1. Draft Resolution Recommending Adoption of the Pilot Program
2. Pilot Program Summary
3. Additional Property Tax Revenue Analysis
4. Study Session Staff Report for July 14, 2011

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ADDITIONAL INFORMATION AND ANALYSIS

During the July 14, 2011 Planning Commission meeting, Planning Commissioners asked for additional information and analysis on the anticipated costs of the Mills Act Pilot Program and the potential losses in revenue to the City and to the school district.

ANTICIPATED IMPACT TO PROPERTY TAX REVENUES

For illustrative purposes only, additional analysis has been conducted on potential impact to the City's and School District's revenue streams from property tax reductions provided in the Mills Act Pilot Program for properties with assessed values of $1.5 Million, $3 Million, $6 Million, and $10 Million (Attachment 3). A summary of the finding is provided in the chart below.

Estimated Property Tax Revenue Loss
Associated with the Proposed Mills Act Pilot Program

				Annual and Total (10 Year) Estimated Revenue Loss			
				10 Properties		**6 Properties**	
Assessed Property Value	Estimated Rental Value	Est. Revenue Loss to City	Est. Revenue Loss to School	City Annual (Total)	School Annual (Total)	City Annual (Total)	School Annual (Total)
$1.5 Million	$423K	$2.2K	$1.8K	$22K ($220K)	$18K ($180K)	$13.2 ($132K)	$10.8K ($108K)
$3 Million	**$924K**	**$4.3K**	**$3.5K**	$43K ($430K)	$35K ($350K)	**$25.8K ($258K)**	**$21K ($210K)**
$6 Million	$1.8 - $3 Million	$6.2K - $8.6K	$5K - $7K	$62K - $86K ($620K - $860K)	$50K - $70K ($500K - $700K)	$37.2K - $51.6K ($372K - $516K)	$30K - $4[illegible] ($300K - $420K)
$10 Million	$1.8 - $3 Million	$14.4K - $16.8K	$11.8K – $13.8K	$140K - $170K ($1.4 - $1.7 Mil.)	$120K - $140K ($1.2 - $1.4 Mil.)	$86.4K – $101K ($864K- $1 Mil.)	$71K - $83K ($710K - $830K)

In order to limit the amount of property tax revenue loss, the Pilot Program proposes two caps. These caps are 1) A maximum assessed property value, and 2) Number of properties participating in the program. Based on initial estimations, Staff proposes a cap on Assessed Property Value of $3 Million for Single-Family Homes ($8 Million for Commercial Theater Properties) and a cap on the number of properties that can participate in the Pilot Program set at six.

Cap 1 - Maximum Assessed Property Values

Two caps are now proposed in the draft City Council resolution. One cap is for single-family residences, and one is for commercial theater properties. The following section presents additional analysis and reasoning on establishing a cap and the intention of setting caps for the Pilot Program. Property tax assessments are based on the Assessed Value of Properties and so, although the Market Value of Properties may be higher in the City, analysis forming the basis for establishing a cap is based on Assessed Value in order to use available City property data and so that analysis of the cap relates to estimations of potential impacts to the City's and the School District's Property Tax Revenues.

<u>Single-Family Assessed Property Value Cap - $3 Million</u>

Staff is proposing a cap of $3 Million for single-family properties. The cap is based on the 2010 assessed property value of single-family properties in the City, which are presented in the following chart. A cap

of $3 Million is the average assessed value for homes above Sunset Blvd. (the city's highest assessed property value district).

2010 Assessed Property Values for Single-Family Properties in the City of Beverly Hills

Single Family Area of the City Zoning	Number of Properties	Average Assessed Property Value[1]	Average Property Tax
Above Sunset Blvd	**1621**	**$2,914,612.46**	**$29,146.12**
R-1	635	$2,010,269.76	$20,102.70
R-1.X	984	$3,503,739.78	$35,037.40
Between Sunset Blvd. and Santa Monica Blvd.	**1775**	**$2,435,671.10**	**$24,356.71**
R-1	46	$1,855,109.22	$18,551.09
R-1.X	1721	$2,457,173.03	$24,571.73
Below Santa Monica blvd.	**2481**	**$902,631.29**	**$9,026.31**
R-1	670	$746,021.20	$7,460.21
R-1.5X	450	$1,091,561.23	$10,915.61
R-1.5X2	350	$876,286.17	$8,762.86
R-1.6X	451	$810,552.60	$8,105.53
R-1.7X	138	$896,114.97	$8,961.15
R-1.8X	419	$1,073,267.31	$10,732.67
R-1.X	1	$1,569,416.00	$15,694.16

A $3 Million Assessed Property Value Cap would allow many homes in the City to participate in the Pilot Program, but would prevent participation by higher-end homes. It is anticipated that the City will refine its policies on historic preservation and, identify criteria for historically significant properties with higher assessed property values during the pilot program. This will allow the City, in the future, to offer the Mills Act Program to historically significant properties with assessed values that are greater than the cap. An example of how this could be done is the City of Pasadena's Mills Act Program which sets a cap at $1.5 Million but allows any property designed by architects Greene and Greene and listed on the National Register to participate regardless of assessed value (Refer to Attachment 4, July 14, 2011 Staff Report Attachment 3 Mills Act Case Studies for a summary of the Pasadena Program).

Commercial Theater Assessed Property Value Cap - $8 Million

There are three commercial theaters in the City, the Saban Theater, the Cecchi Gori Fine Arts Theatre, and Laemmle's Music Hall. The 2010 assessed property values for these properties are provided in the chart on the following page.

[1] Assessed Value is based on Los Angeles County Assessors calculations and Prop. 13 and does not necessarily represent true Market Value. Assessed Value is used to set the cap so that the cap is based on available City data and can readily be compared to actual property tax revenues.

Commercial Theater Properties in Beverly Hills

Theater Name *(address)*	Assessed Value	Property Tax
Saban Theater *(8440 Wilshire Blvd.)*	$7,526,456	$75,265
Cecchi Gori Fine Arts Theatre *(8566 Wilshire Blvd.)*	$ 1,551,725	$15,517
Laemmle's Music Hall *(9036 Wilshire Blvd.)*	$913,049	$9,130

An $8 Million cap would allow any or all of the three theaters to apply for landmark designation and participate in the Pilot Program.

Cap 2 – Maximum Number of Participating Properties

Annual and total (10 year) property tax revenue losses are estimated in the chart on page 2 for the Pilot Program. Total potential revenue losses have been estimated in this chart for 10 years assuming a cap on participation set at 10 properties, which was previously proposed, and a reduced cap set at six properties. If a cap on participation is to be set at an Assessed Value of $3 Million, Staff recommends that the number of properties able to participate in the Pilot Program be reduced from ten to six in order to limit revenue losses to the City and to the School District. If the number of properties participating in the Pilot Program were limited to six, an estimate of potential revenue loss to the City and the School District could be approximated as follows:

Total Estimated Property Tax Revenue Loss

	Revenue Loss Per Property	**Annual / 10-year Revenue Loss** (6 Properties Total)
Single Family (Capped at $3 Million in Assessed Value)	$4.3K (City) $3.5K (School)	(5 Properties) **$21.5K / $215K (City)** **$17.5K / $175 K (School)**
Theater Properties [2] (Capped at $8 Million in Assessed Value)	$4K (City) $3.4K (School)	(1 Property) **$4K / $40K (City)** **$3.4K / $34K (School)**
	TOTAL	$25.5K / $255K (City) $21K / $209 (School)

The estimated losses to Property Tax Revenue for the Pilot Program above have been made assuming that annual property tax revenue loss remains constant over time. Assuming a $3 Million cap on Assessed Value for Single-Family Homes, and an $8 Million cap on commercial theater properties, revenue losses to the City could be approximately $255K, assuming 6 properties participate (Initial 10-year term). Estimated property tax revenue losses to the School District could be approximately $209K, assuming the same numbers of properties participate.

Estimating total program revenue losses in this manner is extremely conservative. In reality the assessed property value under Prop 13 may rise no more than 2% per year, however, historically rental

[2] Rental Value for Commercial Theater Properties is assumed to equal the Assessed Value. Property tax reduction is therefore a factor of costs of annual expenses and the capitalization rate.

prices have risen at a much higher rate. As a result, the benefit provided by the Mills Act will likely dissipate over the years and the resulting loss to the City and BHUSD likely will be considerably less than a straight multiplication of the first year's loss.

As proposed the Pilot Program may result in property tax revenue loss to the School District of approximately $21K a year, or up to $209K over 10 years. The Planning Commission may wish to discuss whether to make a recommendation to the City Council in regard to the potential property tax revenue loss to the School District.

ANTICIPATED COSTS

Initial Costs to the City

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. The consultant will also offer training the elected and appointed officials. Initial City costs for retaining an historic consultant are estimated to be $20K.

Estimated Costs to Applicants

The City has estimated costs for processing an application to the Pilot Program, anticipating full cost recovery. The chart on the following page summarizes the costs to process applications that best approximate the work load that is anticipated to be involved in processing Mills Act Program applications.

Estimated Potential Application Fees

APPLICATION	ANTICIPATED COST (Full Cost Recovery)
MILLS ACT ELIGIBILITY REVIEW	$850.00
ENVIRONMENTAL ASSESSMENT	$705.00
APPLICATION FOR LANDMARK DESIGNATION	$10,000.00
Preservation Plan Reviewed by Historic Consultant	$1,000.00
PREPARATION OF MILLS ACT CONTRACT	$1,500.00
CITY COUNCIL MEETING TO APPROVE CONTRACTS	$500.00
Total	*$14,555.00*

In addition to the fees associated with processing the application and executing the contract, on-going (annual) fees are estimated to review progress on the preservation plan and inspect the property annually. On-going administration fees are provided on the following page.

Annual Administration Fees

APPLICATION	ANTICIPATED COST (Full Cost Recovery)
CONFORMITY REVIEW (annual review of progress made on preservation plan)	$296.30
Annual City Inspection of Mills Act Contract Properties (per property)	$460.30

The City is estimating that the costs for processing a Mills Act application could be close to $15K, and annual administration costs could be approximately $760 per property. In addition to City application fees, property owners will need to retain an historic consultant to complete the forms required to determine whether a property is eligible, and to develop a preservation plan in accordance with the standards of the Secretary of the Interior.

The City can establish a fee based on recapturing program costs. To avoid discouraging participation in the Pilot Program the application fees may need to be less than the City would typically charge, or the fees may need to be split up over the initial 10-year period of the contract. The Planning Commission may wish to discuss whether to make a recommendation the City Council with regards to reducing application fees.

NEXT STEPS

Once the Planning Commission has made its recommendation, the proposed Mills Act Pilot Program will be presented to the City Council for its consideration. If the Planning Commission's recommendation is made today, the Pilot Program could be presented to the City Council as early as August 16, 2011. Once the City Council has considered and adopted a resolution (Exhibit A, Attachment 1) and authorized Staff to proceed with the Pilot Program, the following next steps will be taken:

- Staff will return to the City Council with a request to fund a contract for an historic consultant who will administer the program and provide training to City staff and officials.
- Working with an historic consultant, staff will prepare application materials, outreach materials and the review processes for the Pilot Program.
- Staff will establish a lottery system in the event that more than three applications are received each year. The lottery system will give preference to commercial theater properties.
- Staff will identify and establish fees for application and participation in the program. The fees will be set to capture the City's costs of program administration, but a recommendation may be made that the City Council adopt fees that are less than full cost recovery so that costs do not create a disincentive to participating in the program. Staff will update the Planning Commission on the Pilot Programs development.
- Once fees have been estimated, Staff will return to the City Council with a resolution establishing the fees for the program.

Report Reviewed By:

Jonathan Lait, AICP
Assistant Director of Community Development / City Planner

Attachment 1
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 Program, 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 Pilot 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 June 9, 2011 and July 14, 2011, and a duly noticed public hearing on the matter on July 28, 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 Pilot 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:

_____ (Seal)
Secretary

Approved as to form:

_____
David. M. Snow
Assistant City Attorney

Approved as to content

_____
Jonathan Lait, AICP
Assistant Director of Community Development
City Planner

Exhibit A

Draft Resolution of the City Council Adopting a Proposed Mills Act 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 pursuant to which the City may enter 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, or economic 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 Program, 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 July 28, 2011, 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 Pilot 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 into the

program after May 31, 2013, 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. 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 the City of Beverly Hills' official register of historical or architecturally significant sites, places, or landmarks.

Section 12. To limit any fiscal impact of the Mills Act Pilot Program, the City of Beverly Hills shall limit participation in the Pilot Program to Single-Family Residential Properties with an assessed value not exceeding $3 Million dollars and commercial theater properties with an assessed value not exceeding $8 Million dollars. To further limit any fiscal impact, the City of Beverly Hills shall not enter into or execute more than three (3) preservation agreements per calendar year during the term of the Mills Act Pilot Program. If less than three (3) preservation agreements are recorded during the first calendar year, the remainder may be rolled over to the second calendar year for a total of six (6) preservation agreements for the two-year term of the Mills Act Pilot Program. No more than six (6) preservation agreements shall be

Pilot Program Summary

Begins	January 1, 2012
Contract Term	10 years, automatically renews annually thereafter unless terminated by either the City or by the property owner
Enrollment Periods	January 1 – May 30, 2012 January 1 – May 30, 2013
Maximum Number of Properties Accepted	6
Section Criteria	• A single-family residential, or commercial theater property • Located entirely within the City of Beverly Hills • Privately owned • Not exempt from property taxes • Listed on the City of Beverly Hills official register of historical or architecturally significant sites, places, or landmarks. Criteria for listing on the City's official register: a "historical or cultural landmark" is any site (including significant trees or other plant life located thereon), building, or structure of particular historic or cultural significance to the city, such as historic structures or sites in which the broad cultural, political, economic, or social history of the nation, state, or community is reflected or exemplified, or which are identified with historic personages or with important events in the main currents of national, state, or local history, or which embody the distinguishing characteristics of an architectural type specimen, inherently valuable for a study of a period style or method of construction, or a notable work of a master builder, designer, or architect whose individual genius influences his age. (BHMC 10-3-3202)
Reviewing Authority	Architectural Commission
Approving Authority	City Council
Program Requirements	Maintain property in a manner consistent with the requirements of the Secretary of the Interior's Standards for Historic or Culturally Significant Resources – requires the development of a preservation plan Submit annual reports, documenting work towards completion of the preservation plan Property tax savings intended to rehabilitate, preserve, and maintain resource

Attachment 3
Additional Property Tax Revenue Analysis

entered into and recorded during the term of the Mills Act Pilot Program. The City may establish a means of accepting applications to the Mills Act Pilot Program that ensures that both commercial and residential property owners have an opportunity to participate.

Section 13. 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 Mills Act Pilot 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 14. 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 15. 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 Preservation Agreement. No Preservation Agreement may be cancelled without compliance with Government Code Section 50280 et seq., which requires notice and a public hearing by the City Council.

Section 16. 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 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

Attachment 2
Pilot Program Summary

Additional Property Tax Revenue Analysis

The following property tax savings and potential revenue losses are provided for illustrative purposes only. In the Mills Act program, the property owner provides information to the County Assessor. The County Assessor then calculates the tax rates under the program.

Rental Value is used to the Mills Act to estimate property tax savings to the property owners, and property tax revenue loss to the City and the Beverly Hills School District. Rental rates were estimated for properties with an assessed value of $1.5, $3, $6, and $10 Million. For properties in the $1.5 - $3 Million range an average of current rental rates was used. For properties of $6 - $10 Million Assessed Value, a range of $30K-$50K monthly was used for the Rental Rate based on conversation with local real estate agents.

$1.5 Million represents the average sales price of a three-bedroom home in Beverly Hills in 2009 (average of 48 sales).

PROPERTY WITH AN ASSESSED VALUE OF $1.5 MILLION

ASSESSED VALUE OF PROPERTY (Average North of Sunset)		**$1,500,000**
REVENUE - Mills Act Based on Rental Value		
Monthly Rental Income (3-4 Bedrooms, 4 baths North of Sunset) properties sampled	20	$7,100.00
Annual Rental Income (Monthly Rental Income * 12 Months)		**$85,200.00**
ANNUAL EXPENSES		**$21,300.00**
Insurance, Utilities, Maintenance, Management		25.00%
NET INCOME (Annual Rental Value - Expenses)		**63,900**
Capitalization Rate - (Mortgage Interest, Historic Property Risk, Property Tax, Amortization)		15.1%
MILLS ACT ADJUSTED PROPERTY VALUE - (Net Income/Capitalization Rate)		**$423,179**
POTENTIAL TAX REDUCTION		1.10%
Current Property Tax (Assessed Property Value $3 Million)		16,500
Tax Assessed Under Mills Act (Adjusted Property Value $930 K)		$4,654.97
Property Tax Reduction (Money Available to Complete Preservation Plan)		**$11,845.03**
Estimated Mills Act Property Tax - City Share 18.6%		**$865.82**
City Property Tax Revenue Reduction		*-$2,203.18*
Estimated Mills Act Property Tax - Beverly Hills School District Share 15.3%		**$712.21**
School District Property Tax Revenue Reduction		*-$1,812.29*

If 10 properties with an assessed value of $1.5 Million, and a rental rate of $7,100/ monthly were to participate in the program, estimated revenue loss to the City could annually be approximately $22K, and to the School District $18K. Over a ten year term this could represent a loss of up to $220K to the City, and $180K to the School District.

Additional Property Tax Revenue Analysis

PROPERTY WITH AN ASSESSED VALUE OF $3 MILLION

ASSESSED VALUE OF PROPERTY (Average North of Sunset)		**$3,000,000**
REVENUE - Mills Act Based on Rental Value		
Monthly Rental Income (3-4 Bedrooms, 4 baths North of Sunset)	20 properties sampled	$15,500.00
Annual Rental Income (Monthly Rental Income * 12 Months)		**$186,000.00**
ANNUAL EXPENSES		**$46,500.00**
Insurance, Utilities, Maintenance, Management		25.00%
NET INCOME (Annual Rental Value - Expenses)		**139,500**
Capitalization Rate - (Mortgage Interest, Historic Property Risk, Property Tax, Amortization)		15.1%
MILLS ACT ADJUSTED PROPERTY VALUE - (Net Income/Capitalization Rate)		**$923,841**
POTENTIAL TAX REDUCTION		1.10%
Current Property Tax (Assessed Property Value $3 Million)		33,000
Tax Assessed Under Mills Act (Adjusted Property Value $930 K)		$10,162.25
Property Tax Reduction (Money Available to Complete Preservation Plan)		**$22,837.75**
Estimated Mills Act Property Tax - City Share 18.6%		**$1,890.18**
City Property Tax Revenue Reduction		*-$4,247.82*
Estimated Mills Act Property Tax - Beverly Hills School District Share 15.3%		**$1,554.82**
School District Property Tax Revenue Reduction		*-$3,494.18*

If 10 properties with an assessed value of $3 Million, and a rental rate of $15.5K/ monthly were to participate in the program, estimated revenue loss to the City could annually be approximately $43K, and to the School District $35K. Over a ten year term this could represent a loss of up to $430K to the City, and $350K to the School District.

Additional Property Tax Revenue Analysis

The same rental range has been used to calculate tax savings and revenue loss for a $6 Million and a $10 Million property. In this rental range, rates appear to vary greatly based more on what the renter is will to pay versus a market rental rate due to the low number of renters at this level.

PROPERTY WITH AN ASSESSED VALUE OF $6 MILLION

ASSESSED VALUE OF PROPERTY (Average North of Sunset)	**$6,000,000**	
REVENUE - Mills Act Based on Rental Value	Rental Range	
Monthly Rental Income (4 Bedroom, 5 baths, North of Sunset) Information from local Real Estate Agents	$30,000.00	$50,000.00
Annual Rental Income (Monthly Rental Income x 12 Months)	**$360,000.00**	**$600,000.00**
ANNUAL EXPENSES	**$90,000.00**	**$150,000.00**
Insurance, Utilities, Maintenance, Management	25.00%	
NET INCOME (Annual Rental Value - Expenses)	**$270,000**	**$450,000**
Capitalization Rate - (Mortgage Interest, Historic Property Risk, Property Tax, Amortization)	15.1%	
MILLS ACT ADJUSTED PROPERTY VALUE - (Net Income/Capitalization Rate)	**$1,788,079**	**$2,980,132**
PROPERTY TAX	1.10% (assessed rate)	
Current Property Tax (Assessed Property Value $6 Million)	$66,000	$66,000
Tax Assessed Under Mills Act (Adjusted Property Value $1.8 - 3 Million)	$19,668.87	$32,781.46
Property Tax Reduction (Money Available to Complete Preservation Plan)	**$46,331.13**	**$33,218.54**
Estimated Mills Act Property Tax - City Share 18.6%	**$3,658.41**	**$6,097.35**
City Property Tax Revenue Reduction	*-$8,617.59*	*-$6,178.65*
Estimated Mills Act Property Tax - Beverly Hills School District Share 15.3%	**$3,009.34**	**$5,015.56**
School District Property Tax Revenue Reduction	*-$7,088.66*	*-$5,082.44*

If 10 properties with an assessed value of $6 Million, and a rental range of $30K-$50K/ monthly were to participate in the program, estimated revenue loss to the City could annually be approximately $62K-$82K, and to the School District $50K-$70K. Over a ten year term this could represent a loss of up to $620K – $820K to the City, and $500K – $700K to the School District.

Additional Property Tax Revenue Analysis

PROPERTY WITH AN ASSESSED VALUE OF $10 MILLION

ASSESSED VALUE OF PROPERTY (Average North of Sunset)	**$10,000,000**	
REVENUE - Mills Act Based on Rental Value	Rental Range	
Monthly Rental Income (4 Bedroom, 5 baths, North of Sunset) Information from local Real Estate Agents	$30,000.00	$50,000.00
Annual Rental Income (Monthly Rental Income x 12 Months)	**$360,000.00**	**$600,000.00**
ANNUAL EXPENSES	**$90,000.00**	**$150,000.00**
Insurance, Utilities, Maintenance, Management	25.00%	
NET INCOME (Annual Rental Value - Expenses)	**270,000**	**450,000**
Capitalization Rate - (Mortgage Interest, Historic Property Risk, Property Tax, Amortization)	15.1%	
MILLS ACT ADJUSTED PROPERTY VALUE - (Net Income/Capitalization Rate)	**$1,788,079**	**$2,980,132**
POTENTIAL TAX REDUCTION	1.10%	1.10%
Current Property Tax (Assessed Property Value $10 Million)	110,000	110,000
Tax Assessed Under Mills Act (Adjusted Property Value $1.8 - 3 Million)	$19,668.87	$32,781.46
Property Tax Reduction (Money Available to Complete Preservation Plan)	**$90,331.13**	**$77,218.54**
Estimated Mills Act Property Tax - City Share 18.6%	**$3,658.41**	**$6,097.35**
City Property Tax Revenue Reduction	*-$16,801.59*	*-$14,362.65*
Estimated Mills Act Property Tax - Beverly Hills School District Share 15.3%	**$3,009.34**	**$5,015.56**
School District Property Tax Revenue Reduction	*-$13,820.66*	*-$11,814.44*

If 10 properties with an assessed value of $10 Million, and a rental range of $30K-$50K/ monthly were to participate in the program, estimated revenue loss to the City could annually be approximately $140K-$170K, and to the School District $120K-$140K. Over a ten year term this could represent a loss of up to $1.4 – $1.7 Million to the City, and $1.2 – $1.4 Million to the School District.

Attachment 4
Study Session Staff Report for July 14, 2011

City of Beverly Hills
Planning Division
455 N. Rexford Drive Beverly Hills, CA 90210
TEL. (310) 485-1141 FAX. (310) 858-5966

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

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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

Report Author and Contact Information:
Peter Noonan, AICP
Associate Planner
(310) 285-1127
pnoonan@beverlyhills.org

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 Apiril 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	• Finalize draft criteria, application guidelines, and review process • Develop outreach and brochures
January 1, 2012 – May 31, 2012	• Public Outreach • Accept applications for review (1st year of Pilot Program)
May 31, 2012 – December 31, 2012	• 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	• Provide an annual report to the City Council • Accept applications for review (2nd year of Pilot Program)
May 31, 2013 – December 31, 2013	• 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 contact, 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:

Michele McGrath for Jonathan Lait

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 contact 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 Distict, 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.			Certified Local Government (CLG) Landmarks Commission reviews/approves initial applications. 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. Requires a completed rehab/ restoration plan with cost estimates and time schedule prepared by a certified architect. Certificate of Appropriateness required for specified work in preservation plan. COA fee waived. Preservation, rehabilitation, restoration of interior spaces and features is optional.

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	Certified Local Government (CLG) As of 2010, city has 83 contracts. Program in place since 1991. Proposed rehabilitation/ restoration work will occur prior to, or in conjunction with, the use of the Mills Act contract. Architectural report identifying property's character defining features and their condition (i.e. historic structure report) is required as part of the application. A systems/structural report of the property's plumbing, electrical, roofing, and structural systems is required as part of the application. 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. Cost estimate of restoration/ rehabilitation work from a City-approved preservation architect is required. Certificate of Appropriateness required for preservation plan. Mills Act incentive included in Section 19.58, Cultural Heritage Preservation, of the City's Zoning Ordinance. Certain fees associated with rehabilitation incentives may be waived, per Section 19.58.150(G).

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: $1.00 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

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