



Planning Commission Report

Meeting Date: December 8, 2016

Subject: **Mills Act Program Extension**
Review of a proposed three-year extension of the Mills Act Pilot Program, a financial incentive for the maintenance and rehabilitation of qualified historic properties

Project Applicant: City Initiated Project

Recommendation: Review proposed extension of the Mills Act Program for designated historic resources and provide comments to Staff in advance of presentation to the City Council.

REPORT SUMMARY

The City of Beverly Hills has operated a Mills Act Program, which offers property tax relief for the maintenance of historic properties, since 2011. The current pilot program is set to expire at the end of 2016 and the proposed extension would follow the parameters previously set for this preservation incentive. The Cultural Heritage Commission on November 17, 2016 unanimously recommended that the City Council extend the Mills Act Program for an additional three years. The proposed extension was also presented to the Board of Education for the Beverly Hills Unified School District on November 22, 2016.

BACKGROUND

The Mills Act is a state law that enables local governments to enter into contracts with owners of qualified historic properties to provide property tax abatement in exchange for the continued preservation, restoration, maintenance or rehabilitation of an identified historic property. Under California law, a local municipality may enact a program which the municipality will define, implement, and administer, and serve as a contract holder with the private owner of the historic structure. A Mills Act contract (also referred to as a historic preservation agreement), carries a 10-year term initially, with automatic yearly extensions, and runs with the title of the property when transferred. Subsequent owners are bound by the contract and hold the same rights and obligations as the original owner who entered into the contract. The local government and the property owner negotiate other specific terms of the contract. Statewide, 88 municipalities administer Mills Act programs and the incentive is widely considered the most effective tool for historic preservation by private owners. Generally speaking, newer property owners with high property tax assessments can realize greater tax savings, of which a portion is expected to be reinvested back into the preservation, restoration, maintenance, or rehabilitation of the historic property. Property owners that have owned a resource for many years may not reap the



Planning Commission Report

Mills Act Program Extension

December 8, 2016

benefits of a significant reduction in property taxes, as the property taxes may already be significantly below the current property assessment values for a particular area. Included in each agreement is a preservation plan, whereby the property owner outlines anticipated projects and costs that are tied to the historic or character-defining features of the property, for each year of the ten-year term. City staff verifies the information at the time of application, and after contract approval, staff reviews proposed plans for conformance with the Secretary of the Interior's Standards and other guidelines. Applicants are to self-report on work progress and staff conducts inspections to ensure compliance after the first five-year period or as needed.

In October 2011, the City of Beverly Hills adopted a Mills Act Contract program as a pilot program to operate from January 1, 2012, through December 31, 2013. The initial pilot program limited "qualified historic properties" to privately-owned single family-residences or theaters located entirely within the City of Beverly Hills that were individually listed on the City's local landmark register and not exempt from property taxation. At the time, the program limited property tax revenue loss to the City at \$50,000 annually, and the number of contracts granted were set at a maximum of three per year or six over the course of the two-year pilot program term. Subsequent to the adoption of the Pilot Mills Act Program, the City Council created a Historic Preservation Ordinance (Beverly Hills Municipal Code, Title 10, Chapter 3, Article 32) and appointed the inaugural Cultural Heritage Commission to advise on historic preservation matters in January 2012.

Over the course of 2013, City Staff, the Cultural Heritage Commission (CHC), Planning Commission (PC), and City Council (CC) studied the initial Mills Act Pilot Program, revisiting goals and policies over the course of several meetings:

- The CHC reviewed the program at its meetings on January 9, 2013, and March 6, 2013;
- A joint subcommittee of the CHC and PC convened on May 14, 2013, to discuss the matter;
- The PC conducted a hearing on September 12, 2013, and recommended an amended and extended pilot program to the City Council.
- City Staff presented the proposed extension of the program to the Beverly Hills Unified School District Board of Education for consultation on the program since the reduction in property taxes would result in an indirect loss of revenue to the School District. At the time, the BHUSD Board indicated their general support for the program, as it promotes the history of the City.

On March 4, 2014, the City Council considered the recommendations of the CHC and PC adopted Resolution No. 14-R-12973, amending the Mills Act Pilot Program and approving a three-year extension to the pilot program through December 31, 2016. The approved amendments to the program include:

The definition of a "qualifies historic property" was expanded to encompass:

- All single-family residential, multi-family residential, and commercial properties,



Planning Commission Report

Mills Act Program Extension

December 8, 2016

- Properties with a tax assessed valuation not exceeding \$7,500,000 (though the program does allow for the City Council to approve an exception to the valuation cap for “exceptional circumstances”),
- Located entirely within the City of Beverly Hills,
- Privately owned,
- Not exempt from property taxation, and
- Individually listed on the City of Beverly Hills Register of Historic Properties.

In order to limit the fiscal impact of the program, the following revised limits were placed on the program in 2014 and the proposed program extension will follow these same parameters:

- The annual property tax revenue loss to the City not to exceed \$100,000 per annum
- The annual property tax revenue loss to the Beverly Hills School District not to exceed \$80,000 per annum
- The City shall not enter into more than three (3) preservation agreements per year of the extended pilot program

To date, the City has entered into a total of three (3) Mills Act Contracts with the property owners of the following historic properties:

- 1) Fox Wilshire-Saban Theater at 8440 Wilshire Boulevard (2013),
- 2) Wallis Annenberg Center for the Performing Arts at 9390 N. Santa Monica Boulevard (2013), and
- 3) Joe E. Brown Residence at 707 Walden Drive (2014).

CONSISTENCY WITH GENERAL PLAN AND OTHER CITY PLANS

Approval of a three (3) year extension of the City’s Pilot Mills Act Program is consistent with and helps further the objectives, principles, and standards of the General Plan, including the GP Historic Preservation Element:

- **General Plan Policy HP 1.3** – Promote National, State, and Local Designation of Historic Resources” encourages the establishment of programs encouraging the nomination of landmarks,
- **General Plan Policy HP 1.4** calls for the City to develop and fund financial and regulatory incentives to encourage the protection of historic buildings from demolition or significant alteration, which may include Mills Act Contracts, and
- **General Plan Policy HP 1.4a** specifies that the City should study likely fiscal impacts and consider implementing a local Mills Act ordinance as an incentive for owners to preserve and maintain historic properties for their own benefit and the benefit of the community.



Planning Commission Report

Mills Act Program Extension

December 8, 2016

PUBLIC OUTREACH

Though not required by City or State regulations, City Staff has reached out to representatives from the School District and the Urban Designer is scheduled to appear before the BHUSD School Board at their meeting on November 22, 2016 to engage the Board on the proposed extension of the program. Recommendations or concerns raised by the School Board will be relayed to the City Council at the time of formal consideration.

ENVIRONMENTAL REVIEW

A three (3) year extension of the City's Pilot Mills Act Program, was assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the environmental regulations of the City. The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Finally, it has been determined that approval of a three (3) year extension of the City's Pilot Mills Act Program would not have a significant environmental impact and is exempt from CEQA pursuant to Sections 15061(b) (3) and 15331 of Title 14 of the California Code of Regulations because approval of a three (3) year extension of the City's Pilot Mills Act Program is an action of the City to protect and preserve a historic resource.

FISCAL IMPACT

Both the City of Beverly Hills and the Beverly Hills Unified School District receive property tax revenue from the State of California through the Los Angeles County Assessor's Office. The exact proportions of tax revenue vary based on the tax assessment district of a specific parcel, but the proportion can be generally estimated at 17-19 percent of the 1-1.1 percent general tax levy for an individual property, as a pro-rata share for the City. Correspondingly, the proportion of the taxable rate for the Beverly Hills Unified School District amounts to approximately 15-16 percent of the 1-1.1 percent general tax levy.

The current Mills Act Program includes limits on individual property valuation as well as overall program expenditures. In order for an individual property to be eligible for a Mills Act Contract (known as a "qualified historic property"), the maximum tax assessed property valuation is limited to \$7,500,000. The overall program limits the impact of tax revenue loss at \$100,000 to the City (or \$1,000,000 over ten years) and \$80,000 to the BHUSD (or \$800,000 over ten years). The cumulative expenditures of the three current Mills Act Contract commitments amount to approximately \$55,000 per annum in tax reduction to the City, and approximately \$48,000 to the Beverly Hills Unified School District. The three active contract commitments fall within approved program limits, with the ability to approve additional contracts should the applications not exceed the remaining budget allowances.

As no further program increases are recommended at this time, the fiscal impact of extending the pilot Mills Act Program for three additional years is not expected to increase beyond that which was previously approved by the Council, but will extend the budgeted funds through the next three years (end of calendar year 2019). Staffing and administrative costs are currently encompassed as part of the operation of the Historic Preservation Program within the Community Development Department's annual budget. Should the monetary limits for this extension need to be expanded in the future, then Staff would return to the Cultural Heritage



Planning Commission Report

Mills Act Program Extension

December 8, 2016

Commission and the City Council with an update and a recommendation for a possible expansion of the program parameters.

RECOMMENDATION

The Planning Commission may provide additional comments and recommendations to the Staff with regard to the extension of this historic incentive program in advance of the proposal being presented before the City Council on December 20, 2016.

Report Reviewed By:

A handwritten signature in black ink, appearing to read "Ryan Gohlich", written over a horizontal line.

Ryan Gohlich, AICP, Assistant Director of
Community Development / City Planner