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**Title:** \*\*\*BILL NO. B-54 - (Intro. 12/1/2016) (For adoption) - Adding Article 17 to Chapter 12 of the Fresno Municipal Code, Adopting a Mills Act Program

**Sponsors:** Planning and Development Department

**Indexes:**

**Code sections:**

**Attachments:** 1. An Ordinance of the City of Fresno Adopting a Mills Act Program.pdf

Date	Ver.	Action By	Action	Result
12/8/2016	1	City Council	approved	Pass

**REPORT TO THE CITY COUNCIL**

**December 8, 2016**

**FROM:** JENNIFER K. CLARK, AICP, DIRECTOR  
Development and Resource Management Department

**THROUGH:** DANIEL ZACK, AICP, ASSISTANT DIRECTOR  
Development and Resource Management Department

**BY:** KARANA HATTERSLEY-DRAYTON, M.A., Historic Preservation Project Manager  
Development and Resource Management Department

**SUBJECT**

\*\*\*BILL NO. B-54 - (Intro. 12/1/2016) (For adoption) - Adding Article 17 to Chapter 12 of the Fresno Municipal Code, Adopting a Mills Act Program

**RECOMMENDATION**

The Development and Resource Management Department (DARM) recommends that the Council adopt the attached Ordinance and direct department staff to prepare a draft application and information packet for a Mills Act Program

**EXECUTIVE SUMMARY**

City of Fresno staff is pursuing adoption of the Mills Act, a preservation incentive which is recommended in all of the adopted Downtown Plans, the General Plan as well as the City's Historic

Preservation Ordinance (12-1606(b)(14) and the MOA with the California State Office of Historic Preservation for the Fulton Mall Project. The City Attorney's Office has prepared a draft Ordinance which if approved by the City Council will establish a Mills Act Program for Fresno. Development and Resource Management staff will then prepare a draft application packet using examples from other jurisdictions with successful Mills Act Programs.

The draft Ordinance for a Mills Act Program was reviewed and approved by the City's Historic Preservation Commission at a noticed public hearing on 14 November 2016. Additionally, a courtesy informational memo was prepared and sent to the County Assessor's Office.

## **BACKGROUND**

The Mills Act is the single most important economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners. Enacted in 1972, the Mills Act legislation grants participating local governments (cities and counties) the authority to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of their historic properties while receiving property tax relief. A formal agreement, generally known as a Mills Act or Historical Property Contract, is executed between the local government and the property owner of a qualified historical resource for a minimum ten-year term. A qualified historic property is a property listed on any federal, state, county, or city register, including the National Register of Historic Places, California Register of Historical Resources, California Historical Landmarks, State Points of Historical Interest, and locally designated landmarks. The draft Ordinance for Fresno as attached would apply to properties on the Local Register of Historic Resources or properties which contribute to a designated Historic District. Heritage Properties would be excluded from participation.

Owner-occupied family residences and income-producing commercial properties may qualify for the Mills Act program, subject to local regulations. Contracts are automatically renewed each year and are transferred to new owners when the property is sold. Property owners agree to restore, maintain, and protect the property in accordance with specific historic preservation standards and conditions identified in the contract. Periodic inspections by city or county officials ensure proper maintenance of the property. Local authorities may impose penalties for breach of contract or failure to protect the historic property. The contract is binding to all owners during the contract period. The Mills Act program is especially beneficial for recent buyers of historic properties and for current owners of historic buildings who have made major improvements to their properties.

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

## **ENVIRONMENTAL FINDINGS**

This approval is not a project for the purposes of CEQA Guidelines section 15378.

## **LOCAL PREFERENCE**

Local preference was not considered because this agenda item does not include a bid or award of a construction services contract.

## **FISCAL IMPACT**

Identifying a precise fiscal impact is very difficult since it is not known how extensively the program will be used. However, out of approximately 135,000 properties within the city, only about 400 are potentially eligible, which is less than 0.3%.

Furthermore, while it will be very beneficial to some property owners, not all owners of historic properties will want to enter into Mills Act contracts. Due to Proposition 13, properties which have not sold in many years are already assessed well below market value; getting reassessed under the Mills Act will bring very little or no benefit to these owners.

In an optimistic scenario, if 100 residential properties at the local median value were to sign up for the program, the annual reduction in revenue for the City would be about \$15,000. If commercial properties with a combined value of \$50 million participated, the annual reduction in City revenue would be about \$38,000. It is likely that even if the program is popular the eventual annual impact will be \$50,000 or less. Additionally, as historic properties are restored, adjacent values may rise proportionally, offsetting revenue losses.

### **Attachment:**

An Ordinance of the City of Fresno, California, Adding Article 17 to Chapter 12 of the Fresno Municipal Code, Adopting a Mills Act Program