

HISTORIC PROPERTY TAX SAVINGS CONTRACT

General Description

The Mills Act is a California State law allowing cities to enter into contracts with the owners of designated historic properties who agree to preserve, maintain, and improve their property, in exchange for property tax savings. Eighty-five cities and counties in the state have adopted such tax savings programs. This is the most commonly used tax savings program for historic properties. The 2002 City General Plan, the 2010 Historic Resources Board Ordinance, and the 2015 Vibrancy Plan all call for the adoption of such a program to financially incentivize preservation of historic properties. The Pilot tax savings program will last for five years – until 2022. After that period, the program will be evaluated and modified if necessary before its extension.

City Program

On December 7, 2015, the Historic Resources Board conducted a public hearing and voted unanimously to recommend City Council approval of a Mills Act Program. On June 1, 2016, the Planning Commission conducted a public hearing and also voted unanimously to recommend City Council approval of a Mills Act Program. On June 28, 2016, the City Council approved the City Mills Act Program.

Key Elements of Mills Act Tax Savings Program

1. A Mills Act Contract is an agreement between the City of Salinas and the property owner of a City historic building listed as a “historic resource.” The property owner benefits from a reduction in property taxes. The City is ensured the historic building is preserved via contract language requiring official designation by the City, historic design review of exterior alterations, and maintenance and improvements according to an agreed-upon schedule. “Historic resource” properties must meet certain requirements and be formally listed in accord with the City Historic Resources Board Ordinance. (See Information Bulletin 14)
2. A Mills Act Contract is for a period of ten (10) years with one (1) additional year being added at each year’s anniversary; so the contract continues for ten (10) years unless it is cancelled. The contract, rights and obligations are binding upon all successive owners of the property during the life of the contract. This is a significant benefit because the property retains the lower Mills Act tax rate when the property is sold.
3. Recipients must prepare a ten-year Exterior Maintenance Plan; and submit a bi-annual report to the Community Development Director. The bi-annual report must specify all work done to maintain and preserve the historic building over the previous two years in accordance with the recipient’s approved Exterior Maintenance Plan. All maintenance

work must be done in accordance with the Secretary of Interior's Standards for Treatment of Historic Buildings.

4. The City Mills Act program limits the amount of City property taxes reductions to \$100,000/year. Residential properties generally enjoy a 40-60 percent tax savings, and commercial properties generally enjoy a 16 percent tax savings.

What is the Process for Obtaining a Mills Act?

1. The contract process is initiated by submittal of a complete application and fee to the City of Salinas Community Development Department. Applications must be received during the months of May, June and July only. Staff then prepares a report for consideration by the Historic Resources Board. The Board reviews the application materials and staff report and recommends approval, modification, or denial of the request to the City Council. The City Council takes final action on the request and either approves, modifies, or denies it.
2. Once the contract has been approved by the City Council and signed by the applicant, the City will transmit the contract with the appropriate recording fee to the County Recorder's Office. After recordation, the recorded contract must be sent to the County Assessor who calculates the exact tax savings. The County Assessor must receive the recorded contract no later than December 31st for the contract (and tax savings) to start the following year.

Are Other Permits Required?

Properties must be listed as "historic resources" to be eligible for Mills Act contracts. Such listing requires review by the Historic Resources Board and approval by the City Council. Properties must qualify for listing in accord with a historic report. Such reports have been completed for 240 properties in the 1989 Survey. See Information Bulletin No. 14 for more information.

How to Obtain More Information

Call the City's Community Development Department at (831) 758-7206. Ask to speak to the Historic Resources Board Coordinator (current direct number 831-818-6853).

Refer to Chapter 2, Article XI of the Salinas Municipal Code, commencing with Section 2-58 for City Historic Resources regulations. The Municipal Code is posted on the City website: www.ci.salinas.ca.us.