



OFFICE OF MAYOR JERRY SANDERS

FOR IMMEDIATE RELEASE

March 19, 2008

FACT SHEET

MAYOR SANDERS PROPOSES MILLS ACT REFORMS; PUBLIC PROCESS UNDERWAY

***FOLLOWING JANUARY PRESENTATION TO HISTORICAL RESOURCES BOARD
SUBCOMMITTEE, MILLS ACT WORKSHOPS WITH FULL BOARD BEGIN APRIL 18***

In an effort to tighten City policies around Mills Act compliance while balancing the need to preserve historic structures, Mayor Jerry Sanders introduced a set of measures in January as part of a public process aimed at reforming how Mills Act contracts are awarded.

Under the Mills Act—a law enacted by the State of California—the owner of a property that has been designated as historic may apply for a property tax reassessment done in accordance with a formula prescribed in the Act. The City of San Diego has more Mills Act properties—822—than any municipality in the state. More than 25 percent of all Mills Act contracts in the State of California are in the City of San Diego.

The net result of the large number of Mills Act properties in the City is a reduction in the property tax paid to the San Diego County Tax Assessor's Office. According to a report issued today by the County of San Diego Grand Jury, using figures available as of September 2007, this results in an annual loss of \$607,571 to the City's general fund, and \$1,486,317 to the San Diego Unified School District.

INITIATING THE REFORM PROCESS

On January 14 of this year, City staff members made a presentation to the Historical Resources Board Policy Subcommittee during which a series of proposed Mills Act reforms were introduced. During the meeting members of the subcommittee, along with members of the public and representatives of historic preservation organizations, offered their input on the potential reforms. A similar presentation before the Community Planners Committee is scheduled for March 25.

City staff will continue the process with a series of public workshops hosted by the full Historical Resources Board. The first workshop is scheduled for Friday, April 18, at 2 p.m., in the Council Committee Room on the 12th floor of the City Administration Building, 202 C

Street, Downtown. The workshops are expected to conclude by the end of the fall, with recommendations for changes to the adopted City Council Policy (700-46) going to the Council's Land Use and Housing Committee and then the full Council by the end of the calendar year.

PROPOSED MILLS ACT REFORMS

- Imposing a limit on the number of Mills Act contracts awarded each year. *Currently there is no limit.*
- Making eligibility requirements more stringent. Properties would need to be designated by December 31st of previous year and meet at least one of the following criteria where granting an agreement would:
 1. substantially contribute to the preservation of a historical resource threatened by deterioration or abandonment;
 2. enhance opportunities for maintaining or creating affordable housing;
 3. facilitate preservation and maintenance of a property in cases of economic hardship; or
 4. support substantial reinvestment in a historical resource and/or rehabilitation of a historical building or structure in an area where the City is concentrating revitalization efforts (outside redevelopment areas)

Currently all properties designated as historic, except those located within a redevelopment area, are eligible for the Mills Act. Mills Act eligibility for historic properties within a redevelopment area is discretionary, not automatic.

- Requiring a 10-year agreement tailored to each property to ensure that tax savings are reinvested into the rehabilitation or restoration of the historic property; and continuing to require that the exterior of the structure covered by the agreement be visible from the public right of way. *Currently the City's Mills Act requirement is for visibility of the resource and occasionally specific conditions related to restoration or maintenance of the property are applied.*
- Monitoring properties by requiring a property inspection prior to receipt of a new Mills Act agreement and a re-inspection every five years prior to the renewal date. *Currently there are no inspection requirements.*
- Increasing fees to \$590 for each Mills Act agreement (a one-time fee), along with adding a \$492 monitoring fee paid at time of agreement and every five years prior to the renewal date. (This monitoring fee will be applied to existing agreements and paid at the time of their renewal). Additionally, a \$949 enforcement fee could be assessed to cover staff costs if violations of the agreement are not easily remedied. These fees will provide full cost recovery for the processing and monitoring of Mills Act contracts. Said fees may be increased over time to keep pace with anticipated rising costs. *Currently, the fee is just \$100 for every \$100k of assessed value, up to a maximum of \$400.*
- Changing deadline application to March 31 to allow for adequate staff review time before the end of each calendar year. *Currently the deadline is October 1.*