



Los Angeles County Department of Regional Planning

Planning for the Challenges Ahead



Richard J. Bruckner
Director

March 14, 2013

TO: Regional Planning Commission:
David W. Louie, Chair
Esther L. Valadez, Vice Chair
Curt Pedersen, Commissioner
Harold V. Helsley, Commissioner
Pat Modugno, Commissioner

FROM: Carmen Sainz, Supervising Planner
Phillip Estes, AICP, Principal Planner

SUBJECT: Project No. R2012-02290-(1-5)
Advance Planning Permit No. 201200003
Mills Act Ordinance

RECOMMENDATION

To recommend that the Board of Supervisors adopt an ordinance amending Title 22 (Planning and Zoning) to establish a Mills Act Ordinance (Ordinance) for the unincorporated areas of Los Angeles County. The following actions are recommended:

1. Find that the adoption of the Mills Act Ordinance is exempt from the California Environmental Quality Act (CEQA), per 15061 (b) (3) (Review for Exemption) and 15331 (Class 31 Historical Resources Restoration/Rehabilitation).
2. Adopt a Resolution (Attachment A) and recommend that the Board of Supervisors adopt an Ordinance to establish a Mills Act program (Attachment B, Sections 1 and 2).

BACKGROUND

On September 18, 2012, the Board of Supervisors adopted a motion directing the Department of Regional Planning (Department) and County Counsel, in consultation with the Historical Records and Landmarks Commission (Landmarks Commission) and the Regional Planning Commission (Commission), to prepare amendments to the Los Angeles County Code (County Code) to implement the Mills Act and establish policies or procedures for an Ordinance in the unincorporated areas of Los Angeles County. A Mills Act Ordinance provides a potential reduction in real property taxes to private property owners who preserve, restore, and maintain eligible landmark properties.

On December 12, 2012, staff presented your Commission with a draft Ordinance for review and discussion. On December 14, 2012, the draft Ordinance was presented to the Landmarks Commission, which recommended revisions and unanimously passed a motion of support.

DISCUSSION

A revised draft Ordinance (Attachment B) is presented, amending Title 22 (Planning and Zoning) to implement the Mills Act. The amendments grant the Director of Planning authority to enter into historical property contracts with private property owners of eligible landmark properties. An executed contract allows real property tax reductions for property owners while ensuring the rehabilitation, preservation, and protection of landmarks. Additionally, new fees are proposed to recover administrative costs. Finally, the Ordinance includes an amendment to Title 3 (Advisory Commissions and Committees) to grant the Landmarks Commission additional powers and duties pursuant to review and comment on administrative guidelines prepared by the Department to implement the Mills Act.

In addition to the draft Ordinance, the following related items may be established in connection with the proposed adoption of the Ordinance: a) program limitations, b) eligibility requirements, c) administrative guidelines, application materials, and priority consideration criteria, and d) form historical property contract.

Program Limitations

The following program limitations will be established by a separate Board of Supervisors motion:

Limitation	Recommendation
Annual unrealized property tax revenue	\$300,000 per year with a total program maximum of \$3 million
Number of annual contracts	Six maximum contracts per year for the first three years, no maximum thereafter
Maximum assessed valuation of eligible property	Single-family: \$1 million or less Two-family: \$1.5 million or less Non-residential: \$3 million or less (eligible after third year of program)

Eligibility Requirements

The draft Ordinance requires that a property must be a "qualified historical property" in order to be eligible to participate in the program. A "qualified historical property" is:

- Located within the unincorporated areas of the County;
- Privately owned;
- Not exempt from property taxation; and
- Listed in the National Register of Historic Places or located in a registered historic district, or listed in any State or County official register of historical or architecturally significant sites, places, landmarks, or districts, including the California Register of Historical Resources, California Historical Landmarks, and State Points of Historical Interest.

Administrative Guidelines, Application, and Priority Consideration Criteria

Program administrative guidelines, application materials, and priority consideration criteria will be developed by the Department in consultation with the Landmarks Commission. The proposed administrative guidelines and application materials will outline staff responsibilities; application requirements; forms; basis for approval, or denial of an application; and general

program guidelines. The priority consideration criteria will be used by staff, where necessary, to select applications for approval in the event that the number of applications received exceeds the number of annual contracts allowed pursuant any program limitations established by the Board of Supervisors.

Form Historical Property Contract

The Department will maintain a form historical property contract for use in connection with all program participants. The form historical property contract will be approved by the Board of Supervisors.

ADDITIONAL INFORMATION AND ANALYSIS

On December 12, 2012, your Commission requested additional information related to penalties, in the event a contract was terminated or breached.

Section 50286(a) of the California Government Code provides in part that if a Mills Act contract is canceled because of a property owner's breach, "the owner shall pay a cancellation fee equal to 12 1/2 percent of the current fair market value of the property, as determined by the county assessor as though the property were free of the contractual restriction." Pursuant to Section 50286(a), the draft Ordinance provides that, in the event that the County determines that the property owner has breached a contract, the owner is liable for a cancellation fee of 12.5% of the current value of the property, as determined by the County Assessor. Because Mills Act contracts have a minimum term of 10 years, the 12.5% penalty established by State law and set forth in draft Ordinance approximates the maximum property tax savings a property owner might realize through the Mills Act program (assuming the owner achieves a 100% reduction in property taxes at the "presumed" annual property tax rate of 1.25%).

Staff has evaluated a hypothetical penalty assessment (Attachment C) and believes the 12.5% penalty sufficiently eliminates financial incentives for a property owner to breach a Mills Act contract. For example, in cases where a contract is canceled due to an owner's breach before the initial 10-year contract term has expired, the penalty is greater than the owner's realized tax benefits as of the date of cancellation. In addition, Staff is not aware of any other jurisdiction which has established a Mills Act contract cancellation penalty in an amount other than the 12.5% established by State law. Finally, Staff believes that the required 12.5% penalty strikes an appropriate balance between discouraging a breach of contract, while not discouraging participation in the program.

GENERAL PLAN CONSISTENCY

The Los Angeles County 1980 General Plan (General Plan) contains goals and policies related to the protection and preservation of historic and cultural resources. The Ordinance is consistent with these goals and policies in that it helps to protect, preserve, and maintain historic and cultural landmarks through financial incentives granted to eligible private property owners. Moreover, the General Plan emphasizes the importance of community revitalization, conservation, and maintenance as overall goals of the General Plan (p. G-6). Therefore, the Ordinance supports a) the preservation and maintenance of historical and cultural landmarks and b) the revitalization and conservation of communities.

The Ordinance is consistent with the following General Plan policies:

1. *Promote the preservation and enhancement of landmarks, sites, and areas of cultural, historical, archaeological and urban design significance* (General Goal and Policy No. 32).

The Ordinance is consistent with this policy because participation in the program encourages the preservation and enhancement of landmark properties in accordance with the Secretary of the Interior Standards for Rehabilitation.

2. *Protect cultural heritage resources, including historical, archaeological, paleontological and geological sites, and significant architectural structures* (Conservation, Open Space and Recreation Policy No. 20).

The Ordinance is consistent with this policy because by participating in the program and entering into a historical property contract, the property owner agrees to protect and preserve the landmark property in accordance with the Secretary of the Interior Standards for Rehabilitation.

3. *Encourage private owners to protect cultural heritage resources* (Conservation, Open Space and Recreation Policy No. 23).

The Ordinance is consistent with this policy because it provides a financial incentive to private property owners to protect and rehabilitate landmark properties in accordance with the Secretary of the Interior Standards for Rehabilitation.

4. *Support efforts to improve housing availability at reasonable costs including rehabilitation of existing housing units as a cost-effective alternative to building new, more expensive units* (Economic Development Policy No. 22).

Continued investment in historic communities and buildings is widely recognized as contributing to the goals of neighborhood revitalization and affordable housing. The combined use of the Mills Act, Federal Historic Rehabilitation Tax Credit, Low-Income Housing Tax Credit, and other financial incentives is an integral part of many successful historic rehabilitation projects. Therefore, the Ordinance supports this policy because it will help reduce real property taxes to incentivize the rehabilitation of existing landmark housing units as a cost-effective alternative to new, more expensive construction.

ENVIRONMENTAL REVIEW

Pursuant to the requirements of the California Environmental Quality Act (CEQA), the County evaluated the action of establishing a Mills Act Ordinance. The Ordinance establishes a property tax reduction for property owners that rehabilitate, restore, maintain, and preserve properties that are determined to be of historic significance. The establishment of a Mills Act Ordinance does not authorize any new development or land uses. The Ordinance 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 Ordinance will not result in any significant adverse impact on the environment. Thus, the establishment of the Ordinance is exempt from the CEQA environmental review requirements pursuant to Section 15061(b) (3) of Title 14 (Review for Exemptions) of the California Code of Regulations (CEQA Guidelines).

Further, the Ordinance is categorically exempt from environmental review pursuant to Section 15331 (Class 3 - Historical Resource Restoration/Rehabilitation) 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 that results in the preservation and maintenance of historic resources in exchange for a property tax.

COUNTY DEPARTMENT COMMENTS

The Department of Public Works (DPW) submitted general comments which have been addressed with DPW staff through Title 22 and the proposed Ordinance. The Departments of Fire, Public Health, and the County Assessor were consulted and have no further comment.

The County Auditor-Controller approved an application fee of \$982.00 and a contract execution fee of \$543, to recover program administration costs. These proposed fees are outlined in Section 2 (22.60.100 A) of the Ordinance.

LEGAL NOTIFICATION AND PUBLIC OUTREACH

Pursuant to the provisions of Section 22.60.174 of the County Code, the public hearing notice was published in the *Los Angeles Times* on February 21, 2013 and *La Opinión* newspapers on February 23, 2013. Case-related materials were transmitted to County libraries and published on the Regional Planning website (http://planning.lacounty.gov/view/mills_act_ordinance).

ADDITIONAL OUTREACH

The cities of Los Angeles (Office of Historic Resources), Pasadena (Office of Design and Historic Preservation), and West Hollywood (Office of Current and Historic Preservation Planning), and the Los Angeles Conservancy were consulted and provided information and technical guidance in the preparation of the Ordinance.

PUBLIC COMMENTS

To date, staff has received no comments from the public.

STAFF RECOMMENDATION

In consideration of the above facts, staff recommends that your Commission close the public hearing, find the Ordinance exempt from CEQA, adopt a Resolution and recommend approval of the Mills Act Ordinance by the Board of Supervisors.

RECOMMENDED MOTIONS

First Motion

I move that the Regional Planning Commission close the public hearing and find that the adoption of the Mills Act Ordinance is exempt from the California Environmental Quality Act.

Second Motion

I move that the Regional Planning Commission adopt a Resolution and recommend approval of the Mills Act Ordinance, and that the Commission forward the Ordinance to the Board of Supervisors for its consideration.

Prepared by Phillip Estes, AICP, Principal Regional Planner
Reviewed by Carmen Sainz, Supervising Regional Planner
Community Studies East Section

CS:PE
3/6/13

Attachments

- A: Draft Commission Resolution
- B: Draft Mills Act Ordinance
- C: Penalty Example
- D: Correspondence
- E: Historic Preservation Report (June 2012)
- F: Mills Act Brochure, County Assessor (April 2012)

ATTACHMENT A

**A [draft] RESOLUTION OF
THE REGIONAL PLANNING COMMISSION
COUNTY OF LOS ANGELES, CALIFORNIA
(Mills Act Ordinance)**

WHEREAS, the Regional Planning Commission ("Commission") of the County of Los Angeles ("County") has reviewed the matter of amendments to Title 22 (Zoning Ordinance) of the County Code to implement the provisions of Article 12 (commencing with Section 50280) of Chapter 1 of Part 1 of Division 1 of Title 5 of the California Government Code, which provisions are collectively known as the "Mills Act," and Article 1.9 (commencing with Section 439) of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code; and

WHEREAS, the Mills Act authorizes the County to establish a Mills Act program enabling real property tax reductions for owners of certain qualified historical properties located within the unincorporated areas of the County, provided the owners enter into binding agreements with the County to preserve the historic character of these properties; and

WHEREAS, the Conservation and Open Space Element policies of the Los Angeles County General Plan (adopted November 11, 1980) calls for the County to (1) protect cultural heritage resources, including historical, archeological, paleontological and geological sites, and significant architectural structures, (2) promote public awareness of cultural resources, and (3) encourage private owners to protect cultural heritage resources; and

WHEREAS, the Commission recognizes that financial incentives will encourage the preservation, rehabilitation and reuse of historic and cultural resources in the unincorporated areas of the County; and

WHEREAS, the Commission finds as follows:

1. On September 18, 2012, the Board of Supervisors instructed the Director of Regional Planning and County Counsel, in consultation with the County Historical Landmarks and Records Commission, to prepare amendments to the County Code to implement the Mills Act.
2. The resulting Mills Act Ordinance, presented as Project No. R2012-02290-(1-5), is a series of amendments to Title 22 and Title 3 of the County Code to implement the Mills Act and Article 1.9 (commencing with Section 439) of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code.

3. On November 29, 2012, the Department of Regional Planning presented to the Commission the Mills Act Ordinance which was consistent with the directives of the Board of Supervisors.
4. On December 14, 2012, the Department of Regional Planning presented to the Historical Records and Landmarks Commission the Mills Act Ordinance which was consistent with the directives of the Board of Supervisors, and the Historical Records and Landmarks Commission unanimously passed a motion of support at said meeting.
5. On March 27, 2013, the Commission conducted a duly noticed public hearing to consider the Mills Act Ordinance, which the Regional Planning Department had revised based on input from the Commission, the County Historical Landmarks and Records Commission, and other County departments, and which continues to be consistent with the directives of the Board of Supervisors.
6. The Mills Act Ordinance provides a financial incentive for private property owners of historic landmarks to rehabilitate, restore, preserve and maintain their historic landmarks.
7. The Mills Act Ordinance is consistent with and supports the goals and policies of the Los Angeles County General Plan, including the preservation of historic and cultural resources and the revitalization and conservation of older communities.
8. The Mills Act Ordinance will have beneficial effects on residential neighborhoods, businesses, community pride, and the County's regional image, by encouraging the restoration and preservation of historic landmarks in unincorporated areas of the County.
9. The adoption of the Mills Act Ordinance is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15061(b) (3) and 15331 of Title 14 of the California Code of Regulations.

NOW, THEREFORE, BE IT RESOLVED THAT the Regional Planning Commission recommends that the Los Angeles County Board of Supervisors:

1. Conduct a public hearing to consider proposed amendments to Title 22 (Planning and Zoning) of the Los Angeles County Code to implement the Mills Act and establish a County Mills Act program; and
2. Certify that the adoption of the Mills Act Ordinance and establishment of the County Mills Act program is exempt from the California Environmental Quality Act (CEQA) environmental review requirements pursuant to Sections 15061(b) (3) and 15331 of Title 14 of the California Code of Regulations, and that the amendments to Title 22 (Planning and Zoning) of the Los Angeles County Code will not have a significant effect on the environment; and
3. Adopt the attached ordinance amending Title 22 (Planning and Zoning) of the Los Angeles County Code and determine that it is compatible with and supportive of the goals and policies of the Los Angeles County General Plan.

I hereby certify that the foregoing was adopted by a majority of the voting members of the Regional Planning Commission of the County of Los Angeles on March 27, 2013.

By: _____ Date: _____

Rosie O. Ruiz, Commission Secretary
Regional Planning Commission
County of Los Angeles

ATTACHMENT B

ORDINANCE NO. _____

An ordinance amending Title 22 – Planning and Zoning of the Los Angeles County Code and Title 3 – Advisory Commissions and Committees to implement the provisions of Article 12 (commencing with section 50280) of Chapter 1 of Part 1 of Division 1 of Title 5 of the California Government Code, commonly known as the "Mills Act," to authorize real property tax reductions for owners of certain qualified historical properties within the unincorporated areas of the County of Los Angeles, provided the owners enter into binding agreements to preserve those properties.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Chapter 22.52 of Division 1 of Title 22 – Planning and Zoning of the Los Angeles County Code is hereby amended by adding Part 26 thereto, to read:

Part 26. Los Angeles County Mills Act Program

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| Section 22.52.2700 | Title for Citation |
| Section 22.52.2710 | Purpose and Intent |
| Section 22.52.2720 | Definitions |
| Section 22.52.2730 | Program Limitations |
| Section 22.52.2740 | Eligibility to Participate in the Los Angeles County Mills Act Program |
| Section 22.52.2750 | Application and Administrative Guidelines; Form Contract; Priority Consideration |
| Section 22.52.2760 | Application Procedure |
| Section 22.52.2770 | Exemptions |
| Section 22.52.2780 | Required Provisions of Historical Property Contracts; Renewal of Contract |

Section 22.52.2790	Recordation and Notice of Contract.
Section 22.52.2800	Contract Cancellation
Section 22.52.2810	Annexation by a City
Section 22.52.2820	Appeals

22.52.2700 Title for Citation.

The provisions of this Part 26 of Chapter 22.52 shall be known as, and may be cited as, the "Los Angeles County Mills Act Program."

22.52.2710 Purpose and Intent.

A. The purpose of this Los Angeles County Mills Act Program is to implement the provisions of Article 12 (commencing with Section 50280) of Chapter 1 of Part 1 of Division 1 of Title 5 of the California Government Code, which provisions are collectively known as the "Mills Act," and Article 1.9 (commencing with Section 439) of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code, by enabling real property tax reductions for owners of certain qualified historical properties located within the unincorporated areas of the County, provided the owners enter into binding agreements with the County to preserve the historic character of these properties, as set forth in this Part.

B. The intent of the Board of Supervisors in enacting the Los Angeles County Mills Act Program is to provide an incentive for owners of qualified historic properties within the unincorporated areas of the County to rehabilitate and preserve the historic character of properties, thereby providing a historical, architectural, social, artistic, and cultural benefit to the citizens of the County, and to establish a uniform procedure for

property owners to follow when applying to participate in the Los Angeles County Mills Act Program.

22.52.2720 Definitions.

For purposes of this Part, the following words and phrases are defined as follows:

A. "Assessed value" means the value of real property as determined by the County Assessor for purposes of calculating real property tax. For the purpose of this Part, "assessed value" does not include any portion of the value of a mixed-use structure which is already exempt from payment of property taxes by a determination of the County Assessor in compliance with sections 4(b) and 5 of Article XIII of the California Constitution and sections 214, 254.5, and 259.5 of the California Revenue and Taxation Code.

B. "Department" means the Department of Regional Planning of the County of Los Angeles.

C. "Historical property contract" means a contract between the County and the owner of a qualified historical property, as defined in [subsection D of this Section], meeting all the requirements of this Part and of sections 50280 through 50282, inclusive, of the California Government Code.

D. "Qualified historical property" means real property that is:

1. Located within the unincorporated areas of the County;
2. Privately owned;
3. Not exempt from property taxation; and

4. Listed in the National Register of Historic Places or located in a registered historic district, as defined in Section 1.191-2(b) of Title 26 of the Code of Federal Regulations, or listed in any State or County official register of historical or architecturally significant sites, places, landmarks, or districts, including the California Register of Historical Resources, California Historical Landmarks, and State Points of Historical Interest.

22.52.2730 Program Limitations.

In order to control the cost to the County to implement, administer, and maintain the Los Angeles County Mills Act Program, the Board of Supervisors shall establish limitations on participation in the program. The limitations established by the Board of Supervisors shall, at a minimum, specify the maximum total reduction in unrealized property tax revenue to the County resulting from all executed historical property contracts and the maximum number of historical property contracts the County may enter into in a calendar year. Limitations established by the Board of Supervisors pursuant to this Section may include a temporary or permanent freeze on new participation in the program.

22.52.2740 Eligibility to Participate in the Los Angeles County Mills Act Program.

Eligibility to participate in the Los Angeles County Mills Act Program shall be limited to qualified historical properties only. The Board of Supervisors may approve any additional eligibility requirements it deems necessary or appropriate in the administration of the program. A person applying to participate in the program shall

furnish the County with any information the County shall require in order to enable it to determine the eligibility of the property involved.

**22.52.2750 Application and Administrative Guidelines; Form
Contract; Priority Consideration.**

A. The Director, in consultation with the County Historical Landmarks and Records Commission, shall develop and maintain an application to participate in the Los Angeles County Mills Act Program and shall issue administrative guidelines for implementation of the application, review, and contracting process.

B. The Director shall maintain a form historical property contract, which shall be approved by the Board of Supervisors, for use in connection with all historical property contracts executed pursuant to this Part. Amendments to the form historical property contract may be made by the Director, with approval as to form by County Counsel, in cases where the Director deems such amendment necessary or appropriate to carry out a proposed preservation or restoration project. Any amended historical property contract executed by the director pursuant to this [subsection] shall comply with all of the provisions of this Part.

C. Priority Consideration. The Board of Supervisors recognizes that each qualified historical property located within the unincorporated areas of the County provides unique historical, architectural, social, artistic, and cultural benefits to the citizens of the County. The Board of Supervisors further recognizes, however, that the program limitations set forth in [Section 22.52.2730] necessitate the establishment of criteria by which a qualified historical property that is the subject of an application to participate in the Los Angeles County Mills Act Program may receive priority

consideration over other applications. Therefore, the Department, in consultation with the County Historical Landmarks and Records Commission, shall establish such priority consideration criteria, which shall set forth at a minimum the nature of each criterion, the information the owner of a qualified historical property must provide to allow the Department to evaluate each such criterion, and how each such criterion is weighted.

22.52.2760 Application Procedure.

A. An owner of a qualified historical property may file an application with the Department for approval of a historical property contract. The owner shall pay a non-refundable application processing fee as set forth in [Chapter 22.60], which fee shall be paid prior to the processing of the application.

B. Upon receipt of an application, the Director shall determine whether the property is eligible to participate in the Los Angeles County Mills Act Program and whether approval of the proposed historical property contract complies with the provisions of this Part. The Director shall also evaluate the application in accordance with the administrative guidelines and priority consideration criteria established pursuant to [Section 22.52.2750], and any other consideration criteria established by the Director consistent with the provisions of this Part. The Director may request any additional information from an applicant that the Director deems appropriate or necessary to evaluate the application.

C. The Director shall approve or deny an application to enter into a proposed historical property contract, or conditionally approve an application subject to modifications as it deems necessary or appropriate to advance the purpose and intent of this Part. Notwithstanding the eligibility of a property to participate in the Los Angeles

County Mills Act Program, the Director may deny an application based on the Director's evaluation of the administrative guidelines and priority consideration criteria established pursuant to [Section 22.52.2750], or any other criteria established by the Director consistent with the provisions of this Part, or if the Director deems that execution of the proposed historical property contract will not advance the purpose and intent of this Part. The Director shall deny an application if entering into the proposed historical property contract would be inconsistent with the program limitations set forth in [Section 22.52.2730] or if the property that is the subject of the application is not eligible to participate in the Los Angeles County Mills Act Program.

D. Upon approval of an application, the Director, on behalf of the County, shall enter into a historical property contract with the owner if all of the conditions of this Part are met. As a condition of entering into a historical property contract, the owner of a property selected for participation in the Los Angeles County Mills Act Program shall pay a one-time, non-refundable contract execution fee as set forth in [Chapter 22.60]. Within 20 days of execution of the historical property contract, the owner shall pay all required inspection, recording, and other fees, as set forth in the contract.

22.52.2770 Exemptions.

A. As part of an application to participate in the Los Angeles County Mills Act Program, the owner of a qualified historical property may request an exemption from the program limitations established by the Board of Supervisors pursuant to [Section 22.52.2730] or the eligibility requirements approved by the Board of Supervisors pursuant to [Section 22.52.2740]. The Director shall review the application containing the exemption request and make a recommendation to the Board of Supervisors for the

approval or denial of the application. The Board of Supervisors may approve the application only if the Board of Supervisors finds that:

1. The property is a qualified historical property;
2. The proposed historical property contract meets all the requirements of [Section 22.52.2780]; and
3. The property is especially deserving of a contract due to the exceptional nature of the property or is subject to special circumstances indicating that approval of the contract is appropriate or necessary to carry out the purpose and intent of this Part.

B. An owner requesting an exemption pursuant to this Section shall pay a processing fee in an amount determined by the Executive Officer-Clerk of the Board of Supervisors to be ample to cover the cost of a hearing to be held by the Board of Supervisors. The owner shall also pay a processing fee in the amount of \$817.00 to be applied to the Department to cover the costs of the exemption request.

**22.52.2780 Required Provisions of Historical Property
Contracts; Renewal of Contract.**

- A. Any contract entered into pursuant to this Part shall contain the following provisions:
1. The term of the contract shall be for a minimum period of 10 years.
 2. Where applicable, the contract shall provide the following:
 - a. For the preservation of the qualified historical property and, when necessary, to restore and rehabilitate the property to conform to the rules and regulations of the Office of Historic Preservation of the California Department of Parks

and Recreation, the United States Secretary of the Interior's Standards for Rehabilitation, the California Historical Building Code, and any rules and regulations adopted or established by the County regarding the restoration and rehabilitation of historical properties.

b. For an inspection of the interior and exterior of the premises by the County prior to a new agreement, and every five years thereafter, or on any more frequent basis the contract may provide, to determine the owner's compliance with the contract.

c. For the owner to provide all information requested by the County for the purposes of determining the owner's compliance with the contract.

d. For it to be binding upon, and inure to the benefit of, all successors in interest of the owner. A successor in interest shall have the same rights and obligations under the contract as the original owner who entered into the contract.

3. The County shall record the contract with the County Registrar-Recorder/County Clerk not later than 20 days of entering into the contract, and shall provide the owner with a copy of the recorded contract.

B. Each contract entered into pursuant to this Part shall also provide that on the anniversary date of the contract or such other annual date as is specified in the contract, a year shall be added automatically to the initial term of the contract unless notice of nonrenewal is given as provided in this Part.

C. If the property owner or the County desires in any year not to renew the contract, that party shall serve written notice of nonrenewal of the contract on the other party in advance of the annual renewal date of the contract. Unless the notice is served

by the owner at least 90 days prior to the renewal date or by the County at least 60 days prior to the renewal date, one year shall automatically be added to the term of the contract.

D. Upon receipt by the owner of a notice from the County of nonrenewal, the owner may make a written protest to the County of the notice of nonrenewal. The County may, at any time prior to the renewal date, withdraw the notice of nonrenewal.

E. If the County or the owner serves notice of intent in any year not to renew the contract, the existing contract shall remain in effect for the balance of the period remaining since the original execution or the last renewal of the contract, as the case may be.

22.52.2790 Recordation and Notice of Contract.

Not later than 20 days after the County enters into a contract with an owner pursuant to this Part, the Department shall record with the County Registrar-Recorder/County Clerk a copy of the contract, which shall describe the property subject thereto. From and after the time a contract is recorded with the County Registrar-Recorder/County Clerk, the recorded contract shall impart notice thereof to all persons as is afforded by the recording laws of the State.

22.52.2800 Contract Cancellation.

A. If the County determines that the owner has breached any of the conditions of the contract entered into pursuant to this Part or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property, the County shall do one of the following:

1. Cancel the contract in accordance with the procedures specified in [this Section].

2. Bring any action in court necessary to enforce a contract, including, but not limited to, an action to enforce the contract by specific performance or injunction.

B. No contract shall be canceled pursuant to [subsection A of this Section] until after the County has given notice of, and has held, a public hearing on the matter. No later than [30 days] prior to the public hearing, notice of the hearing shall be mailed to the last known address of each owner of the qualified historical property, and shall be published pursuant to sections 6060 and 6061 of the California Government Code. The public hearing may be initiated by the Director and conducted by a Hearing Officer pursuant to [Section 22.60.176.] Within 10 working days of the public hearing, the Hearing Officer shall make a finding whether the owner has breached any of the conditions of the contract entered into pursuant to this Part or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property. If the Hearing Officer finds that the owner has breached any of the conditions of the contract or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property, the Hearing Officer shall declare the contract canceled. Also within 10 working days of the public hearing, the Hearing Officer shall mail notice of any action taken to the last known address of each owner of the qualified historical property and to the persons identified in [subsection B of Section 22.60.190.]

C. If a contract is canceled pursuant to the provisions of [subsections A or B of this Section], the owner shall pay a cancellation fee equal to 12 1/2 percent of the

current fair market value of the property, as determined by the County Assessor as though the property were free of the contractual restriction. The cancellation fee shall be paid to the County Auditor, at the time and in the manner that the County Auditor-Controller shall prescribe, and shall be allocated by the County Auditor-Controller to each jurisdiction in the tax rate area in which the property is located in the same manner as the auditor allocates the annual tax increment in that tax rate area in that fiscal year. Revenue received by a school district and the County Superintendent of Schools pursuant to [this subsection] shall be subject to the provisions of subdivision (c) of Section 50286 of the California Government Code.

D. As an alternative to cancellation of the contract for breach of any condition, a landowner that is a party to a historical property contract may bring any action in court necessary to enforce a contract, including, but not limited to, an action to enforce the contract by specific performance or injunction.

E. In the event that a property subject to a contract under this Part is acquired in whole or in part by eminent domain or other acquisition by any entity authorized to exercise the power of eminent domain, and the acquisition is determined by the County to frustrate the purpose of the contract, the County shall declare such contract canceled and no fee shall be imposed under [subsection C of this Section]. Such contract shall be deemed null and void for all purposes of determining the value of the property so acquired.

F. In the event a qualified historical property is demolished, destroyed, or significantly altered pursuant to Section 5028 of the California Public Resources Code due to a natural disaster, including, but not limited to, an earthquake, fire, or flood, the

County shall declare any historical property contract pertaining to the demolished, destroyed, or significantly altered property canceled, and no fee shall be imposed under [subsection C of this Section]. Such contract shall be deemed null and void for all purposes of determining the value of the demolished, destroyed, or significantly altered property.

G. The Department shall record a notice of contract cancellation with the County Registrar-Recorder/County Clerk not later than 20 days following the cancellation of any contract entered into pursuant to this Part.

22.52.2810 Annexation by a City.

In the event that property restricted by a contract with the County pursuant to this Part is annexed to a city, the city shall succeed to all rights, duties, and powers of the County under such contract.

22.52.2820 Appeals.

Notwithstanding any other provision in this Title 22, there shall be no right of appeal by an owner or any other person with respect to a decision or finding made or action taken by the Director or a Hearing Officer pursuant to this Part.

SECTION 2. Section 22.60.100 of Chapter 22.60 of Division 1 of Title 22 – Planning and Zoning of the Los Angeles County Code is hereby amended to read as follows:

22.60.100 Filing Fees and deposits.

A. For the purpose of defraying the expense involved in connection with any application or petition required or authorized by this Title 22, the following fees shall accompany the application or petition:

...

— Interim Management Permits for Surface Mines — \$1,449.00.

— Los Angeles County Mills Act Program, Application Fee — \$982.00.

— Los Angeles County Mills Act Program, Contract Execution Fee — \$543.00.

— Minor Conditional Use Permits — \$1,449.00, except that where a public hearing is requested pursuant to Section 22.56.075, an additional fee of \$7,012.00 shall be paid.

...

SECTION 3. Section 3.30.80 of Chapter 3.30 of Title 3 – Advisory Commissions and Committees of the Los Angeles County Code is hereby amended to read as follows:

3.30.080 Powers and Duties.

A. The commission shall consider and recommend to the board local historical landmarks defined to be worthy of registration by the State of California Department of Parks and Recreation, either as "California Historical Landmarks" or as "Points of Historical Interest," and may consider and comment for the board on applications relating to the National Register of Historic Places.

Criteria for designation, including significance and access, and provision for maintenance, shall be as specified in State law, including the California Public Resources Code, or in regulations and interpretations of the State Historical Resources Commission. Criteria for consideration and comment on applications relating to the National Register of Historic Places shall be as specified in federal law and regulations relating to the National Register of Historic Places.

B. Upon request from the director of the county department of regional planning, the commission shall consider and comment on application materials, administrative guidelines, and priority consideration criteria proposed by the director to be used in connection with the implementation and administration of the Los Angeles County Mills Act Program.

ATTACHMENT C

Hypothetical Penalty Analysis
of Mills Act Contract Termination

End of Year	Valuation	1% Annual Increase	New Valuation	1.25% Property Tax	Mills Act Tax (50%)
1	\$500,000	\$5,000	\$505,000	\$6,313	\$3,156
2	\$515,000	\$5,150	\$520,150	\$6,502	\$3,251
3	\$530,450	\$5,305	\$535,755	\$6,697	\$3,348
4	\$546,364	\$5,464	\$551,828	\$6,898	\$3,449
5	\$562,755	\$5,628	\$568,383	\$7,105	\$3,552
6	\$579,638	\$5,796	\$585,434	\$7,318	\$3,659
7	\$597,027	\$5,970	\$602,997	\$7,537	\$3,769
8	\$614,938	\$6,149	\$621,087	\$7,764	\$3,882
9	\$633,386	\$6,334	\$639,720	\$7,996	\$3,998
10	\$652,388	\$6,524	\$658,912	\$8,236	\$4,118

\$36,183

12.5% Current Valuation Penalty \$82,364
Tax Savings from Mills Act Contract -\$36,183
Difference \$46,181

End of Year	Valuation	1% Annual Increase	New Valuation	1.25% Property Tax	Mills Act Tax (50%)
1	\$500,000	\$5,000	\$505,000	\$6,313	\$3,156
2	\$515,000	\$5,150	\$520,150	\$6,502	\$3,251
3	\$530,450	\$5,305	\$535,755	\$6,697	\$3,348
4	\$546,364	\$5,464	\$551,828	\$6,898	\$3,449
5	\$562,755	\$5,628	\$568,383	\$7,105	\$3,552

\$16,757

12.5% Current Valuation Penalty \$71,048
Tax Savings from Mills Act Contract -\$16,757
Difference \$54,291

End of Year	Valuation	1% Annual Increase	New Valuation	1.25% Property Tax	Mills Act Tax (50%)
1	\$500,000	\$5,000	\$505,000	\$6,313	\$3,156
2	\$515,000	\$5,150	\$520,150	\$6,502	\$3,251
3	\$530,450	\$5,305	\$535,755	\$6,697	\$3,348

\$9,756

12.5% Current Valuation Penalty \$66,969
Tax Savings from Mills Act Contract -\$9,756
Difference \$57,213

End of Year	Valuation	1% Annual Increase	New Valuation	1.25% Property Tax	Mills Act Tax (50%)
1	\$500,000	\$5,000	\$505,000	\$6,313	\$3,156

\$3,156

12.5% Current Valuation Penalty \$63,125
Tax Savings from Mills Act Contract -\$3,156
Difference \$59,969

ATTACHMENT D



COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

GAIL FARBER, Director

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone: (626) 458-5100
<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

January 31, 2013

IN REPLY PLEASE
REFER TO FILE: LD-2

TO: Susie Tae
Zoning Permits Division
Department of Regional Planning

Attention Phillip Estes

FROM: Anthony Nyivih 
Land Development Division
Department of Public Works

**DRAFT MILLS ACT PROGRAM ORDINANCE
ADV 201200003
PROJECT NO. R2010-02290-(1-5)**

Thank you for the opportunity to review the Draft Mills Act Program Ordinance dated January 2013. Our understanding is that the intent of the Mills Act Program Ordinance is to implement the Mills Act legislation. The Mills Act is an economic incentive to foster the preservation of qualified historic properties. The legislation allows participating local governments the authority to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of them, while receiving property tax relief.

For specific revisions, additions, or deletions of wording directly from the project document the specific section, subsection, and/or item along with the page number is first referenced then the excerpt from the document is copied within quotations using the following nomenclature:

Deletions are represented by a strikethrough.
Additions are represented by *italics* along with an underline.
Revisions are represented by a combination of the above.

Prior to Regional Planning's approval of the ordinance, the following items need to be addressed, updated, or revised:

General Comment

1. A definition of "Director" should be included in Section 22.52.2720. It is our understanding that Director as used throughout the Ordinance means the Director of the Department of Regional Planning.

2. It is our assumption that inspection as indicated in Item 2b of Section 22.52.2780 is to be done by Regional Planning since it there is no construction involved prior to and during the contract stage and, therefore, this item should be modified as follows:

"For an inspection of the interior and exterior of the premises by the County Department prior to a new agreement, and every five years thereafter, or on any more frequent basis the contract may provide, to determine the owner's compliance with the contract."

It is also our understanding that this Ordinance does not explicitly require any construction to occur during the agreement. Should construction be required, inspection would need to be conducted by the Department of Public Works' Building and Safety Division to insure proper compliance with all applicable codes in effect at the time of construction.

If you have any questions regarding the general comments or require additional information, please contact Matthew Dubiel at (626) 458-4921 or mdubiel@dpw.lacounty.gov.

JY:tb



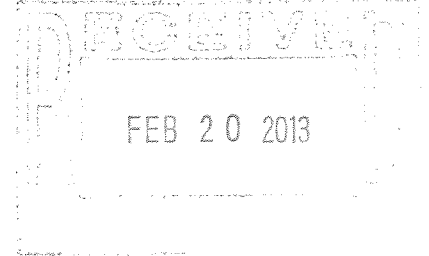
COUNTY OF LOS ANGELES

FIRE DEPARTMENT

1320 NORTH EASTERN AVENUE
LOS ANGELES, CALIFORNIA 90063-3294
(323) 881-2401

DARYL L. OSBY
FIRE CHIEF
FORESTER & FIRE WARDEN

February 14, 2013



Phillip Estes, Principal Planner
Community Studies East
Department of Regional Planning
320 West Temple Street
Los Angeles, CA 90012

Dear Mr. Estes:

PERMIT CONSULTATION – 1ST SUBMITTAL, PROJECT NO. R2012-02290-(1-5), PERMIT NO. ADV 201200003, MEMORANDUM OF UNDERSTANDING, BETWEEN DRP AND DPW, THE MILLS ACT IS AN ECONOMIC INCENTIVE TO FOSTER THE PRESERVATION OF QUALIFIED HISTORIC PROPERTIES, FOR ALL 5 SUPERVISORIAL DISTRICTS IN LOS ANGELES COUNTY (FFER #201300009)

The Permit Consultation has been reviewed by the Planning Division, Land Development Unit, Forestry Division and Health Hazardous Materials Division of the County of Los Angeles Fire Department. The following are their comments:

PLANNING DIVISION:

1. We have no comments at this time.

LAND DEVELOPMENT UNIT:

1. The Fire Prevention Division, Land Development Unit, has no comments or requirements for the proposed project. They may be additional Fire Department requirements for fire and life safety when any tenant improvements are proposed to any building. Such requirements will be determined when the Fire Department reviews the construction plans prior to building permit issuance.
2. The County of Los Angeles Fire Department, Land Development Unit, appreciates the opportunity to comment on this project. Should any questions arise, please contact Juan Padilla, at (323) 890-4243 or Juan.Padilla@fire.lacounty.gov.

SERVING THE UNINCORPORATED AREAS OF LOS ANGELES COUNTY AND THE CITIES OF:

AGOURA HILLS
ARTESIA
AZUSA
BALDWIN PARK
BELL
BELL GARDENS
BELLFLOWER
BRADBURY

CALABASAS
CARSON
CERRITOS
CLAREMONT
COMMERCE
COVINA
CUDAHY

DIAMOND BAR
DUARTE
EL MONTE
GARDENA
GLEN DORA
HAWAIIAN GARDENS
HAWTHORNE

HIDDEN HILLS
HUNTINGTON PARK
INDUSTRY
INGLEWOOD
IRWINDALE
LA CANADA FLINTRIDGE
LA HABRA

LA MIRADA
LA PUENTE
LAKEWOOD
LANCASTER
LAWDALE
LOMITA
LYNWOOD

MALIBU
MAYWOOD
NORWALK
PALMDALE
PALOS VERDES ESTATES
PARAMOUNT
PICO RIVERA

POMONA
RANCHO PALOS VERDES
ROLLING HILLS
ROLLING HILLS ESTATES
ROSEMEAD
SAN DIMAS
SANTA CLARITA

SIGNAL HILL
SOUTH EL MONTE
SOUTH GATE
TEMPLE CITY
WALNUT
WEST HOLLYWOOD
WESTLAKE VILLAGE
WHITTIER

Phillip Estes, Principal Planner
February 14, 2013
Page 2

FORESTRY DIVISION – OTHER ENVIRONMENTAL CONCERNS:

1. The statutory responsibilities of the County of Los Angeles Fire Department, Forestry Division include erosion control, watershed management, rare and endangered species, vegetation, fuel modification for Very High Fire Hazard Severity Zones or Fire Zone 4, archeological and cultural resources and the County Oak Tree Ordinance.
2. The proposed project will not have significant environmental impacts in these areas.

HEALTH HAZARDOUS MATERIALS DIVISION:

1. The Health Hazardous Materials Division has no objection to the proposed project.

If you have any additional questions, please contact this office at (323) 890-4330.

Very truly yours,



FRANK VIDALES, ACTING CHIEF, FORESTRY DIVISION
PREVENTION SERVICES BUREAU

FV:ij



JONATHAN E. FIELDING, M.D., M.P.H.
Director and Health Officer

CYNTHIA A. HARDING, M.P.H.
Acting Chief Deputy Director

ANGELO J. BELLOMO, REHS
Director of Environmental Health

JACQUELINE TAYLOR, MPA, REHS
Director of Environmental Protection Bureau

PATRICK NEJADIAN, REHS
Chief EHS, Land Use Program

THAO KOMURA, REHS
Environmental Health Specialist IV
Land Use Program
5050 Commerce Drive
Baldwin Park, California 91706
TEL (626) 430-5581 • FAX (626) 813-3016



BOARD OF SUPERVISORS

Gloria Molina
First District

Mark Ridley-Thomas
Second District


Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

January 23, 2013

TO: Phillip Estes
Community Studies East
Department of Regional Planning

FROM: Thao Komura, REHS 
Environmental Health Division
Department of Public Health

SUBJECT: PERMIT CONSULTATION
PROJECT: DRAFT ORDINANCE - LA COUNTY MILLS ACT PROGRAM

The Department of Public Health – Environmental Health Division has reviewed the information provided regarding the proposed ordinance that will implement the Mills Act legislation. The Mills Act is an economic incentive to foster the preservation of qualified historic properties. The legislation grants participating local governments 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.

The Department has no comments regarding this ordinance.

For any other questions, please feel free to contact me at (626) 430-5581.



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ADDRESS ALL CORRESPONDENCE TO:
ACCOUNTING DIVISION
500 W. TEMPLE ST., ROOM 603
LOS ANGELES, CA 90012-2713

February 27, 2013

TO: Ania Onley, Acting Administrative Deputy
Information & Fiscal Services Division
Department of Regional Planning

FROM: Connie Yee, Division Chief
Accounting Division

SUBJECT: **FY 2012-13 MILLS ACT CONTRACT FEES**

As requested, we reviewed your calculations of the Fiscal Year 2012-13 Mills Act Contract fees. Based on our review, the fees shown below appear reasonable and are approved for use during the remainder of the fiscal year.

Mills Act Contract Application	\$982
Mills Act Contract Execution	543

If you have any questions, please call Rick Vandenberg at (213) 893-0972.

CY:RV

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ATTACHMENT E

County of Los Angeles - Department of Regional Planning



Historic Preservation

An Evaluation of Policy Options and Incentives for a Historic Preservation Program

County of Los Angeles
Department of Regional Planning
Advance Planning Division



BACKGROUND

On February 14, 2012, your Board adopted a motion directing the Chief Executive Officer and the Director of Regional Planning to research various policy options to identify, inventory, and to protect historic and cultural resources in the unincorporated area of the County. Additionally, your Board requested a report on the feasibility of a Mills Act contract program and other economic incentives for owners to preserve, restore, and maintain historic and cultural resources.

CURRENT COUNTY REGULATIONS

The County Historical Landmarks and Records Commission (Landmarks Commission) was established to consider and recommend resources deemed worthy of a California Historical Landmark designation or as a Point of Historical Interest. Other duties include the consideration and review of applications submitted to the National Register of Historic Places (National Register). The Landmarks Commission is also designated as a historical records commission for the purpose of fostering and promoting the preservation of the County's historical records and documents.

To date, there are thirteen known official landmarks listed on the State and National Register of Historic Places in the unincorporated areas of the County (see attached). The National Register is the official Federal listing of districts, sites, buildings, structures, and objects significant in American history, architecture, archeology, engineering, and culture. The designation is mostly an honorary status with some federal financial incentives. Listing in the National Register does not restrict private property owners from the use of their property. From the Federal perspective, property owners can do whatever they wish with their properties as long as there are no Federal funds attached to the project. If Federal funds are attached, then any changes to the property are subject to the Advisory Council on Historic Preservation review and The Secretary of the Interior's Standards for the Treatment of Historic Properties.

Similarly, the State of California Register of Historic Resources (State Register) is mostly honorary and provides limited protection. Listing in the National or State Register does not restrict private property owners from the use of their properties. However if a proposed project is subject to the California Environmental Quality Act (CEQA), an environmental review may determine measures to mitigate potentially significant effects resulting from the project. Finally, if State funds are attached to a State Register project, a property may be subject to State review and The Secretary of the Interior's Standards for the Treatment of Historic Properties.

Currently, the County does not have a local historic preservation ordinance, which would protect historic and cultural resources from inappropriate alterations, neglect, or demolition. The Landmarks Commission does not have the duty or power to designate local landmarks or to undertake a comprehensive historic preservation program. None of the above-mentioned designations imposes specific requirements or protections, unless the project is subject to CEQA review or it involves Federal or State funds.



LOCAL HISTORIC PRESERVATION PROGRAM

The strongest protection afforded is typically found in a preservation ordinance enacted by the local government. While the elements that constitute a comprehensive preservation program vary by jurisdiction, there are a few features common to most qualified programs, including:

- Historic and cultural context statement and survey identifying historic resources
- Local historic preservation ordinance.
- Appropriate level of review, which may include a “certificate of appropriateness,” a stay or prohibition of inappropriate alterations or demolition.
- Mills Act Program and other economic incentives and regulatory tools.
- Education, technical assistance, and public outreach.

Program staffing and fiscal expenditures vary accordingly, depending upon the jurisdiction’s interest and commitment to historic preservation. For example, the City of Los Angeles has an ambitious program with a budgeted preservation staff of five persons and an annual budget of over \$1 million. Smaller jurisdictions may have one staff member that devotes a percentage of time to the preservation program, which is usually a function of the planning department. Other jurisdictions retain consultants with historic preservation, architectural, or other technical expertise to aid decision-makers.

HISTORIC AND CULTURAL CONTEXT STATEMENT AND SURVEY

A historic and cultural context statement (HCS) is critical tool for understanding, identifying, and protecting resources that give a community its unique character and sense of place. An HCS is specific to a particular jurisdiction, community, or neighborhood. The HCS is generally organized by theme, geographic area, or chronology. The statement identifies what aspects of geography, history and culture shaped the community’s built environment; what property types were associated with those developments; and why those properties are important. The HCS also discusses the necessary criteria for properties to qualify as a historical resource. Lastly, the HCS is used to guide and conduct a community’s historical resource survey and inventory.

Historical surveys are used not only to inventory resources, but to provide guidance on potential land use changes or developments. The California Environmental Quality Act (CEQA) requires local governments to analyze the impacts of proposed projects on historic resources. A survey provides an objective, comprehensive basis for the County’s environmental analysis of historic and cultural resources. A survey also informs and educates property owners. This may lead to a landmark designation and protection, as well as participation in incentive programs such as the Mills Act. Ultimately, survey results identify resources eligible for designation, as well as those that do not meet criteria for designation. Although surveys identify resources, no actual designation results directly from survey activity.



Given that unincorporated Los Angeles County comprises over 2,600 square miles, it is critical to prioritize resources and to identify communities where surveys should be conducted. For example, the City of Los Angeles' surveys coincide with community plan updates. A similar approach is feasible for the County. Both individual resources and districts are evaluated for significance in accordance with criteria established for listing in the National and State Register of Historic Places, as well as local designation criteria. A survey will identify and categorize properties that exhibit important themes in the growth and development of the County. These themes may include: architecture, city planning, social history, ethnic heritage, politics, industry, transportation, commerce, entertainment, and other historical themes. Potentially, a survey will identify buildings, structures, infrastructure, objects, cultural landscapes, natural features, and historic districts.

HISTORIC PRESERVATION ORDINANCE

The local ordinance is the most important tool in developing and implementing a successful preservation program. From a practical standpoint, a comprehensive preservation program, which includes a preservation ordinance, gives the local jurisdiction greater access to federal and state funding and greater understanding of historic resources. A preservation ordinance can also provide more transparency and greater certainty to property owners and the development community concerning the improvement and maintenance of historic properties. For most jurisdictions, a preservation ordinance is a critical component of a comprehensive preservation program and a community plan. It can help to preserve a community's historic and cultural values and foster economic development.

A preservation ordinance can serve to protect individual landmarks only, entire historic districts, or both landmarks and districts. To ensure that new buildings blend in with their older neighbors, preservation ordinances typically regulate the design of new construction in historic districts, as well as changes to existing structures. Generally, most historic preservation ordinances will:

- Establish procedures and criteria for designating landmarks;
- Establish the appropriate level of protection for identified historic and cultural resources and the type of development review; and
- Provide enforcement and remedies for non-compliance.

Issues that ordinances typically address are stricter regulations over the modification or maintenance of a designated property or a property located within a historic district. These rules may make repairs or maintenance more costly and burdensome. To off-set potentially higher costs, most jurisdictions provide regulatory relief of zoning and building code standards, as well as economic incentives to encourage rehabilitation.



MILLS ACT PROPERTY TAX ABATEMENT PROGRAM

The Mills Act (1972) is considered the single most important economic incentive program in California for the restoration and preservation of historic buildings by private property owners. A ten-year contract is executed between a jurisdiction and a property owner. The property owner agrees to maintain, invest in, and protect the property in accordance with specific preservation standards and conditions of the contract. In turn, the Mills Act program allows qualifying owners to receive a reduction in property taxes and use the savings to help rehabilitate, restore, and maintain their buildings. Each local government establishes their own criteria and determines how many contracts they will allow in their jurisdiction, however, State law provides the regulatory framework:

- Property owners agree to restore, maintain, and protect the property in accordance with specific historic preservation standards and conditions of the contract.
- Periodic inspections ensure proper maintenance of the property and contract compliance.
- The contract is for a ten-year minimum and automatically renews on the anniversary date, which adds another year to the term.
- A written notice of cancellation is required to allow the contract to expire before the end of ten years.
- A jurisdiction may impose penalties for breach of contract, failure to protect the property, or cancellation on the part of the property owner.
- If sold, the contract is transferred to new owners. An active contract is binding to all successive owners unless a notice of cancellation is submitted.
- A qualified property is listed on any federal, state, county, or local 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.
- A property can be an owner-occupied residence, a multi-family dwelling, or an income-producing commercial property.

Mills Act participants may realize substantial property tax savings of between 25% and 75% each year for newly improved or purchased qualified properties. Mills Act valuations are determined by using the lowest value of either the Income Approach to Value (Restricted Value), the factored base year value (Proposition 13 Value), or the standard Market Approach to Value (Market Value). The formula for deriving the Income Approach to Value is outlined in the State

A qualified property may realize an annual tax savings of between 25 to 75 percent over the term of a ten-year Mills Act Contract.

Government Code. The value must be reassessed annually and the savings may vary from year to

year. Generally, a property purchased after 2000 is most likely to receive the highest reduction. Property purchased prior to 2000 will likely receive a minimal reduction. Property purchased prior to 1978 (Proposition 13) is unlikely to receive any tax reduction. A Mills Act contract does not guarantee a reduction amount for any property. After a contract is recorded, a participant is expected to realize tax savings the following fiscal year. The Mills Act does not preclude a property owner from making additions or improvements to a historic property, as long as such changes are consistent with the contract. Additions are assessed at the current market value and will not afford tax savings to the owner.



If a Mills Act property is not maintained under the contract terms or if rehabilitation work is not performed, the owner could be found in breach of contract. If unresolved, the Mills Act contract is cancelled and the Assessor will assess a 12½ percent penalty based on the current fair market value of the property. An owner who wishes to cancel a contract, with immediate expiration, must pay the 12½ percent penalty. The property is then reassessed at either market value or Proposition 13 value.

Although minimal in the overall County's budget, it is important to understand the fiscal impact of a Mills Act Program and manage it on an annual basis. If implemented, the County (and other agencies and districts that receive property tax revenue) would incur an annual reduction of property tax revenue to the General Fund. Lower property valuations translate into lower property tax revenue. However, the reduction in tax revenue is offset by the public benefit of preserving important historical resources. Based on the need to manage the fiscal impacts, some jurisdictions set an annual cap or limit the number of annual contracts, or both. Other jurisdictions have no cap or limit the number of contracts.

Administration costs vary depending upon the number of annual contracts, staffing levels, and amount of program oversight. Oversight and inspections vary across jurisdictions, ranging from annual to every five years, as well as on a complaint basis. At a minimum, State law requires one inspection conducted every five years. Some programs allow the property owner to self-report annually, with inspections conducted on an as-needed basis or periodically as stipulated in the contract. A number of jurisdictions impose fees to recover administration costs, while some do not. Application fees vary from \$300 to \$1,500, with some cost recovery for the execution of a contract. Presumably, jurisdictions that absorb administrative costs do so to further incentivize historic preservation.

A Mills Act program is particularly effective when tied to a local preservation ordinance because it incentivizes owners to seek a landmark designation for their own properties. While the threshold applied to State and National Register properties is usually much higher than at the local level, the designation offers little protection. As previously discussed, a local landmark designation provides the strongest protection. One drawback of Mills Act program without a local ordinance is that only those properties listed on the State or National Registers are eligible to participate. Many potential local landmark properties would likely not qualify and the property owners would not realize any property tax savings. Therefore, few jurisdictions offer the program without a local ordinance.

OTHER INCENTIVES AND TOOLS

ZONING RELIEF

The City of Los Angeles and other jurisdictions offer zoning code incentives related to historic preservation. The ordinances ensure that older and historic buildings are not subject to the same zoning and code requirements that apply to new construction. Generally, the ordinance waives density restrictions and other regulatory barriers for qualified historic buildings. For example, additional parking spaces are not required, but existing parking capacity must be maintained. In



Los Angeles in just over 10 years, the Adaptive Reuse Ordinance has created over 10,000 residential units across the city and helped to transform the downtown historic core into a vibrant mixed-use community. For the City, the adaptive reuse ordinance is an important planning and economic development tool that helps to create new housing units, restore older neighborhoods, and preserve important historic resources.

MARKS HISTORICAL REHABILITATION BOND ACT

The Marks Bond Act (1976) authorizes cities, counties, and redevelopment agencies to issue tax-exempt revenue bonds to finance the rehabilitation of significant historic buildings. The Act specifies the conditions and criteria under which the bonds can be issued. The Marks Bond Act appears to have rarely been used due to the restriction that developers may not make capital expenditures of more than \$10 million. Cities or counties are rarely willing to expend the time and money involved in issuing bonds for this small amount. If, however several major historic projects are undertaken in a jurisdiction at the same time and the collective costs and expenses total an amount high enough to justify staff time and fees to issue a bond, then the Marks Bond Act may prove to be a useful and desirable tool.

FEDERAL HISTORIC PRESERVATION TAX CREDITS

The Federal Historic Preservation Tax Incentive Program provides for a 20% federal tax credit on certified rehabilitation work. The incentive rewards private investment in rehabilitating historic properties such as offices, rental housing, and retail stores. The program has also helped to create moderate and low-income housing in historic buildings. The 20% credit is available only to properties rehabilitated for income-producing purposes, including commercial, industrial, agricultural, or rental apartments. The credit cannot be used to rehabilitate a private residence. National Register buildings or buildings determined qualified by the State Historic Preservation Officer for individual listing are eligible. Buildings located in a certified local historic district may also qualify for the federal tax credit.

CERTIFIED LOCAL GOVERNMENT (CLG)

A minimum of ten percent of California's yearly allocation of funds received through the federal Historic Preservation Fund Grants Program must be sub-granted to certified local governments (CLG). CLG governments are eligible for matching grants and technical assistance from the State Office of Historic Preservation. The criteria to become a CLG includes the establishment of a historic preservation commission, adoption of a historic preservation ordinance, a system for the survey and inventory of historic properties, and provision for public participation in the local preservation program. Recently, the cities of Burbank, Pasadena, and Los Angeles have all received CLG grants for their ongoing preservation activities.

OTHER FINANCIAL INCENTIVES AND TOOLS

A recent survey of Los Angeles County jurisdictions found a variety of incentives, including: permit fee waivers, non-conforming use waivers, transfer of development rights, façade easements, and restoration loans and grants for historic and cultural resources. A city in Colorado offers a rebate of all local sales tax paid on materials used to renovate a local



landmark property. Additionally, the State Historical Building Code (SHBC) provides alternative building regulations for qualified historical buildings or structures. The County's Building and Safety Division of Public Works is familiar with and currently utilizes the SHBC.

ECONOMIC BENEFITS OF PRESERVATION

The benefits of historic preservation are not only aesthetic and cultural, but also economic. Experts suggest that landmark designations can positively affect home values because it leads to neighborhood pride and improved upkeep of homes and yards. The various state and federal tax credit combinations can also provide powerful results. While there are some regulatory implications, a comprehensive preservation program can enhance a local community while promoting economic development and create jobs. According to a 2011 National Trust for Historic Preservation bulletin:

- A California study found that rehabilitation resulted in ten percent greater wholesale purchases and 43 percent greater retail purchases than comparable new construction, which also results in increased sales tax revenue.
- A Texas study concluded that designated landmarks increased property values from between 5 and 20 percent.
- In Nebraska, 22 jobs are created for every \$1 million spent on historic preservation, which supported 3,869 Nebraska jobs in 2009.

CONCLUSION

Historic preservation adds value to the lives of residents and visitors. The County's historic properties are an invaluable cultural, aesthetic, and educational resource. Each day, these resources provide opportunities to appreciate the legacy of our past. A preservation program is not intended to halt progress or stop the clock on development and growth. As discussed in the report, historic preservation can act as a significant economic development tool. Preservation incentives can leverage private investment, create jobs, and revitalize neighborhoods. Countless communities have demonstrated that historic preservation not only promotes an increased appreciation of the past, but that it is an important component of successful community planning and economic development.



If the County implements a Mills Act Program, the following is recommended:

PROPOSED MILLS ACT PROGRAM	
Maximum Number of Annual Contracts	6 per year
Maximum Revenue Loss to County	\$300,000 x 10 years = \$3,000,000 (As a share of the property tax revenue collected by the County, over a ten-year period. ¹)
Program Details	<ul style="list-style-type: none"> Limited to residential properties (1 and 2 units) valued under \$1 million. Non-residential properties would be eligible after year three.
Staffing & Oversight	<ul style="list-style-type: none"> Given that the potential number of annual contracts is six, current staff would manage the program. Application processing would be coordinated by Regional Planning and contracts reviewed by County Counsel. Estimated application fee: \$500, plus contact execution fee. Consultants may be retained for technical assistance and property inspections. Inspection fee recovery stipulated in a contract. Estimated inspection fee is \$500. The County should reserve the right to periodically review the program, if deemed necessary to recover future costs. As more and more contracts are executed, the County may require dedicated staff in the future, an increase in the loss cap, or additional fees.
Timeframe	120 days to prepare a draft Mills Act Program ordinance.

¹ The latest California Property Tax Overview published by the Board of Equalization identifies the following breakdown for tax revenues collected in the state: counties 17%, cities 11%, school districts and community colleges 53%, and special districts 19%.



If the County implements a Historic Preservation Ordinance, the following is recommended:

PROPOSED HISTORIC PRESERVATION ORDINANCE	
Historical Landmarks and Records Commission	<ul style="list-style-type: none"> Expand duties to include serving as the primary forum for historic preservation policy; review landmark applications and made recommendation to the Board; develop a survey; maintain inventory and register; generally advise the Board of Supervisors on all matters concerning historic preservation. Department of Regional Planning to provide staff support.
Board of Supervisors	Authority to designate landmarks and to create historic districts reserved for the Board.
Survey and Inventory	Policy and procedures to maintain an inventory of potentially significant historic places or structures. The purpose is to identify properties or structures which may warrant further research for the purposes of establishing historical significance. This would likely occur in conjunction with a local community plan update or could be targeted to areas of known historical significance.
Landmark Designation Procedure	<ul style="list-style-type: none"> Any person or group may nominate a landmark. Commission conducts a public hearing and advises the Board. Board takes final action on landmark or district designation. If owner does not consent, Board may designate "eligible" for designation. Creation of historic district would require authorization of 75% of property owners and Board approval.
Criteria for Landmark Designation	Establish criteria for designation of sites associated with: <ul style="list-style-type: none"> Cultural, political, economic, or social history of the nation, state, or community. Identified with historic persons or with important events of national, state, or local history. Distinguishing characteristics of an architectural-type. Notable work of a master builder, designer, or architect.
Procedures for Development Review	<ul style="list-style-type: none"> Exterior alterations of landmarks or properties within a district subject to the Secretary of the Interior's Standards for Rehabilitation. Standards applied in a reasonable manner, taking into consideration economic and technical feasibility. Generally, exterior alterations or demolition to require a "certificate of appropriateness." Minor projects reviewed by staff. Major projects reviewed by Commission or Board. Ordinary maintenance exempted unless design, material, color, or appearance changes.
Zoning Relief and Economic Incentives	<ul style="list-style-type: none"> Mechanism for an economic hardship waiver to provide flexibility in dealing with economic hardship cases or reasonable economic use of a property or site. Provide relief of zoning standards to facilitate the restoration and adaptive reuse of historic structures.
Appeals	<ul style="list-style-type: none"> Appeals of staff-level decisions heard by the Commission. Appeals of Commission decisions heard by the Board.
Enforcement	<ul style="list-style-type: none"> Provide remedies for non-compliance, as with the existing zoning ordinance. Exemptions for health, safety, and public welfare to correct or abate the unsafe or dangerous condition of a structure.
Staffing	<ul style="list-style-type: none"> Due to the necessary technical expertise in preservation and architectural history, a historic preservation specialist would be necessary. Initially, this could be achieved with a consultant on retainer, until the workload or program justifies a full-time position. Provide outreach, education, and technical assistance.
Timeframe	Given the potential interest and stakeholder involvement, approximately 10 to 12 months to prepare a draft ordinance.

ATTACHMENT F



Tax Incentives For Historic Preservation



Convenient Locations

Main Office

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 225
Los Angeles, CA 90012-2770
1.888.807.2111

North District Office

13800 Balboa Boulevard
Sylmar, CA 91342
818.833.6000

South District Office

1401 E. Willow Street
Signal Hill, CA 90755
562.256.1701

East District Office

1190 Durfee Avenue
South El Monte, CA 91733
626.258.6001

West District Office

6120 Bristol Parkway
Culver City, CA 90230
310.665.5300

Lancaster Regional Office

251 E. Avenue K-6
Lancaster, CA 93535
661.940.6700

Van Nuys Satellite

14340 Sylvan Street
Van Nuys, CA 91401
818.901.3455

assessor.lacounty.gov

or

lacountypropertytax.com

What is the Mills Act Program?

The Mills Act is an economic incentive program in California for the restoration and preservation of qualified historic buildings by property owners. Enacted in 1972, the Mills Act legislation grants participating cities and counties the authority to enter into contracts with owners of qualified historic properties who actively participate in the rehabilitation, restoration, preservation, and maintenance of their historic properties. The Mills Act permits property tax relief to offset these costs.

Mills Act contracts are for an initial term of 10 years. A contract automatically renews each year on its anniversary date and a new 10-year agreement becomes effective, creating a "rolling" contract term that is always equal to the initial contract term.

How does the property tax relief work?

After a property owner enters into a contract, the county assessor will annually determine the value of Mills Act properties based upon a prescribed capitalization rate as provided for in Revenue And Taxation Code section 439.2 (b) or (c). This is the restricted value. The county assessor then compares this restricted value to the current market value and the factored base year value (also known as the "Proposition 13" value). The lowest of the three values is then enrolled.

The restricted value can be considerably lower than the other values creating a tax savings for the property owner. Since all properties are assessed annually, Mills Act properties may undergo increases or decreases in property taxes each year as market conditions change.

For more information, please see the State Board of Equalization Guidelines provided for use in assessing properties under the Mills Act. www.boe.ca.gov/proptaxes/pdf/lta05035.pdf

What is a qualified historic property?

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. Owner-occupied family residences, multi-family complexes, and income-producing commercial properties may qualify for the Mills Act program, subject to local regulations.

How do buildings qualify for the Mills Act?

In order to qualify, the structure must be a designated historic building. The designation can be at the local, state, or national level. As a general rule, to qualify as historic, a building must be at least 50 years old and be a good example of a particular architectural style or be associated with a person or event of local, statewide, or national historic importance.

How can I get my property registered or find out if my property qualifies for the Mills Act Program?

Each city and county may have different procedures for local historic designation. Contact the Planning Department or Community Development of your local government to confirm whether they participate in the Mills Act Program, the criteria that would need to be met, and the application process. Your building may already be considered a contributing structure to an established historic area. Also, many buildings that were not designated as historic on past surveys may now be eligible to qualify as historic.

If my property is on a historic register, do I automatically qualify for the reduced property taxes?

No, you must enter into a contract with your local government and that contract has to be signed and recorded before the county assessor can annually apply the restricted valuation method.

Is there a cost to placing my property on a Mills Act contract?

There is an administrative cost associated with filing the paperwork. Local governmental agencies will differ somewhat in their fees.

Frequently Asked Questions:

Q. I am disappointed that my city does not participate in the Mills Act Program. Why don't all the cities in California have such a program?

A. Each municipality must adopt the Mills Act and must make the decision to offer this preservation program. Historic preservation is included in the general plan of some cities as a revitalization tool which can also bring cultural tourism and local reinvestment. Some cities or counties may not have the same needs for such a program.

Q. My property or a property I am considering buying is already under a Mills Act contract. What does that mean to me as a property owner?

A. Mills Act contracts are for 10 years initially with automatic yearly renewal, and the contract stays with the property when transferred. Subsequent owners are bound by the contract and have the same rights and obligations as the original owner who entered into the contract. Because the local government and the property owner negotiate other specific terms of the contract, you should contact your local government to determine the rights and obligations a Mills Act contract creates.

Q. I am planning to buy a property under a Mills Act contract for \$500,000 that is currently assessed for \$350,000. Will I receive a supplemental bill for the change in ownership?

A. No. Even though the county assessor is required to establish a new base year value for property upon a change of ownership, supplemental assessments are not enrolled for properties under the Mills Act contract. Establishment of the new base year value merely enables the county assessor to perform a three-way value comparison and to calculate the assessed values if the Mills Act contract enters non-renewal status.

Q. I want to add on a family room to my home which is under a Mills Contract. How will this affect my assessed value?

A. Since the new construction would not qualify as historical the market value of new construction (room addition) will be added to the restricted value of the property to arrive at a new assessed value.

Q. Under a Mills Act contract, will I have to open my home for inspection by city or county officials?

A. Under legislation enacted on September 7, 2011, the city must inspect the property prior to entering into a Mills Act contract with a property owner, and conduct interior and exterior inspections every 5 years thereafter to determine the owner's continued compliance with the contract.

Q. Once my contract is recorded, will my property be reassessed as of that day?

A. No. Your property will be assessed on the lien date (January 1) of the next calendar year in which your contract was recorded. You should see the tax benefits beginning the ensuing fiscal year.

Q. I purchased a historical property that is in need of considerable renovation, will the reconstruction of it be considered "new construction"?

A. The Mills Act contract typically specifies the scope and type of any work to be performed on the historical improvements. This work would not be considered new construction and are subject to the valuation procedures of section 439.2, unless said work constitutes a change in the use of the property, or is sufficient in scope to constitute a "Major Renovation" to an "as new" property. Such work would result in additional assessed value, but would still receive the benefit of the Mills Act assessment method. One other type of new construction that could be eligible as reconstruction under the Mills Act contract is when the new construction is "accurately executed in a suitable environment and presented in a dignified manner as part of a restoration master plan, and when no other building or structure with the same association has survived."

I still have questions about the Mills Act. Where can I get additional information?

If you still have questions regarding the property tax benefits of the Mills Act, you may call the State Board of Equalization at 916-274-3350. You may also contact your local governmental agency that administers the program in your city or county or you may call the California Department of Parks and Recreation's Office of Historic Preservation at 916-653-6624. Additional information on the Mills Act is available from the Office of Historic Preservation's website at www.ohp.parks.ca.gov. You may also contact the Los Angeles County As-

Q. I just purchased a property that has been under a Mills Act contract for many years. I'm thinking of not renewing the contract. What do I need to do?

A. You must serve written notice of non-renewal of the contract at least 90 days prior to the anniversary renewal date, otherwise one year will automatically be added to the term of the contract (if the local government decides not to renew, they need only provide a 60-day notice). The existing contract will remain in effect for the balance of the period remaining since the original execution or the last renewal of the contract. The first year of non-renewal will have nine remaining years.

Q. Will I still receive property tax benefits once I provide notice of non-renewal?

A. You may still receive tax benefits; however, the maximum tax benefits will be reduced each year as the historical property assessed value gradually approaches the factored base year value (Proposition 13) as the remaining term under the contract decreases.

Q. What are the consequences if I decided to cancel my Mills Act contract?

A. You would be required to pay a cancellation fee equal to 12.5 percent of the current fair market value of the property (not your restricted value). Your property will then be assessed at the lower of the factored base year value or current market value for the ensuing lien date.

Alternatively, your local legislative body may take court action to enforce the contract, such as requiring specific performance or injunction.

Q. Would I have to pay the 12.5 percent cancellation fee if the planning department cancelled my Mills Act contract?

A. If the contract was cancelled for reasons other than a breach of the contract by you, a cancellation fee will not apply.

Q. I haven't had time to work on my property for a while. Can the planning department cancel my contract because they say my property has deteriorated and no longer meets the standards of a historical property?

A. Yes. This can be considered a breach in the contract and the municipality can cancel your contract. You will also be penalized with a 12.5 percent cancellation fee. Alternatively, you may be able to make arrangements with your local agency to continue with the restoration work.

Si desea ayuda en Español,
llame al número
1.888.807.2111