



## **County of Santa Cruz Board of Supervisors**

### **Agenda Item Submittal**

**From:** Community Development and Infrastructure

**Subject:** Approve Mills Act Program Resolution

**Meeting Date:** May 20, 2025

**Formal Title:** Hold a public hearing to approve a proposed resolution to implement the Mills Act Program, confirm the proposal is exempt from requirements of the California Environmental Quality Act, and take related actions

### **Recommended Actions**

1. Conduct a public hearing to review the proposed Mills Act Property Program (Mills Act);
2. Determine that the proposed program is exempt from the California Environmental Quality Act (CEQA);
3. Adopt a Resolution, recommending that the Board of Supervisors implement the Mills Act program; and
4. Direct staff to prepare and finalize the application, guidelines, and contract template needed for implementation.

### **Executive Summary**

The Mills Act Property Program will encourage owners of properties listed in the County's Historic Inventory and with a National Register (NR) ranking of NR-1 to NR-4 to invest in the restoration and maintenance of their historic buildings thereby assuring that the cultural heritage of the county is secured in those structures. The Board of Supervisors is requested to adopt a resolution establishing the program.

### **Discussion**

On December 17, 2024, the Board of Supervisors directed the Department of Community Development and Infrastructure (CDI) to develop a local Mills Act Program. The Mills Act was enacted in 1972. State Senator James Mills introduced Senate Bill (SB) 357, which was then signed by Governor Reagan on December 29, 1972, in response to the plight of the Hotel del Coronado in San Diego County. The legislation grants participating local governments the authority to enter into contracts with owners of historic properties. Such contracts include a reduction of property taxes in exchange for the continued preservation of the property per the Standards of the Secretary of the Interior. Approximately 75 city and county governments in the State of California have instituted the Mills Act.

The Mills Act is recognized by the State of California as the single most important economic development incentive program in California for the restoration and preservation of qualified historic buildings by private property owners. Since large, ornate, wooden buildings (residential or otherwise) of the 19th and early 20th centuries are difficult and expensive to maintain, a property tax subsidy to encourage their preservation and maintenance is critical to preserving our understanding of the county's

history.

Each local government establishes their own criteria and determines how many contracts they will allow in their jurisdiction. The County may decide to limit how many Mills Act contracts to consider in a year, the length of contracts and whether to put a cap on valuation, thereby reducing revenue losses. Staff's recommendation is for the Board to establish a residential threshold value whereby a property with a value greater than \$3,000,000 residential/\$5,000,000 commercial would be excluded from participation in the Mills Act Property Program. The basis for this approach and the thresholds are that owners of properties with higher values should have the ability to pay the property taxes and conduct the restoration of the building per the Standards of the Secretary of the Interior. As time passes, the County should periodically assess and revise the property value thresholds.

In preparation of the potential implementation of the Mills Act in the County of Santa Cruz, the County Assessor's Office conducted an analysis of the Mills Act relative to the historic buildings listed in the County's Historic Inventory and designated either NR-1, NR-2, NR-3, and NR-4. This analysis indicates there are a total of 58 buildings in the County of Santa Cruz listed in these four categories. Of the 58, 21 buildings would not qualify based on their ownership/exempt status, such as being publicly owned, being places of worship, or cemeteries. These are examples that are not subject to property taxes and therefore are not eligible for the Mills Act Property Program. This leaves 37 properties that might qualify or partially qualify for the program. Not all property owners may desire to take advantage of the program due to a variety of reasons.

The Assessor's Office would be required to annually review three different values to determine eligibility: the Mills Act value, "Prop 13, value" and market value. For properties that have been under the same ownership for 10 years or more, their Prop 13 value would most likely be more beneficial to the property owner than the Mills Act value, thereby they may not receive a property tax reduction for participating in program.

Based on limited Assessor Office staff and funds, the Mills Act Property Program is proposed to be limited to 20 properties that are designated NR-1 thru NR-4 in the Historic Inventory. The Historical Resources Commission would review and approve each application, and a contract would be prepared (see draft template attached). Per staff's recommendations, the Mills Act will be reviewed and adjusted, if necessary, by the Board every three years after the first three years of the Mills Act's operation. It is anticipated that the 20-unit cap will take a few years to achieve. Although the cost incurred by the Assessor's Office is not offset by the Mills Act fees, the gradual and incremental roll-out of the Mills Act will allow the County to slowly absorb the cost of the program. There is a brief financial analysis below that explains the loss to the County's general fund.

#### Historic Resources Commission

At the February 10, 2025 Historic Resources Commission meeting, the Commission considered the Board's direction and staff's recommendation to approve the Program. Consequently, the Commission unanimously approved a recommendation to the Board of Supervisors that it approve the Mills Act Property Program.

#### General Plan Consistency

Implementing the Mills Act will be consistent with the 2024 General Plan Implementation Strategy ARC-8.2i, which states, *Consider adoption of the Mills Act, to grant local property tax subsidies to recognized historic structures to encourage rehabilitation.* (Responsibility: CDI, Historic Resources Commission, Board of Supervisors).

#### Environmental Review

The Program is exempt from CEQA based on CEQA Guidelines Section 15308, Actions by Regulatory Agencies for Protection of the Environment (Class 8), Section 15331, Historical Resources Restoration/Rehabilitation (Class 31), and Section 15061(b)(3), the common sense exemption.

#### **Financial Impact**

The Mills Act Program will not exceed 20 eligible applications. It will take several years to reach the maximum number of applications. It is anticipated that the maximum net loss to the General Fund would be \$65,520 annually if the maximum number of approved applications is reached. Implementing the Mills Act program will require up to \$10,000 in unbudgeted, additional staffing costs. This amount would need to be added to a future Assessor's Office budget prior to implementation.

#### **Strategic Initiatives**

Operational Plan - Dynamic Economy

#### **Submitted By:**

Matt Machado, Deputy CEO / Director of Community Development and Infrastructure

#### **Recommended By:**

Carlos J. Palacios, County Executive Officer

#### **Artificial Intelligence Acknowledgment:**

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.