



County of Santa Cruz
Community Development and Infrastructure Department

The Mills Act Historic Preservation Program

Board of Supervisors
May 20, 2025

Agenda



- What is the Mills Act?
- Why the Mills Act?
- Proposed Mills Act Program structure
- Implementation and Ongoing Costs

What is the Mills Act?

Property tax incentive to encourage restoration, rehabilitation and preservation of historic properties

Program administered by cities and counties without state gov't oversight

The properties must be on a local, state, or national register of historic places

Properties must be privately owned



Why the Mills Act ?



The Redman – Hirahara House, Watsonville

Why the Mills Act?



The Bayview Hotel, Aptos Village

How does Mills Act work?



- Opt-In program offered to owners with structures ranked NR-1, 2, 3, OR 4 on the NATIONAL REGISTER RANKING
- 20 contract initial cap
- 10-year contract, auto-renewed annually unless non-renewed by either party.
- Owner receives a potential property tax reduction and agrees to maintain historic resource in accordance with the contract.

How does Mills Act work?



- The property must be maintained in a manner compatible with its architecture and use of original materials.
- Contract specifies inspections every 5 years. Staff would notify the Assessor of any change in the contract.
- Mills Act requires annual assessment by the Assessor

Mills Act Assessment



Annually, the Assessor's Office reviews:

1. Proposition 13 Base Year Adjusted Value
2. Current Fair Market Value
3. Mills Act Actual or Potential Income Valuation

Mills Act Assessor Calculations

Historical Use:	Hotel				
Current (Prop 13) Values					
			Assessed value	Property Tax	
Proposition 13 Values			2,220,867	\$ 26,856.62	
Market Values					
NOI (net operating income)		\$ 230,000			
Market Cap Rate		6.00%			
Market Value			\$ 3,833,333	\$ 44,214.98	
Mills Act Values					
NOI (net operating income)		\$ 230,000			
Mills Act Cap Rate*		11.89%			
Mills Act Values			\$ 1,934,126	\$ 23,769.82	
Mills Act Impact:				\$ (3,086.80)	

Potential Property Tax Revenue Loss

	Assessed Value Loss	% of 2024 Roll (\$61 B)	Ad Valorem Tax Loss (1%)	County General Fund Loss (13%)
Maximum	50,400,000	0.08%	\$ 504,000	\$ 65,520
Typical	19,000,000	0.03%	\$ 176,000	\$ 22,880

When do Mills Act values become effective?

- Once a contract is signed, accepted and recorded the property must be assessed on the ensuing lien date (January 1)
- For example, if the contract is recorded in August 2025, the property is valued for the lien date of January 1, 2026 for the tax period starting July 1, 2026 to June 30, 2027.



Cancellation and Non-Renewal of the Mills Act Contract

If the property is found to be in breach of its contract with the County or owner decides to end the contract, the Mills Act contract may be cancelled outright or placed under non-renewal status.

If the contract is cancelled the property owner will be required to pay a penalty equivalent to 12.5% of the current market value of the property.

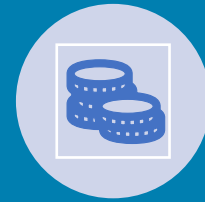
Implementation & Ongoing Costs



**CDI Fees do not
cover Assessor
costs**



**Increase
Workload**



**Upfront
Implementation
Costs**

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.