

**COUNCIL POLICY****CURRENT**

SUBJECT: MILLS ACT AGREEMENTS FOR PRESERVATION OF HISTORIC PROPERTY  
POLICY NO.: 700-46  
EFFECTIVE DATE: July 18, 1995

**BACKGROUND:**

California state law authorizes cities to enter into contracts (“Mills Act Agreements”) with the owners of qualified historical properties to provide a property tax reduction for the use, maintenance and restoration of historically designated properties. The minimum requirements for a Mills Act Agreement, as mandated by state law include:

- 1) Minimum contract term of ten (10) years, automatically renewable on an annual basis, to be recorded against title to the property and running with the land.
- 2) Owner shall maintain the regulated characteristics of historical significance of the Historic Site in accordance with the rules and regulations published by the Secretary of the Interior.
- 3) Owner must allow reasonable periodic examination of the Historic Site, if a request is made and by prior appointment, by representatives of the County Assessor, State Department of Parks and Recreation and the State Board of Equalization.
- 4) City may cancel the agreement following a duly notice public hearing if it is determined that the owner breached any mandatory conditions of the Contract.

**PURPOSE:**

This policy is adopted to provide a monetary incentive to the owners of historically designated properties in the form of a property tax reduction for the maintenance, restoration and rehabilitation of historic properties within the City of San Diego. A properly recorded Mills Act Agreement automatically triggers an alternative method for determining the assessed value of the affected historic property, thus potentially resulting in significant property tax savings for the owner of the historic property.

**POLICY:**

It is the policy of the City of San Diego to foster and encourage the preservation, maintenance, rehabilitation and restoration of historically designated properties. It is recognized by the City that a reduction in property taxes afforded by the Mills Act will serve as a key monetary incentive for citizens to acquire, maintain and restore historic property within the City of San Diego. However, it is also recognized that the revitalization goals of the Mills Act may overlap and conflict with the neighborhood revitalization mission, goals, policies and programs of the Redevelopment Agency of the City of San Diego. Because of the negative impact on tax increment financing and other measures available to promote historic preservation through redevelopment, Mills Act Agreements shall be applied in redevelopment project and study areas as delineated below.

**IMPLEMENTATION:**

CP-700-46

**1. Areas Outside of Redevelopment Project Areas and Study Areas**

The City Manager or designee is authorized to enter into a Mills Act Agreement with the owner of any historically designated property, upon application by the owner and subject to the following restrictions:

- A) The contract shall contain the minimum mandatory conditions required by state law.
- B) The owner shall pay a graduated processing fee of \$100 per \$100,000 of assessed value prorated to actual value, however in no event shall the processing fee exceed the actual cost of processing and recording the Agreement.
- C) A drive by inspection will be performed on a periodic basis by City staff to verify that the structure is being maintained in weather tight condition.
- D) The Owner must allow visibility of the exterior of the structure from the public right-of-way.

**2. Areas Within Redevelopment Project Areas and Study Areas**

The City Manager or designee is authorized to enter into a Mills Act Agreement with the owner of a historically designated property located within a redevelopment project or study area, upon application by the owner, subject to the above restrictions, and including:

**Redevelopment Study Areas**

Within a Redevelopment Study Area Mills Act Agreements shall be permitted in conformance with this City Council Policy 700-46 and State law requirements, until adoption of the redevelopment project area. Within the Sherman Heights and Grant Hill Historic Districts, however, should they become part of a redevelopment project area, Mills Act Agreements shall be implemented as in item 1 above.

**Redevelopment Project Areas**

Within a redevelopment project area, with the exception of the College Community Redevelopment Project Area, Mills Act Agreements shall be permitted as follows:

- 1. Owner-occupied single-family homes (including properties which may have a second residential unit) shall be eligible for Mills Act Agreements, in conformance with this City Council Policy 700-46 and state law requirements.
- 2. All other properties shall be eligible for Mills Act Agreements, in conformance with this City Council Policy 700-46 and State law requirements, on a case by case basis and only when all of the following criteria are met:
  - (1) The property requires rehabilitation
  - (2) The owner agrees to rehabilitate the property in accordance with plans approved by the Agency

(3) The owner demonstrates through a project proforma, which is independently evaluated by the Agency, that a Mills Act Agreement is necessary to achieve a financially feasible project, and the Agency concurs that a Mills Act Agreement is the appropriate form of public financial assistance.

No Mill Act Agreement shall be implemented within the College Community Redevelopment Project Area.

The City Manager shall report on annual basis to the City Council with respect to the number of Mills Act Agreements executed and the effectiveness of the program.

CROSS REFERENCE:

San Diego Municipal Code Section 26.0201, et seq.  
Government Code Sections 50280, et seq.

HISTORY:

Adopted by Resolution R-285410 02/27/1995  
Amended by Resolution R-286051 07/18/1995