

Mills Act Program - Application Packet

PJR-052

Purpose

Owners of historic structures which are either located on a property within an Historic Combining District (HD) or listed as a County-designated historic structure, may be eligible for a property tax reduction. State law authorizes local jurisdictions to grant property tax reductions (typically 50%) when a property owner enters into a Historical Property Preservation Agreement (Agreement) to use those tax savings to maintain, restore or repair historic structures. Sonoma County's two-year pilot program allows ten properties annually to enter into the Sonoma County Mills Act Program on a first-come, first-served basis.

This handout includes the required application forms, submittal requirements and worksheets to aid prospective applicants in determining if this program would benefit the preservation of their historic property.

The key component of the program is a legally binding ten year Agreement between the County and the property owner which requires the owner to spend tax savings to complete proposed improvements.

Procedure

NOTE: Applications must be submitted between September 19 and October 17, 2006 for tax reductions in the Year 2007; or between January 1 and April 15, 2007 for tax reductions in the Year 2008. See attached Timeline.

The applicant submits a complete Planning Application (PJR-001) to a planner at the Permit and Resource Management Department (PRMD) zoning cubicle. The required materials include worksheets to estimate tax savings and to list proposed historical improvements which equal or exceed estimated tax savings. The application is assigned to a planner who will verify that the property qualifies for the program.

The first ten complete and qualifying applications can be processed each year. Two public meetings are held: Landmarks Commission will meet to make a recommendation to the Board of Supervisors who will act on the application. Approvals will be based upon a review of the historical appropriateness of the proposed improvements. Improvements must be in accordance with the Secretary of the Interior's Standards for Rehabilitation of Historic Properties.

The Agreement must be signed and recorded by the end of the application submittal year in order for taxes to be recalculated for reductions the subsequent year. Approved Agreements are automatically renewed each year for one additional year, until the owner files a "Notice of Non-Renewal" which triggers cancellation of the Agreement after the remaining term of the Agreement (approximately ten years). After tax savings are received, property owners are required to verify use of the funds in accordance with the terms of the Agreement.

Required Application Materials

The following items are required in the application. Incomplete applications will not be accepted.

1. **Completed application (PJR-001)** signed by the applicant and all property owners.
2. **Location/vicinity map.** One 8-1/2" x 11" location/vicinity map (locator map or roadmap) showing where the project is located in relation to nearby lots, streets, highways and/or major natural features.

Sonoma County Permit and Resource Management Department

2550 Ventura Avenue ❖ Santa Rosa, CA ❖ 95403-2829 ❖ (707) 565-1900 ❖ Fax (707) 565-1103

3. **Assessor's parcel map.** One 8-1/2" x 11" copy of the current Assessor's Parcel Map with the project site shown. Maps may be obtained from the County Assessor's Office or PRMD.
4. **Proposal statement.** A brief letter summarizing how the structure qualifies for the program, the estimated tax savings, and the historical improvements proposed. Include a statement of how the property is threatened by deterioration and how property tax reductions are necessary to accomplish historical preservation or rehabilitation.
5. **Site plan.** One 8-1/2" x 11" site plan for reproduction purposes. All plans must be legible and drawn to scale. Site plans must include the following:
 - Name, address and telephone number of property owner.
 - Scale, north arrow, and dimensions of all property lines. For larger parcels, a vicinity map may be used to depict the entire property.
 - Location and identification of all existing and proposed buildings, structures, etc., including their dimensions and distances to property lines.
 - Location and dimensions of all parking areas and driveways from adjacent roadways.
6. **Photographs.** A complete and current (less than one month) documentation of the interior/exterior of the qualifying historic structure and its surroundings looking to the east, west, north and south. Label each photo with Assessor's Parcel Numbers and brief description.
7. **Floor plans.** An 8-1/2" x 11" floor plan of qualifying structure. Label/dimension rooms.
8. **Historic Property Tax Adjustment Worksheet** (included in this packet).
9. **Mills Act Program Rehabilitation /Restoration Plan** (included in this packet).
10. **Indemnification Agreement** (PJR-011).
11. **Grant deed and legal description** of property identifying all current property owners.
12. **Filing fee.** See current PRMD Project Review fee schedule. Fees are adjusted annually. Mills Act Program application fees are "At-Cost" fees. All staff time will be recorded and paid by the applicant/owner. To submit the application, a \$300 non-refundable deposit is required. The total fees which will be due prior to recording the Agreement are estimated at \$3,000. These fees are one-time only and only time actually expended on the project will be billed.

Additional Forms Needed for Application

1. Planning Application (PJR-001)
4. Indemnification Agreement (PJR-011)

Mills Act Program Tax Adjustment Worksheet

Property Address/APN: _____

Step 1: Determine Annual Income of Property

Annual Property Income	Current	Explanation
1. Monthly Rental Income		<i>Even if property is owner-occupied, an estimated current market monthly rental income is needed as a basis for this worksheet formula. Remember to include all potential sources of income.</i>
2. Annual Rental Income		<i>Line item #1 x 12 months</i>

Step 2: Calculate Annual Operating Expenses

Annual Operating Income	Current	Explanation
3. Insurance		<i>Property Insurance: fire, liability, etc.</i>
4. Utilities		<i>Water, gas, electric. (No cable or dish.)</i>
5. Maintenance (Normal property maintenance, not deferred maintenance.)		<i>Normal maintenance includes: Painting, plumbing, electrical, gardening, cleaning, mechanical, heating or structural repairs. Provide detail on a separate sheet.</i>
6. Management		<i>If the property is not owner-occupied, estimate 5% of the gross rent.</i>
7. Other operating expenses		<i>Security, services, etc. Provide detail on a separate sheet. Operating expenses do not include mortgage payments, property taxes, or depreciation.</i>
8. Total Expenses		<i>Add lines 3 through 7.</i>

Step 3: Determine Annual Net Income

Net Operating Income	Current	Explanation
9. Net Total		<i>Line 2 minus line 8</i>

NOTE: If you are calculating for commercial or income property, remember to provide the following back-up documentation where applicable:

1. *Rent roll. Include rent for on-site manager's unit as income if applicable.*
2. *Maintenance records. Provide detailed on a separate sheet. All costs should be recurring annually.*
3. *Management expenses. Include expense of on-site manager's unit, or use a 5% off site management fee. Describe other management costs. Provide detail on a separate sheet.*

Step 4: Determine Capitalization Rate

Capitalization Rate	Current	Explanation
10. Interest Component (Published late August. May vary slightly prior to recording date.)	6.5%	<i>As determined by the State Board of Equalization for 2006.</i>
11. Historic Property Risk Component		<i>Single family home = 4% All other property = 2%</i>
12. Property Tax Component	1%	<i>.01 times the assessment ratio of 100%</i>
13. Amortization Component (Reciprocal of life of property)	1.67%	<i>Typical single family use is 60 years, 1/60 = .0167.</i>
14. Total = Capitalization Rate		<i>Add lines 10 through 13</i>

Step 5: Calculate New Assessed Value

New Assessed Value	Current	Explanation
15. Mills Act Value Plus Non Mills Act Assessed Values (typically includes land in excess of 2 acres).		<i>Line 9 divided by line 14 From current tax bill or assessor's breakout x 1.02% (Williamson Act properties may vary each year.)</i>

Step 6: Determine Estimated Tax Reduction

New Tax Assessment	Current	Explanation
16. Current tax		<i>General tax levy only. Do not include voted indebtedness or direct assessments.</i>
17. Tax under Mills Act		<i>Line 15 x .01</i>
18. Estimated Tax Reduction		<i>Line 16 minus line 17</i>

PLEASE NOTE: This calculation is only an estimate. The Assessor's Office reserves the right to calculate the Mills Act value based on current market dates and their professional appraisal experience.

Mills Act Program Rehabilitation/Restoration Plan

This form is used to document the proposed rehabilitation, restoration and maintenance plan and will be attached to the recorded Historical Property Preservation Agreement. If additional space is needed, note "see attached" and submit additional sheets. The proposed plan may include both interior or exterior work, and must utilize all of the estimated tax savings. Refer to "List of Appropriate Improvements". This plan will be reviewed by the Landmarks Commission for comment on historical appropriateness prior to the Board of Supervisors approval of the application. All projects that affect the exterior of the structure will be subject to subsequent Landmarks Commission approval before actual work begins. Work must meet all County requirements and the Secretary of the Interior's Standards for Rehabilitation of Historic Structures. Retain copies of all receipts and permits for submittal with the required annual report. After Agreement recordation, the plan may be updated as approved by the Landmarks Commission or to reflect improvements beyond the scope of this initial ten year Agreement term.

Year	Proposed Project	Estimated Cost
1 (20____)		
2 (20____)		
3 (20____)		
4 (20____)		
5 (20____)		
6 (20____)		
7 (20____)		
8 (20____)		
9 (20____)		
10 (20____)		
10 year total costs		

Mills Act Program

List of Appropriate Improvements

Projects may include but are not limited to:

Access modifications - exterior & interior
Accessory structure repair or replacement
Annual maintenance & repairs
Appliance vent
Architectural - remove non-historic feature & restore to original
Architectural trim - repair, replace, new
Balcony/deck - new railings, repair, replace
Basement - new, repair, replace to code
Cabinetry- repair, new ,bathroom, kitchen, other
Carpentry - remove window & reframe, shower including siding/caulking
Chimney - inspect, clean, new, rebuild, repair
Code repair item
Column - replace or rebuild
Corbels/structural brackets replace or repair
Door - repair, replace, hardware
Drainage - protection, correction
Dry-rot removal, repair, replace
Electrical - rewire, install new outlets
Electrical - complete rewire and service upgrade
Electrical - ground & service entry
Electrical - install new circuits
Electrical - lighting fixtures
Electrical - new service lines to garage
Electrical - security lighting and alarm
Electrical - new outlets
Fence - repair or new
Flashing
Floor furnace - remove or restore
Flooring - carpet, wood, repair, replacement
Foundation - seismic work, new, repair
Gable or attic - rescreening
Garage door
Gutters & downspouts
House relocation
HVAC - complete new system
HVAC maintenance & replacement
Insulation - walls, attic
Interior trim - refinish
Kitchen - new counters
Masonry - new, repair/replace tile hearth, repoint
Mechanical - air conditions, heating unit
Mechanical - ventilation - new kitchen/bath fans
Mechanical venting & duct work
Painting - exterior, interior, trim
Painting - removal of lead based paint
Patio - repair
Plastering - remove, replace, refinish
Plumbing - drain, waste & vent
Plumbing - fixtures
Plumbing - install new supply lines
Plumbing - install sump pump & discharge drain
Plumbing - minor repairs
Plumbing - new supply
Plumbing - service lines
Plumbing - sewer
Plumbing - repairs
Porch - rebuild, replace, resurface
Porch - repoint brick
Porch railing - repair or replace to Code
Remove substandard construction
Repair eaves and/or overhangs
Repair exterior stucco
Repair Garage
Replace non-historic feature
Roof - minor repair
Roof - reroof
Roof - strip and install new
Security lighting and alarm system
Seismic retrofitting - other than foundation
Siding - remove asbestos siding & restore
Siding - repair
Skylights - replace
Stonework
Stoop - repair, replacement
Structural - new framing or repairs
Structural bracing
Structural modifications
Structural repair - roof and/or ceiling joists
Termite Treatment and repair
Utility Enclosure - new
Ventilation - attic fan
Waterproofing
Weatherproofing
Window - screens, hardware, repair, replacement in kind

Mills Act Program Property Owner Annual Report

The Sonoma County Mills Act program requires self-reporting to verify compliance with a Historical Property Preservation Agreement and associated Rehabilitation/Restoration Plan. Important: Attach copies of photos, receipts, and/or permits to this form for documentation each year. Return form by December 30th to Landmarks Commission Staff, Permit and Resource Management Department, 2550 Ventura Ave., Santa Rosa CA, 95403.

Property Address/APN: _____ Date: _____

What was your project?

What was the cost of the project (s)? _____

What were your tax savings this year? _____

Based on the results of this project would you like to revise your Ten Year Plan? Yes No

If so, how? _____

Comments/Suggestions:

Name: _____ Signature: _____

RESOLUTION NO. 06-0243 _____

DATED: March 21, 2006 _____

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SONOMA, STATE OF CALIFORNIA, ESTABLISHING A PILOT MILLS ACT PROGRAM TO IMPLEMENT THE MILLS ACT (GOVERNMENT CODE SECTION 50280 ET SEQ.) IN THE UNINCORPORATED AREA OF THE COUNTY ON A TRIAL BASIS FROM JULY 1, 2006, THROUGH DECEMBER 31, 2007

RESOLVED, by the Board of Supervisors (“the Board”) of the County of Sonoma (“the County”), that:

A. Pursuant to Government Code section 50280 et seq. (“the Mills Act”), the Board may establish a program providing for a historical property preservation agreement (“preservation agreement”) with an owner of a historic property for the purpose of preservation, rehabilitation, and maintenance of a designated historic resource in accordance with the United States Secretary of the Interior’s Standards for Rehabilitation, the State Historical Building Code, and applicable County codes (“Mills Act program”). The preservation agreement allows the owner to receive a reduction in property taxes in exchange for the property owner’s commitment to specific repair, restoration, and/or rehabilitation improvements and satisfactory maintenance of the historic property.

B. The County is dedicated to preserving historic resources in the unincorporated area of the county. As a matter of public policy, the identification, designation, preservation, enhancement, perpetuation and use of improvements, buildings and structures within the unincorporated area of the county that reflect special elements of the county’s cultural, historical, agricultural, architectural, artistic, educational, economic, social, or other heritage is required in the interest of the health, economic prosperity, cultural enrichment and general welfare of the people. Preservation of historic resources is an important aspect of tourism. By encouraging property owners to maintain and restore historic buildings and landscapes, the County is promoting its resources and supporting the local economy. Preservation agreements would have beneficial effects on residential neighborhoods, businesses, community pride, and regional image.

C. The Sonoma County General Plan Open Space Element sets forth policies intended to preserve the historical resources which represent the ethnic, cultural, and economic groups that have lived and worked in the county. These policies include designating the Landmarks Commission to administer a preservation program for stabilization, rehabilitation, and restoration of historic structures. A Mills Act program would provide property tax reductions to property owners in agreement that such reductions would be invested in the preservation and rehabilitation of qualified historic properties.

D. The County has established procedures to identify and designate historic resources in the unincorporated area of the county. The Historic Combining District of the Sonoma County Zoning Code (Chapter 26, Article 68) is intended to protect those structures, sites and areas that are remainders of past eras, events and persons important in local, state or national history. Properties within a Historic Combining District would be eligible to participate in a Mills Act program, and the preservation and rehabilitation of eligible properties would enhance the character of Historic Combining Districts.

E. The County has established a Landmarks Commission whose duties include actively promoting State and Federal benefits that are available to owners of historic buildings. Preservation agreements are such a benefit.

F. The Board considered the establishment of a Mills Act program for the unincorporated area of the county on August 10, 2004, and gave direction to staff to prepare a program for the Board's consideration.

G. The Permit and Resource Management Department ("PRMD") prepared a staff memorandum to the Board ("the PRMD Staff Memorandum") on a pilot Mills Act program and accompanying administrative processing fee for the Board's consideration on March 21, 2006. In the staff memorandum, PRMD recommended that the authority for implementing the application process, review procedures, and preservation agreements be delegated to the Director of PRMD, with review by County Counsel. PRMD further recommended that the administrative processing fee be an "at cost" fee.

H. The Board conducted a duly noticed public hearing on the administrative processing fee on March 21, 2006. At the hearing, the Board heard and received all relevant oral and written testimony and evidence presented or filed regarding the proposed fee, and all interested persons were given the opportunity to hear and be heard.

NOW, THEREFORE, the Board hereby resolves and orders as follows:

1. A pilot Mills Act program is hereby established to implement the Mills Act in

the unincorporated area of county on a trial basis (“the pilot Mills Act Program”). The pilot Mills Act Program shall go into effect on July 1, 2006, and shall continue in effect until December 31, 2007. No new applications for preservation agreements shall be accepted after December 31, 2007, unless a permanent Mills Act program is established to supersede the pilot Mills Act Program. If a permanent Mills Act program is not established, preservation agreements recorded prior to December 31, 2007, shall continue in effect unless terminated or cancelled in accordance with the Mills Act.

2. To limit the fiscal impact of the pilot Mills Act Program on the County, the County shall not enter into or execute more than 10 preservation agreements per calendar year on average during the term of the pilot Mills Act Program. Preservation agreements for properties under an existing Williamson Act contract or for non-historically significant land and/or improvements shall be limited to 5 of the 10 preservation agreements per calendar year. No more than 20 preservation agreements shall be entered into and recorded during the term of the pilot Mills Act Program unless the Board establishes a permanent Mills Act program. Applications for preservation agreements shall be processed on a first-come, first-served basis available to the first 10 qualifying, completed applications received in a calendar year. If less than 10 preservation agreements are recorded during the first calendar year, the remainder less than 10 may be rolled over to the second calendar year for a total of 20 for the term of the pilot Mills Act Program.

3. The Board hereby delegates to the Director of PRMD or his or her designee, with review by County Counsel, the authority and responsibility to develop and maintain an application, administrative guidelines, and form of preservation agreement for properties seeking qualification and participation in the pilot Mills Act Program. The terms of the preservation agreement shall comply with Government Code section 50280 et seq. The maintenance, repair, rehabilitation, and/or restoration standards applicable to the subject property shall be set forth in the preservation agreement. In consideration for abiding with the terms of the preservation agreement, the owner of the subject property shall be entitled to qualify for a reassessment of the historic property pursuant to Revenue and Taxation Code section 439 et seq.

4. The Board hereby delegates to the Landmarks Commission the authority and responsibility to review and make recommendations to the Board on the historical appropriateness of the proposed use of funds on applications submitted pursuant to the Mills Act Program. The Board shall be the final authority on the authorization and approval of preservation agreements pursuant to the pilot Mills Act Program.

5. The Board shall establish a schedule of fees for the processing of applications for preservation agreements and other matters required by the pilot Mills Act Program.

6. A “qualified historic property” for the purposes of the pilot Mills Act Program shall be a residential or commercial property that is:

- (a) Located in the unincorporated area of the county;
- (b) Privately owned;
- (c) Not exempt from property taxation; and

(d) Individually listed on the County’s Landmarks Inventory, or is a qualifying structure within a property zoned Historic Combining District.

7. The Board hereby finds and determines that there will be no significant adverse environmental impacts resulting from the pilot Mills Act program, and that the pilot Mills Act Program is categorically exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines section 15331 in that it allows for property tax reductions to facilitate the preservation and maintenance of existing historical resources; and is also exempt from review under State CEQA Guidelines Section 15378(b) (4) in that the implementation of the pilot Mills Act Program is a creation of a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The Board certifies that this finding and determination reflects the independent judgement of the Board.

8. The Clerk of the Board of Supervisors is designated as the custodian of the documents and other materials that constitute the record of the proceedings upon which the Board’s decision herein is based. These documents may be found at the office of the Clerk of the Board of Supervisors, 575 Administration Drive, Room 100A, Santa Rosa, CA 95403.

SUPERVISORS:

BROWN Aye **KERNS** Absent **SMITH** Aye **REILLY** Aye **KELLEY** Aye

AYES 4 **NOES** **ABSTAIN** **ABSENT** 1

SO ORDERED.