

10. 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 ()



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.

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. _____

On the motion of Supervisor _____
duly seconded by Supervisor _____
the following Resolution is adopted:

**A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY
OF SANTA CRUZ ESTABLISHING THE COUNTY’S PARTICIPATION IN
THE MILLS ACT PROPERTY TAX ABATEMENT PROGRAM**

WHEREAS, the Board of Supervisors hereby finds that the protection, enhancement, perpetuation and use of structures, districts, lands, and neighborhoods of historic, architectural, and engineering significance, located within the County of Santa Cruz, are of cultural, economic, and aesthetic benefit to the community; and

WHEREAS, the County of Santa Cruz 2024 General Plans [2024 General Plan Implementation Strategy ARC-8.2i] directs the County to consider adopting the Mills Act to grant property tax subsidies to recognized historic structures to encourage their rehabilitation and maintenance; and

WHEREAS, on December 17, 2024, the Board of Supervisors directed the Community Development and Infrastructure Department (CDI) to develop a local Mills Act program; and

WHEREAS, the Historic Resources Commission met on February 10, 2025, to consider the Mills Act and submitted their recommendations to the Board of Supervisor contained herein; and

WHEREAS, the Mills Act Property Tax Abatement Program will apply to historic resources identified in the County’s adopted Historic Inventory and limited to those designated as National Register (NR) NR-1, NR-2, NR-3, and NR-4; and

WHEREAS, the County of Santa Cruz has chosen to participate in and support the Mills Act Property Tax Abatement Program according to California Constitution Article XIII, Section 8 and California Government Code, Article 12, Sections 50280-50290 and California Revenue and Taxation Code Sections 439-439.4; and

WHEREAS, to control the financial impact to the County, the Mills Act Property Tax Abatement Program will be limited to 20 total contracts; and

WHEREAS, the Board of Supervisors finds that participating in the Mills Act Property Tax Abatement Program is consistent with the County of Santa Cruz Historic Preservation Code Chapter 16.42, and the General Plan Agriculture, Natural Resources and Conservation Element Implementation Strategy ARC-8.2i, that reads, “Consider adoption of the Mills Act, to grant local property tax subsidies to recognized historic structures to encourage rehabilitation”; and

WHEREAS, the Program is exempt from CEQA based on CEQA Guidelines Section 15308, *Actions by Regulatory Agencies for Protection of the Environment – Class 8.*

Class 8 consists of actions taken by regulatory agencies, as authorized by state or local ordinance, to assure the maintenance, restoration, enhancement, or protection of the environment where the regulatory process involves procedures for protection of the environment. Construction activities and relaxation of standards allowing environmental degradation are not included in this exemption; and

WHEREAS, the Program is exempt from CEQA based on CEQA Guidelines Section 15331, *Historical Resources Restoration / Rehabilitation – Class 31.*

Class 31 consists of 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 (1995), Weeks and Grimmer; and

WHEREAS, the Program is exempt from CEQA based on CEQA Guidelines Section 15061(b)(3), which states,

The activity is covered by the common-sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors hereby:

1. Incorporates the foregoing Recitals as findings as though set forth within the body of this Resolution.
2. Directs staff to adopt standard protocols implementing the Mills Act Property Tax Abatement Program to include: (1) the Mills Act Contract, (2) Mills Act application form, and (3) County Assessor's Office protocols;
3. Makes the Mills Act Property Tax Abatement Program available to the historic properties ranked NR-1 thru NR-4, as listed in the County's approved Historic Inventory.
4. Limits the total number of contracts to 20.
5. Limits the Mills Act Property Tax Abatement Program to residential buildings with a value of \$3,000,000 or less.
6. Limits the Mills Act Property Tax Abatement Program to commercial buildings with a value of \$5,000,000 or less.

7. Finds and determines that the proposed Mills Act Property Tax Abatement Program is consistent and compatible with and will not frustrate the objectives, policies, general land uses, and programs specified in the Santa Cruz County General Plan and all components of the Local Coastal Program.
8. Finds and determines that the proposed Mills Act Property Tax Abatement Program is consistent with the Coastal Act and its goals and policies, including the protection of the overall quality of the coastal zone environment and its natural and artificial resources.
9. Directs staff to record a CEQA Notice of Exemption with the County Clerk and the state per CEQA Guidelines Section 15062(c).
10. Directs staff to evaluate the Mills Act Property Tax Abatement Program every year for the first three years of the program, and every five years thereafter, to verify efficacy of the program and to determine if changes to the Mills Act Property Tax Abatement Program are warranted.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 20th day of May, 2025, by the following vote:

AYES: SUPERVISORS:
NOES: SUPERVISORS:
ABSENT: SUPERVISORS:
ABSTAIN: SUPERVISORS:

Chair, Board of Supervisors

ATTEST: _____
Clerk of the Board

APPROVED AS TO FORM:

Signed by:

D52DC6AA0E74498...

ASSISTANT COUNTY COUNSEL

cc: County Counsel
 Community Development & Infrastructure Department

Certificate Of Completion

Envelope Id: 09119155-4040-468E-8EC2-B63CC7E3F6EF		Status: Completed
Subject: Complete with Docusign: 2025.4.23 Mills Act RESOLUTION.FINAL.V2.docx		
Source Envelope:		
Document Pages: 3	Signatures: 1	Envelope Originator:
Certificate Pages: 4	Initials: 0	Matthew Sundt
AutoNav: Enabled		701 Ocean Street
Envelopeld Stamping: Enabled		Santa Cruz, CA 95060
Time Zone: (UTC-08:00) Pacific Time (US & Canada)		Matthew.Sundt@santacruzcountyca.gov
		IP Address: 63.194.190.100

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Signer Events	Signature	Timestamp
Natalie Kirkish	Signed by: D52DC6AA0E74498...	Sent: 4/23/2025 5:38:40 PM
Natalie.Kirkish@santacruzcountyca.gov		Viewed: 4/24/2025 8:41:04 AM
County Counsel		Signed: 4/24/2025 8:41:27 AM
Security Level: Email, Account Authentication (None)	Signature Adoption: Pre-selected Style	
	Using IP Address: 98.51.47.121	

Electronic Record and Signature Disclosure:
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ID: b763e46b-8c75-436f-b147-3f5717480ab2

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	4/23/2025 5:38:40 PM
Certified Delivered	Security Checked	4/24/2025 8:41:04 AM
Signing Complete	Security Checked	4/24/2025 8:41:27 AM
Completed	Security Checked	4/24/2025 8:41:27 AM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, County of Santa Cruz (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact County of Santa Cruz:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: nada.algharib@santacruzcounty.us

To advise County of Santa Cruz of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at nada.algharib@santacruzcounty.us and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

To request paper copies from County of Santa Cruz

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to nada.algharib@santacruzcounty.us and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with County of Santa Cruz

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an email to nada.algharib@santacruzcounty.us and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

By selecting the check-box next to 'I agree to use electronic records and signatures', you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify County of Santa Cruz as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by County of Santa Cruz during the course of your relationship with County of Santa Cruz.



County of Santa Cruz
Department of Community Development and Infrastructure
701 Ocean Street, Fourth Floor, Santa Cruz, CA 95060
Planning (831) 454-2580 Public Works (831) 454-2160
sccoplanning.com dpw.co.santa-cruz.ca.us

NOTICE OF EXEMPTION

To: Clerk of the Board
Attn: Juliette Rezzato
701 Ocean Street, Room 500
Santa Cruz, CA 95060

Project Name: Mills Act Property Program

Project Location: Countywide

Assessor Parcel No.: N/A

Project Applicant: County of Santa Cruz

Project Description: The Mills Act Program allows the County to enter into contracts with owners of properties designated NR-1, NR-2, NR-3, and NR-4 that would allow property owner tax relief in exchange for maintaining their historic character per the standards of the Secretary of the Interior.

Agency Approving Project: County of Santa Cruz

County Contact: Mark Connolly

Telephone No. (831) 454-2682

Date Completed: 4/24/25

This is to advise that the County of Santa Cruz Board of Supervisors has approved the above described project on _____ (date) and found the project to be exempt from CEQA under the following criteria:

Exempt status: (*check one*)

- ☐ The proposed activity is not a project under CEQA Guidelines Section 15378.
- ☐ The proposed activity is not subject to CEQA as specified under CEQA Guidelines Section 15060 (c).
- ☒ The proposed activity is exempt from CEQA as specified under CEQA Guidelines Section 15061(b)(3).
- ☐ **Ministerial Project** involving only the use of fixed standards or objective measurements without personal judgment.
- ☐ **Statutory Exemption** other than a Ministerial Project (CEQA Guidelines Section 15260 to 15285).

Specify type:

- ☐ **Categorical Exemption**
 - CEQA Guidelines Section 15308, *Actions by Regulatory Agencies for Protection of the Environment – Class 8.*
 - CEQA Guidelines Section 15331, *Historical Resources Restoration / Rehabilitation – Class 31.*

Reasons why the project is exempt:

Class 8 consists of actions taken by regulatory agencies, as authorized by state or local ordinance, to assure the maintenance, restoration, enhancement, or protection of the environment where the regulatory process involves procedures for protection of the environment. Implementing the Mills Act will allow the County to preserve historic buildings.

Class 31 consists of 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. Implementing the Mills Act will encourage property owners of historic buildings to conduct activities defined by Class 31.

In addition, the common sense exemption applies as passage of this ordinance would not have reasonably foreseeable impacts on the environment.

Signature: _____

Date: _____

Title: Environmental Coordinator

**RECORDING REQUESTED BY
COUNTY OF SANTA CRUZ**

AND WHEN RECORDED MAIL TO

County of Santa Cruz
Attn: Planning Dept.
701 Ocean Street
Santa Cruz, CA 95060

This space reserved for the Recorder's use

**COUNTY OF SANTA CRUZ
MILLS ACT HISTORIC PROPERTY PRESERVATION CONTRACT**

THIS AGREEMENT is made and entered by and between the **COUNTY OF SANTA CRUZ**, a municipal corporation (hereinafter referred to as "County"), and **PROPERTY OWNER** (hereinafter referred to as "Owner").

RECITALS

Whereas, California Government Code Section 50280, et seq. (known as the Mills Act) authorizes counties and cities to enter into contracts with the owners of qualified historic properties to provide for their appropriate use, maintenance and restoration such that these historic properties retain their historic characteristics;

Whereas, The Owner possesses fee title in and to that certain real property, together with associated structures and improvements thereon, located at ADDRESS (APN: XXX-XXX-XXX), _____, California, (hereinafter referred to as the "Historic Property"). A legal description of the Historic Property is attached hereto, marked as "**Exhibit A**" and is incorporated herein by reference;

Whereas, The property is identified as a historic resource on the County of Santa Cruz' Historic Inventory and is further described in the DPR 523A Form attached hereto, marked as "**Exhibit B**" and is incorporated herein by reference, [add additional information here if there is an update to the DPR Form, or other information heretofore not available];

Whereas, County and Owner, for their mutual benefit, now desire to enter into this Agreement both to protect and preserve the characteristics of historical significance of the Historic Property, as it exists at the date of this contract and as described in the County's Historic Inventory and, or the National Register of Historic Places, and to qualify the Historic Property for an assessment of valuation pursuant to the provisions of 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 Board of Supervisors authorized execution and recordation of this Agreement.

NOW, THEREFORE, County and Owner, in consideration of the mutual covenants and conditions contained herein, do hereby agree as follows:

1. **INCORPORATION OF RECITALS.** All recitals are incorporated into this Agreement.
2. **EFFECTIVE DATE AND TERM.** This Agreement shall be effective and commence on the date the Agreement is signed by the County, unless otherwise indicated by the County of Santa Cruz, and shall remain in effect for a minimum term of ten (10) years thereafter.
3. **AUTOMATIC RENEWAL.** Each year, upon the anniversary of the effective date of this Agreement (hereinafter referred to as “annual renewal date”), one (1) year shall be added automatically to the term of this Agreement, unless timely notice of nonrenewal is given as provided in paragraph 4 of this Agreement.
4. **NOTICE OF NONRENEWAL.** If County or Owner desires in any year not to renew this Agreement, that party shall serve written notice of nonrenewal in advance of the annual renewal date of this Agreement as follows: Owner must serve written notice of nonrenewal at least ninety (90) days prior to the annual renewal date; County must serve written notice of the nonrenewal at least sixty (60) days prior to the annual renewal date. If notice is not received, the Agreement shall automatically be renewed for another year. Upon receipt by Owner of a notice of nonrenewal from the County, Owner may make a written protest. At any time prior to the annual renewal date, County may withdraw its notice of nonrenewal.
5. **EFFECT OF NOTICE OF NONRENEWAL.** If either County or Owner serves timely notice of nonrenewal in any year, and this contract is not renewed, this Agreement shall remain in effect for the balance of the period remaining since the original execution or the last annual renewal date.
6. **FEES.** The County may require that the Owner(s) of the Historic Property pay a fee that shall not exceed the reasonable cost of providing services, such as inspections, pursuant to Government Code Section 50281.1 (Article 12 of Chapter 1 of Part 1 of Division 1 of Title 5 of the Government Code), for which the fee is charged.
7. **VALUATION OF PROPERTY.** During the term of this Agreement, Owner is entitled to seek assessment of valuation of the Historic Property pursuant to the provisions of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code.
8. **PRESERVATION OF PROPERTY.** Owner shall preserve and maintain the characteristics of historical significance of the Historic Property and shall complete rehabilitation and/or maintenance activities as defined in the Rehabilitation/Restoration and Maintenance Plan attached as “**Exhibit C**”. Requests for revisions to the Maintenance and Rehabilitation plan shall be reviewed by the Historic Resources

Commission prior to implementation. In addition, the Owner shall comply with the terms of the County's Historic Preservation Ordinance (SCCC 16.42). Owners shall not be permitted to further impede any view corridor with any new structure, including but not limited to walls, fences, or shrubbery, so as to prevent the viewing of the Historic Property from the public right-of-way.

9. **RESTORATION OF PROPERTY.** Owner shall, where necessary, restore and rehabilitate the Historic Property to conform to the rules and regulations of the Office of Historic Preservation of the State Department of Parks and Recreation, U. S. Secretary of the Interior's Standards for Rehabilitation, the State Historical Building Code, and the Santa Cruz County Code, all as amended.
10. **INSPECTIONS.** Owner shall allow periodic examinations, at least every five (5) years, with reasonable notice thereof, of the exterior of the Historic Property by representatives of the County of Santa Cruz Community Development and Infrastructure Department to determine Owner's compliance with the terms and provisions of this Agreement. If said Historic Property has an interior that is also subject to this Contract, then the inspection would also include the interior space. The County will coordinate inspections by such other agencies that have jurisdiction and will keep them to the minimum necessary to determinate such compliance.
11. **PROVISION OF INFORMATION.** Owner shall furnish County with any and all information required by County, in order to determine the eligibility of the Historic Property, and that County deems necessary or advisable to determine compliance with the terms and provisions of this Agreement.
12. **ANNUAL REPORT.** Owner shall submit an annual report at least 90 days prior to each annual renewal date (October 1st) to the Community Development and Infrastructure Department specifying all work that has been done to maintain and preserve the historic resource over the preceding year in compliance with the approved maintenance plan.
13. **CANCELLATION.** The County has the right to cancel the contract if the owner allows the property to deteriorate to the point that it no longer meets the standards for a qualified historical property. The County also has the right to cancel this contract if the owner(s) breaches the provisions of Paragraphs 8, 9, 10 or 12 of this Agreement after the County has provided reasonable notice of any failure to comply with the Agreement, and a public hearing. Notice of the hearing shall be mailed to the last known address of each owner of the property, with the notice conforming to the provisions of Government Code Section 6061. If, after notice and a hearing, the contract is cancelled, termination of the Agreement is immediate, and the owner shall pay a cancellation fee equal to 12.5 percent of the current fair market value of the property, as determined by the Santa Cruz County Assessor as though the property were free of the contractual restriction. The cancellation fee shall be paid to the Assessor, at the time and in the manner that the Assessor shall prescribe. County's right to cancel this Agreement pursuant to this paragraph shall in no way limit or restrict its rights or legal remedies arising from County's Historic Preservation Ordinance and Municipal Code.

14. **ENFORCEMENT OF AGREEMENT.** In lieu of and/or in addition to any provisions to cancel this Agreement as referenced herein, County may bring an action in court to enforce the terms of this Agreement by specific performance or injunction.
15. **WAIVER.** County does not waive any claim or default by Owner if County does not enforce or cancel this Agreement. All remedies at law or in equity, which are not otherwise provided for this Agreement or in County's regulations governing historic properties are available to County to pursue in the event there is a breach of this Agreement. No waiver by County of any breach or default under this Agreement shall be deemed to be a waiver of any other subsequent breach thereof or default hereunder.
16. **BINDING EFFECT OF AGREEMENT.** Owner hereby subjects the Historic Property to the covenants, reservations and restrictions set forth in this Agreement. County and Owner hereby declare their specific intent that the covenants, reservations, and restrictions as set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon Owner's successors and assigns in title or interest to the Historic Property. A successor in interest shall have the same rights and obligations under this Agreement as the original owner who executed the Agreement. Each and every contract, deed or other instrument hereinafter executed, governing or conveying the Historic Property, or any portion thereof, shall conclusively be held to have been executed, delivered and accepted subject to the covenants, reservations and restrictions expressed in this Agreement regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument. County and Owner hereby declare their understanding and intent that the burden of the covenants, reservations and restrictions set forth herein touch and concern the land in that it restricts development of the Historic Property. County and Owner hereby further declare their understanding and intent that the benefit of such covenants, reservations and restrictions touch and concern the land by enhancing and maintaining the cultural and historic characteristics and significance of the Historic Property for the benefit of the public and Owner.
17. **NOTICE.** Any notice required to be given by the terms of this Agreement shall be provided at the address of the respective parties as specified below, by personal delivery or United States mail, postage prepaid, addressed as follows:
- County: Santa Cruz
Community Development and Infrastructure Department
Attn: Assistant Director
701 Ocean Street, 4th Floor
Santa Cruz, CA 95060
- Owner: Name
Address
County, State, Zip

Notice to successors in interest to either party shall be sent to the appropriate address. In the case of future Owner(s) of the Historic Property, notice shall be sent to the address on file with the county property tax office in power at the time.

18. **RECORDATION.** No later than twenty (20) days after the parties execute and enter into this Agreement, the County shall cause this Agreement to be recorded in the Office of the County Recorder of the County of Santa Cruz. From and after the time of the recordation, this Agreement shall impart a notice thereof to all persons as is afforded under state law.
19. **STATE LAW.** The Owner or agent of Owner shall provide written notice of this Agreement to the State Office of Historic Preservation within six (6) months of the date of this Agreement.
20. **GOVERNING LAW; VENUE.** This Agreement shall be constructed and governed in accordance with the laws of the State of California. Should either party to this agreement bring legal action against the other, the case shall be handled in Santa Cruz County, California and the party prevailing in such action shall be entitled to a reasonable attorney fee which shall be fixed by the judge hearing the case and such fee shall be included in the judgment together with all costs.
21. **AMENDMENTS.** This Agreement may be amended in whole or in part, only by a written-recorded instrument executed by the parties hereto.
22. **DESTRUCTION OF PROPERTY; EMINENT DOMAIN; CANCELLATION.** If the Historic Property is destroyed by earthquake, fire, flood, or other natural disaster such that in the opinion of the County Building Official more than sixty percent (60%) of the original fabric of the structure must be preplaced, this Agreement shall be cancelled because the historic value of the structure will have been destroyed. If the Historic Property 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 Board of Supervisors to frustrate the purpose of this Agreement, this Agreement shall be cancelled. No cancellation fee pursuant to Government Code Section 50286 shall be imposed if the Agreement is cancelled pursuant to this paragraph. Such Agreement shall be null and void for all purposes of determining the value of the property so acquired.
23. **RIGHTS UPON ANNEXATION.** In the event that the Property is annexed to a city, the city shall succeed to all rights, duties, and powers of the County under this Agreement.
24. **INDEMNIFICATION.** Owner shall defend, indemnify, and hold harmless County and its elected officials, officers, agents and employees from any actual or alleged claims, demands, causes of action, liability, loss, damage, or injury to property or persons, including wrongful death, whether imposed by a court of law or by administrative action of any federal, state or local government agency, arising out of or incident to the direct or indirect use, operation, or maintenance of the Historic Property by Owner or any contractor, subcontractor, employee, agent, lessee, licensee, invitee, or any other person;

(ii) Owner's activities in connection with the Historic Property; and (iii) any restriction on the use of development of the Historic Property, from application or enforcement of the County's Codes, or from the enforcement of this Agreement. This indemnification includes, without limitation, the payment of all penalties, fines, judgments, awards, decrees, attorneys' fees, and related costs or expenses, and the reimbursement of the County, its elected officials, employees, and/or agents for all legal expenses and costs incurred by each of them. Owner's obligation to indemnify shall survive the termination, cancellation, or expiration of this Agreement and shall not be restricted to insurance proceeds, if any, received by County, its elected officials, employees, or agents.

25. **SEVERABILITY.** In the event that any of the provisions of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, or by subsequent preemptive legislation, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby.

IN WITNESS THEREOF, the County and Owners have executed this Agreement on the day and year written above.

COUNTY OF SANTA CRUZ:

By: _____

Date: _____

Name: XXXXXXXXXXXX

Title: XXXXXXXXXXXXXXXX

PROPERTY OWNER(S):

By: _____

Date: _____

Name:

Title: Property Owner

By: _____

Date: _____

Name:

Title: Property Owner

APPROVED AS TO FORM:

By: _____

County Counsel

**EXHIBIT A
LEGAL DESCRIPTION**

**EXHIBIT B
DPR 523A FORM**

**EXHIBIT C
REHABILITATION/RESTORATION AND MAINTENANCE PLAN**

DRAFT

REGULAR AGENDA

Scheduled and Regular Departmental items – 9:00 AM or thereafter

10. 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

Name: Becky Steinbruner

Comment - 05/19/2025 05:05 PM: (For)

Please pass this long-overdue incentive to help preserve historic and cultural resources in Santa Cruz County.

Name: Becky Steinbruner

Comment - 05/20/2025 08:16 AM: (For)

Dear Supervisors,

Why is the County only allowing a maximum of 20 properties, and only for those whose appraised values are less than \$3M for residential and \$5M commercial? Shouldn't all historic property owners be encouraged to preserve the cultural resources of the County?

Also, it is unclear how the property tax discounts would be determined because there is no formula provided to verify that sometimes a "Prop., 13" valuation might be better. Citations to Govt. code 439.2 is not clear information and there is no justifiable support of the Assessor's estimate of \$65,520 reduction in tax revenues for the County due to the Mills Act claims.

Would this apply to historic buildings within City boundaries or only unincorporated areas? Most of the structures listed in the National Historic Registry for the county are in Santa Cruz City limits.

I am really glad to see your Board finally taking this long-overdue action to provide incentives to historic preservation, and feel all 58 properties should be eligible.

Sincerely,

Becky Steinbruner



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.