



# City Council Memorandum

City of Arts & Innovation

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**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JUNE 7, 2022**

**FROM: OFFICE OF COUNCILMEMBER CLARISSA CERVANTES** **WARDS: ALL**

**SUBJECT: TEMPORARILY CHANGE THE CITY'S MILLS ACT PROGRAM FOR 2022 ALLOWING ALL APPLICATIONS SUBMITTED THROUGH JULY 2022 TO BE ACCEPTED, AND MODIFY THE PROGRAM MOVING FORWARD TO ALLOW APPLICATIONS TO BE ACCEPTED BETWEEN JANUARY 1 AND MAY 31 OF EACH CALENDAR YEAR AND INCREASE THE NUMBER OF APPLICATIONS ACCEPTED TO TWENTY, PROVIDED THE OVERALL AVERAGE DOES NOT EXCEED FIFTEEN**

## **ISSUE:**

Approve a temporary change the City's Mills Act Program to allow all applications submitted through July 2022 to be accepted, and modify the Program to allow applications to be accepted between January 1 and May 31 of each calendar year, and increase the number of applications accepted to twenty provided the overall average does not exceed fifteen applications.

## **RECOMMENDATIONS:**

That the City Council:

1. Via minute order, for 2022 only, allow that all applications submitted through July 2022 be accepted; and
2. Request staff prepare a resolution modifying Resolution No. 22139 to:
  - a. Allow applications to be accepted between January 1 and May 31 of each calendar year (5 months); and
  - b. Allow City Council to enter into up to fifteen agreements per calendar year, but if the number in any one year falls below fifteen, up to twenty may be awarded in any year to make up the deficiency, provided that the overall average does not exceed fifteen since implementation.

## **BACKGROUND:**

The Mills Act, enacted by the State of California in 1976, grants local governments the ability to provide property tax abatements to the owners of qualified historical properties. To receive the

property tax abatement, property owners must enter into an agreement that commits them to making capital improvements to rehabilitate, restore, preserve, or maintain their qualified historical property.

In 2004, City Council adopted Resolution No. 20825 (Attachment 1) to implement the Mills Act Program (Program) in Riverside. The Program encourages the preservation of designated historic districts and individual properties throughout the City. This, in turn, preserves property values and ensures the preservation of the City's tangible links to the past for future generations. Resolution 20825 limited the number of agreements in Riverside to seven per calendar year to limit the fiscal impact of the Program. In 2007, a lottery was held as more than seven applications were received.

In December 2010, Resolution No. 22139 (Attachment 2) revised the Program to allow flexibility in the number of agreements that the City could enter into each year. The 2010 Resolution sets an average of seven agreements per year, from inception of the Program, but limits the agreements to no more than ten in any given year.

## **DISCUSSION:**

In February 2022, the Cultural Heritage Board formed a Subcommittee to discuss potential modifications to Title 20 - Cultural Resources, including potentially expanding the Mills Act Program. An expanded Program would increase opportunities for properties to participate while protecting the historic character of the City of Riverside.

Since 2004, the City Council has approved 91 Mills Act Agreements (Agreements) for an average of 5.3 per year. The property owner of two separate properties chose not to renew the agreement for the properties and will phase out of the Program in 2022. In 2019, three properties were not compliant with the requirements of the Program and the City will phase them out of the Program meaning their property taxes will increase to full taxation by 2028.

The current Agreements not being phased out totals 86, including 81 residential properties and five commercial properties.

In the short-term, City Council would consider that for 2022 only, via minute order, the City would accept all applications submitted through July 2022 be accepted.

In the long-term, the City Council would consider a new resolution that modifies Resolution No. 22139 to allow applications to be accepted between January 1 and May 31 of each calendar year (5 months). In addition, City Council would authorize that up to fifteen Agreements be entered into per calendar year. If the number of Agreements in any one year falls below fifteen, twenty Agreements would be allowed to make up the deficiency. The average of the overall Agreements since implementation would not exceed fifteen. City Council could consider a lower number of contracts each year which would decrease the potential revenue impacts as identified in the Fiscal Impact Section.

## **STRATEGIC PLAN ALIGNMENT:**

This item contributes to **Strategic Priority 2 – Community Well Being** and **Goal 2.3 – Strengthen neighborhood identities and improve community health and the physical environment through amenities and programs that foster an increased sense of community and enhanced feelings of pride and belonging citywide.**

The item aligns with the following Cross-Cutting Threads as follows:

1. **Community Trust** – Expanding the Mills Act Program aligns with the Community Trust Cross-Cutting Thread as the annual contracts are reviewed at a public meeting by the City Council, allowing for public comment.
2. **Equity** – Expanding the Mills Act Program aligns with the Equity Cross-Cutting Thread as it is available to all historically designated properties throughout the City.
3. **Fiscal Responsibility** – Expanding the Mills Act Program aligns with the Fiscal Responsibility as it provides an opportunity for property owners to reinvest back into the community through rehabilitation of the historic property.
4. **Innovation** – Expanding the Mills Act Program aligns with the Innovation Cross-Cutting Thread as it responds to the high financial demands of historic property maintenance and helps the property owners through reduced property taxes.
5. **Sustainability & Resiliency** – Expanding the Mills Act Program aligns with the Sustainability & Resiliency Cross-Cutting Thread as it assists with the rehabilitation and maintenance of historic properties so that they can continue to contribute to the character of the City for generations to come.

## **FISCAL IMPACT:**

The Mills Act Program (Program) impacts the property tax revenue received by the City and is based on a property's assessment. The Program supports maintaining or increasing property values of historic properties as the property tax savings must be reinvested in the property per the Mills Act Agreements (Agreements).

Because staff administer and maintain the Program, the City does not incur any direct costs for administration. If the number of Agreements were to increase up to 20, staff have the capacity to administer the additional Agreements.

All applicants are required to pay a fee as established by City Council. This includes a \$404 application fee and a one-time contract administration fee of \$3,274 that covers review and oversight for the life of the Agreement. These fees are being assessed as part of the City-wide fee study update to be considered by City Council later this year.

The estimated property tax revenue impact to the City for each property included in the Program varies depending on the assessment value of the property. City tax impacts have ranged from \$25 - \$800 per property per year, based on the property assessment. The average property tax revenue impact per property to date, is \$355.

Based on the current Program (up to 10 applications), property tax revenue impacts to the City are approximately \$3,500 - \$4,000 per year. If the Program increases (up to 20 Agreements), property tax revenue impacts to the City would be approximately \$7,000 - \$8,000 per year. The property tax revenue impact of the Program is cumulative.

The tax revenue impact to the City of Riverside in fiscal year 2021-2022 is approximately \$37,120. This yearly amount will increase based on the number of Agreements added each year. A five-year projection, based on the number of Agreements, includes:

**Table 1 – Projected Yearly Fiscal Impact**

	YEARLY AMOUNT 2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Based on 10 Agreements (assumes \$3,500/year increase)	\$37,120	\$40,620	\$44,120	\$47,620	\$51,120	\$54,620
Based on 20 Agreements (assumes \$7,000/year increase)	\$37,120	\$44,120	\$51,120	\$58,120	\$65,120	\$72,120

Since its inception, the fiscal impact of the Mills Act Program is approximately \$228,282.04 (for all 86 properties). The potential cumulative impact, based on the number of Agreements each year, could include:

**Table 2 – Projected Cumulative Fiscal Impact**

	CUMULATIVE AMOUNT Up to 2021-2022	Up to 2022-2023	Up to 2023-2024	Up to 2024-2025	Up to 2025-2026	Up to 2026-2027
Based on 10 Agreements	\$228,282	\$268,902	\$313,022	\$360,642	\$411,762	\$466,382
Based on 20 Agreements	\$228,282	\$272,402	\$323,522	\$381,642	\$446,762	\$518,882
Difference	\$0	\$3,500	\$10,500	\$21,000	\$35,000	\$62,500

Submitted by:

  
 Clarissa Cervantes, Councilmember  
 Ward 2

Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Resolution No. 20825
2. Resolution No. 22139