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CITY PLANNING**

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September 11, 2017

The Honorable City Council
City of Los Angeles
200 N. Spring Street, Room 395
Los Angeles, California 90012

Dear Honorable Members:

2017 MILLS ACT HISTORICAL PROPERTY CONTRACTS

Pursuant to Los Angeles Administrative Code Chapter 14 (Approval of Historical Property Contracts), authorization for the Director of Planning to execute 25 Historical Property Contracts is hereby requested. The contracts are pro-forma and vary only to the extent that each contract represents a different property. Each property owner has entered into this agreement voluntarily and submitted the City's standard form of Historical Property Contract. The standard contract has been approved as to form and legality by the City Attorney.

As required under provisions of Ordinance No. 172,857 implementing State Government Code Sections 50280 et seq., commonly known as the "Mills Act", the Department of City Planning has verified the following:

1. That the properties subject to the contract are either designated as Historic-Cultural Monuments or Contributing Structures to an Historic Preservation Overlay Zone, and;
2. Engaging in these contracts will not cause the City's lost property tax revenue from the Historical Property Contracts program in aggregate to exceed \$2 million annually.
3. The applicants have submitted a rehabilitation/maintenance/preservation scope of work for the property.

The Mills Act Historical Property Contracts program is the State's leading financial incentive for historic preservation projects. Enabling legislation was approved by the state legislature in 1974. It allows local jurisdictions to enter into contracts with owners of qualified historical properties for their preservation, maintenance and rehabilitation. The property is assessed on an income basis rather than market value. The result is property tax abatement. The program is designed to assist under-utilized and under-valued properties. The City of Los Angeles adopted the Mills Act in 1996 and the first year of contracts began in 1997. To date, 870 properties have entered the program in the City.

The Mills Act Ordinance governs limitations on historical property contracts. These include requirements that eligible single-family properties are to be limited to a pre-contract assessed value of \$1,500,000; and that commercial properties are limited to a pre-contract assessed value of \$3,000,000 unless the Cultural Heritage Commission grants an exemption from these caps. The criteria for granting the exemption are 1) that the exemption will assist in the preservation of a structure (including unusual and/or excessive maintenance requirements) that would otherwise be in danger of demolition, substantial alteration or relocation; 2) the structure is an exceptional Historic-Cultural Monument or a Contributing Structure to an HPOZ; and 3) granting the exemption will not cause the annual cumulative loss of property tax revenue to the City to exceed \$2,000,000. Pursuant to Administrative Code Section 19.142, four applications for exemptions to these limitations were received by the Department. On August 17, 2017, the Commission reviewed the exemption cases and determined that all four properties met the exemption criteria. All properties have been qualified under priority consideration criteria established in the ordinance for investment, necessity, and uniqueness and are subject to final inspection to verify existing conditions on the property.

Program Summary

Existing contracts in program:	870
Pending 2017 applications (new contracts):	25

Estimated Mills Act fiscal impact for 2017-18

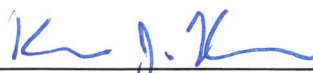
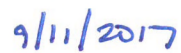
Current tax revenue loss to City:	\$1,306,766
Estimated impact of the new contracts:	\$37,106
Cumulative impact of existing and new contracts:	\$1,343,872
Estimated total tax revenue loss (all agencies):	\$12,541,804
Percentage of annual cap committed:	67.5%
Percentage of annual cap available:	32.5%

The City's share of the general levy property tax collected by the County Assessor for FY 2017-18 (1.02% of property value) is 0.107151415, or 10.7%. It is the intent of the City Council that unrealized City revenue from the loss of property taxes not collected due to executed Historical Property Contracts shall not exceed \$2,000,000 annually. The current total revenue loss projection for 2017-18 would put the program at 67.5% capacity.

If there are any questions, please contact Ken Bernstein at (213) 978-1181 or Lambert Giessinger at (213) 978-1183.

Sincerely,

VINCENT P. BERTONI, AICP
Director of Planning

	
Kevin J. Keller, AICP Executive Officer	Date

VPB:KJK:mj

Enclosures