



DATE: January 23, 2023

AGENDA ITEM #5

**TO:** Historical Commission

**FROM:** Jia Liu, Associate Planner

**SUBJECT:** Mills Act Inspection and Monitoring Program

**RECOMMENDATION:**

Receive the staff report for Mills Act Monitoring and Inspection Program for 2023.

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**BACKGROUND**

The City of Los Altos currently has 15 Mills Act agreements for properties located in Los Altos. The Mills Act provides for a reduction in property taxes for qualified historic properties. The Act represents a current use assessment for qualified properties, also known as a contract assessment. The property owner must enter into a preservation agreement, which allows the owner to enjoy a reduced property tax rate from the County Assessor in exchange for the preservation, and in some cases, restoration and rehabilitation, of the historic structure. The County Assessor sets the property tax rate based on an appraisal of the market value of the land and improvements related to the historic structure. A property under an agreement will receive a property tax reduction based on an appraisal of the rental value of the land and improvements related to the historic structure. In accordance with Municipal Code Chapter 12.44.170, the City Council may approve Mills Act agreements as an incentive for preserving historic properties.

**DISCUSSION**

The standard term of a Mills Act agreement is for ten years with an automatic renewal clause each year. The agreement also includes a requirement that all money saved on property taxes must be invested into the preservation, restoration and/or enhancement of the historic structure. The compliance of requirement is subject to a) the periodic examinations by representatives of the Santa Clara County Assessor, State Department of Parks and Recreation, State Board of Equalization, and/or the city and b) compliance information requested by the city which the city deems necessary or advisable to determine compliance. Furthermore, per the Government Code Section 50281, it requires the city to inspect the exterior of the premises to determine continued compliance with the contract every five years.

The last Mills Act monitoring and inspection by the city occurred in 2017. According to the state law, staff will contact all the Mills Act property owners in 2023 to request documentation to justify the completed improvements within the last five years and any incomplete improvements for the site. Upon the recipient of the completed record, an onsite inspection will be scheduled.