



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

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Introduction

The City of Manhattan Beach adopted and established several incentives for historic properties under the authority of a State enabled program known as the Mills Act (California Government Code, Article 12, Sections 50280-50290). The City may enter into Mills Act Contracts with qualifying owners who agree to rehabilitate, restore, maintain, and preserve the property according to the Secretary of the Interior's Standards for Rehabilitation, the State Historical Building Code, and any applicable local codes and policies. This is a summary guiding the application process; the complete regulations can be found in Resolution No. 18-0034 adopted on March 20, 2018.

Purpose

The purpose of a Mills Act Contract is to incentivize the restoration, rehabilitation, and maintenance of historic properties.

Upon submitting for landmark designation, a property owner may apply concurrently for a Mills Act Contract. The Mills Act Contract is an agreement between the City of Manhattan Beach and the owner of a designated historic landmark who agrees to rehabilitate, restore, maintain, and preserve the property. The property owner may benefit from a reduction in property taxes, which will be used to offset the costs to comply with the Standards, while the benefit to the City is the preservation of a significant historic resource and investment in rehabilitation of housing. A Mills Act Contract requires that the County Tax Assessor's Office assess the value of the landmark based on its current income potential, rather than future development potential.

Term of Contract

Mills Act Contracts extend for a period of ten (10) years and are renewed automatically each year on the anniversary of the contract. After the initial ten (10) years, a new "Rehabilitation, Restoration, and Maintenance Plan" must be submitted. The rights and obligations of the contract are also binding upon all successive owners of the property during the life of the contract. To end the contract, either the City or Property Owner may submit a notice of non-renewal which will terminate after ten (10) years from the time the non-renewal is approved. Immediate cancellation of the contract by either the City or property owner requires a public hearing and will result in the immediate termination of the contract and a penalty equal to 12½ percent of the assessed market value of the property.

Tax Assessment Value

A Mills Act Contract provides the potential for property tax reduction. Each property varies according to its income-generating potential and current assessed value. There is a property valuation threshold in place to ensure the revenue loss for the City is minimized. Therefore, properties with assessed values higher than the threshold must have exceptional circumstances and undergo more rigorous scrutiny of the property's need for the property tax subsidy. The threshold for assessed values are:

- \$5,000,000 for Single-Family Residential properties, Multi-Family Residential properties, or Commercial Properties



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Review Procedures

A Mills Act Contract is an incentive that is granted by the City Council following a review and recommendation by the Planning Commission. The property owner can submit the Mills Act Contract concurrently with a Historic Landmark application. The process is:

1. **Pre-Application Meeting:** Prior to submitting an application for either designation, Mills Act, or both, the property owner will have a pre-application review meeting with City staff. The purpose of the pre-application review meeting is to confirm that the property qualifies for the program and to ensure that the application submittal requirements, and the mandatory terms of the Mills Act Contract are understood. The Pre-Application Meeting will include a site visit.
2. **Application Submittal:** The application is submitted to the Community Development Department and includes information on the proposed "Rehabilitation, Restoration, and Maintenance Plan"; drawings; samples; "Estimated Property Tax Information"; photographs; and any other materials or studies needed.
3. **Application Review:** City staff and the historic preservation consultant will review the submitted materials and determine if the application is complete and may schedule a meeting with the applicant to discuss details of the proposal. The application will be scheduled for review before the advisory body or the historical preservation consultant. The restoration plan for the property will be reviewed in conjunction with the Mills Act Contract Application. In addition to tasks identified on the restoration plan, there may be other conditions of approval (e.g. completion of an electrical safety inspection and placing an historic landmark plaque on the house within two years). A seismic retrofit may need to be completed within 10 years of approval of the Mills Act Contract.
4. **Planning Commission Recommendation:** The Mills Act Application will be considered by the Planning Commission, which would make a recommendation to the City Council.
5. **City Council Action:** The City Council will make the final decision on the application.
6. **Contract Execution and Recordation:** If approved by the City Council, the City will execute the contract and forward it to the County Recorder's office for recordation. The recorded copy will be returned to the City for submission to the County Tax Assessor's office for implementation. The Los Angeles County Assessor is responsible for calculating property tax reductions. The County Assessor reassesses Mills Act properties once a year. The property owner will be required to pay contract management fees in the amount of \$1,500. This fee will be collected every 10 years for the life of the contract.
7. **Reporting:** Biannual reporting on the accomplished and/or progress of the Maintenance Plan will be submitted to the City.

Once a property is designated a historic landmark, all changes to the exterior of structures on the property are subject to the approval of a Certificate of Appropriateness by the Historic Preservation Commission.

To grant approval of a Mills Act Contract Application, the City Council must make the following findings:

1. The Mills Act Contract will serve to compensate for the cost of rehabilitating and/or maintaining the historic landmark. The submission of the application and the required documentation will provide the basis to make this finding.
2. The rehabilitation of the historic landmark will occur in conjunction with the use of the Mills Act Contract and that it will not impair the architectural, historic or aesthetic integrity of the historic landmark.



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Application Submittal Requirements

1. Complete and signed application form (attached)
2. "Rehabilitation, Restoration, and Maintenance Plan" for proposed changes (attached)
3. Estimated Property Tax Calculation (attached)
4. Copy of grant deed
5. Copy of the most recent tax bill
6. Photographs of the Property



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

Mills Act Application

Property Information	
Address of Property:	
Legal Description:	
Assessor Identification No.:	
Date of Purchase by Current Owner:	
Building size (sq. ft.):	
Assessed Value:	
Property Taxes Paid to Date? (Check One): <input type="checkbox"/> Yes <input type="checkbox"/> No	
Use Category: <input type="checkbox"/> Single Family House <input type="checkbox"/> Multi Family/Commercial	

Property Owner Information (please use legal name/s, as appears on deed)	
Owner Name(s):	
Address:	
Phone Number:	Email:

Has the building been seismically retrofitted (e.g. bolted to the foundation)? Yes No

If so, provide written documentation such as a building permit or contractor/inspector certification.

Note: Seismic retrofitting is a standard condition for all historic landmarks with a Mills Act Contract. This requirement must be completed within 10 years of approval of the Contract.

Additional Information must be submitted with this application:

- Copy of the current Grant Deed with the property's legal description.
- Copy of the most recent tax bill.
- Rehabilitation, Restoration, and Maintenance Plan for proposed changes (window replacement, wood trim work, etc.). (Plan and timeline with itemized cost estimate of work)
- Photographs of the Property
- Estimated Property Tax Calculation

I hereby certify that I am the present owner of the subject property described above and that I have reviewed the subject application and apply for consideration for a Mills Act Contract. I further understand that a Mills Act Application does not result in an automatic entitlement and each application is evaluated on its own merits on its historical significance and inclusion in the City's program.

Owner's Signature: _____ Date: _____



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SAMPLE- Rehabilitation, Restoration, and Maintenance Plan

Please use this form for your rehabilitation, restoration and maintenance plan and timeline. Copy this form as necessary to include all work items that apply to your property. *After the initial ten (10) year period, a new "Rehabilitation, Restoration, and Maintenance Plan" must be submitted.* Most applications will have more than four work items in their work plan. You may also prepare a separate list of rehabilitation work proposed, provided all of the information below is included. Include all proposed exterior and interior work (including electrical, plumbing, etc.) to be completed within the next ten years. Please complete all requested information on this form. Formal quotes are not required for all items but staff may request documentation of stated costs upon review.

	Contract Year	Building Feature	Proposed Work/Task	Est. Cost
1.	2019	Exterior walls and trim	Scrape, surface preparation, repaint entire exterior	\$ 8,500
2.	2020	Windows	Replace broken glass, scrape, surface preparation, repaint, re-caulk, repair all windows on front and south elevations. Replace jalousie window at kitchen with new double-hinge.	\$ 7,300
3.	2022	Plumbing	Replace water pipes to house, replace kitchen plumbing and sink fixtures	\$ 3,220
4.	2024	Re-roof	Re-roof entire house with new composition shingles.	\$ 9,220
5.				\$
6.				\$
7.				\$
8.				\$
9.				\$
TOTAL COST:				\$ 28,220



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Rehabilitation, Restoration, and Maintenance Plan

Please use this form for your rehabilitation, restoration and maintenance plan and timeline. Copy this form as necessary to include all work items that apply to your property. *After the initial ten (10) year period, a new "Rehabilitation, Restoration, and Maintenance Plan" must be submitted.* Most applications will have more than four work items in their work plan. You may also prepare a separate list of rehabilitation work proposed, provided all of the information below is included. Include all proposed exterior and interior work (including electrical, plumbing, etc.) to be completed within the next ten years. Please complete all requested information on this form. Formal quotes are not required for all items but staff may request documentation of stated costs upon review.

	Contract Year	Building Feature	Proposed Work/Task	Est. Cost
1.				\$
2.				\$
3.				\$
4.				\$
5.				\$
6.				\$
7.				\$
8.				\$
9.				\$
TOTAL COST:				\$



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

SAMPLE- Estimated Property Tax Calculation

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. THIS IS ONLY A SAMPLE. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation because some figures are determined at the discretion of the assessor. The parties to a historical property agreement may stipulate a minimum annual income to be capitalized, in which case the income to be capitalized may not be less than the stipulated amount.

INCOME OF PROPERTY

	Potential Monthly Rental Income	\$7,000
		x 12 months
1	Potential Annual Rental Income =	\$84,000

Even if the property is owner-occupied, the County Assessor's Office uses a state-mandated reassessment formula based on "capitalization income" rather than simple "market value." Remember to include all potential sources of income (i.e. filming, advertising, etc.).

ANNUAL EXPENSES

	Insurance	
	Utilities	
	Maintenance	
	Other	
2	Total expenses	\$16,800

Approximately 20% of Line 1
Ex) Fire, liability, water, gas, electric, gardening, cleaning, security
Mortgage payments and property taxes are **not** operating expenses.

NET OPERATING INCOME

	Line 1	\$84,000
		-
	Line 2	\$16,800
		=
3	Net Operating Income	\$67,200

Interest component is determined by the State Board of Equalization by September of the year preceding the assessment year and is based on the effective rate on conventional mortgages as determined by the Federal Home Loan Bank Board. 2018's assessment is 4.00 percent.

CAPITALIZATION RATE

	Interest Component	4%
	Historic Property Risk	4%
	Amortization Component	3.5%
	Property Tax Component +	1%
4	Capitalization Component	12.50%

4% - single family

The land is a non-depreciating asset so the amortization is adjusted. Estimate the percentage of total property value attributable to improvements, multiplied by the reciprocal of the remaining life of improvements. Wood frame is typically 20 years, masonry is typically 50 years.
If 70% of the property value is attributed to improvements, and the life of the improvement is 20 years, use $70\% \times 1/20 = 3.5\%$.

TAXES

	Line 3	\$67,200
		÷
	Line 4	12.50%
		=
5	Mills Act Assessment	\$537,600.00
		x
	Mills Act property tax: 1%	0.01
		=
6	Tax under Mills Act	\$5,376.00
	Current Property Tax	\$23,672
		-
	Line 6	\$5,376.00
		=
	Tax Savings to Owner	\$18,296.00

The Property Tax Component (Post-Prop. 13) is fixed component of 1%.

Pre Mills Act; Assessed value x .01



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Estimated Property Tax Calculation

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. THIS IS ONLY A SAMPLE. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation because some figures are determined at the discretion of the assessor. The parties to a historical property agreement may stipulate a minimum annual income to be capitalized, in which case the income to be capitalized may not be less than the stipulated amount.

INCOME OF PROPERTY

	Potential Monthly Rental Income	\$
		x 12 months
1	Potential Annual Rental Income =	\$

Even if the property is owner-occupied, the County Assessor's Office uses a state-mandated reassessment formula based on "capitalization income" rather than simple "market value." Remember to include all potential sources of income (i.e. filming, advertising, etc.).

ANNUAL EXPENSES

	Insurance	
	Utilities	
	Maintenance	
	Other	
2	Total expenses	\$

Approximately 20% of Line 1
Ex) Fire, liability, water, gas, electric, gardening, cleaning, security
Mortgage payments and property taxes are **not** operating expenses.

NET OPERATING INCOME

	Line 1	\$
		-
	Line 2	\$
		=
3	Net Operating Income	\$

Interest component is determined by the State Board of Equalization by September of the year preceding the assessment year and is based on the effective rate on conventional mortgages as determined by the Federal Home Loan Bank Board. 2018's assessment is 4.00 percent.

CAPITALIZATION RATE

	Interest Component		4%
	Historic Property Risk		4%
	Amortization Component		%
	Property Tax Component	+	1%
4	Capitalization Component		%

4% - single family

The land is a non-depreciating asset so the amortization is adjusted. Estimate the percentage of total property value attributable to improvements, multiplied by the reciprocal of the remaining life of improvements. Wood frame is typically 20 years, masonry is typically 50 years.
If 70% of the property value is attributed to improvements, and the life of the improvement is 20 years, use $70\% \times 1/20 = 3.5\%$.

The Property Tax Component (Post-Prop. 13) is fixed component of 1%.

TAXES

	Line 3	\$
		÷
	Line 4	%
		=
5	Mills Act Assessment	\$
		x
	Mills Act property tax: 1%	0.01
		=
6	Tax under Mills Act	\$
	Current Property Tax	\$
		-
	Line 6	\$
		=
	Tax Savings to Owner	\$

Pre Mills Act; Assessed value x .01



**CITY OF MANHATTAN BEACH
MILLS ACT APPLICATION PACKET**

**Recording Request By
City of Manhattan Beach
Planning Division**

WHEN RECORDED MAIL TO

NAME City of Manhattan Beach
City Clerk

MAILING ADDRESS _____

CITY, STATE Manhattan Beach, CA 90266
ZIP CODE

Space Above this Line Reserved for Recorder's Use / Exempt from Filing Fee Pursuant to Gov't Code § 27383

MILLS ACT CONTRACT



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

MILLS ACT CONTRACT

BY AND BETWEEN THE CITY OF MANHATTAN BEACH,
A MUNICIPAL CORPORATION, AND

FOR THE PRESERVATION AND BENEFIT OF THE
DESIGNATED HISTORIC PROPERTY LOCATED AT

Manhattan Beach, CA 90266



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

CITY OF MANHATTAN BEACH MILLS ACT AGREEMENT HISTORICAL PROPERTY PRESERVATION CONTRACT

THIS AGREEMENT is made and entered into this _____ by and between the CITY OF MANHATTAN BEACH, a municipal corporation (hereinafter referred to as "City"), and _____ (hereinafter referred to as "Owners").

RECITALS

(i) California Government Code Section 50280, et seq., authorizes cities to enter into contracts with the owners of qualified historical property to provide for the use, maintenance and restoration of such historical property so as to retain its characteristics as property of historical significance;

(ii) Owner possesses fee title in and to that certain real property, together with associated structures and improvements thereon, located at the street address _____, Manhattan Beach, 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 this reference;

(iii) On March 20, 2018, the City Council of the City of Manhattan Beach adopted Resolution No. 18-0034 (attached and incorporated by reference as Exhibit "C") thereby declaring and designating the Historic Property as a landmark pursuant to the terms and provisions of Chapter 10.86 of the Manhattan Beach Municipal Code and vesting the City with authority to enter into historic property contracts with property owners; and

(iv) City 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, and to qualify the Historic Property for an assessment of valuation pursuant to the provisions of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code.

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

1. EFFECTIVE DATE AND TERM. This Agreement shall be effective and commence on _____ and shall remain in effect for a term of ten (10) years thereafter. Each year upon the anniversary of the effective date, such initial term will automatically be extended as provided in paragraph 2, below.



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2. RENEWAL.

(a) 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 non-renewal is given as provided in paragraph 3 of this Agreement.

(b) NOTICE OF NONRENEWAL. If City or Owner desires in any year not to renew this Agreement, that party shall serve written notice of non-renewal in advance of the annual renewal date of this Agreement as follows: Owner must serve written notice of non-renewal at least ninety (90) days prior to the annual renewal date; City must serve written notice of the non-renewal at least sixty (60) days prior to the annual renewal date. Upon receipt by Owner of a notice of non-renewal from the City, Owner may make a written protest. At any time prior to the annual renewal date, City may withdraw its notice of non-renewal.

(c) EFFECT OF NOTICE OF NONRENEWAL. If either City or Owner serves timely notice to the other of non-renewal in any year, the Agreement shall remain in effect for the balance of the term then remaining, either from its original execution or from the last renewal of the Agreement, whichever may apply.

3. 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.

4. STANDARDS FOR HISTORIC PROPERTY. During the term of this agreement, the Historic Property shall be subject to the following conditions, requirements and restrictions:

(a) PRESERVATION OF PROPERTY. Owner shall preserve and maintain the characteristics of historical significance of the Historic Property. Attached hereto marked as Exhibit B, and incorporated herein by this reference, is a list of those minimum standards and conditions for maintenance, use and preservation of the Historic Property, which shall apply to such property throughout the term of this Agreement. In addition, Owner shall comply with the terms of the City’s Historic Preservation Ordinance, requiring owner to maintain the Historic Property in a good state of repair and shall obtain any applicable permits to restore the Historic Property to maintain its historic and cultural significance.

(b) 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, the United State Secretary of the Interior’s Standards for Rehabilitation, and the State Historical Building Code, and the City of Manhattan Beach.



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

(c) **INSPECTIONS.** Owner shall allow for an inspection of the interior and exterior of the Historic Property by the City, prior to a new agreement, and every five years thereafter, to determine Owner's compliance with the terms and provisions of this Agreement.

(d) **REPORTING.** Biannual reporting on the accomplished and/or progress of the Maintenance Plan will be submitted to the City.

5. **PROVISION OF INFORMATION.** Owner shall furnish the City with any and all information requested by City which City deems necessary or advisable to determine compliance with the terms and provisions of this Agreement.

6. **CANCELLATION.** City, following a duly noticed public hearing as set forth in California Government Code Section 50280, et seq., may cancel this Agreement if City determines Owner has breached any of the conditions or covenants of the Agreement or has allowed the Historic Property to deteriorate to the point that it no longer meets the standards for a qualified historical property. City may also cancel this Agreement if it determines Owner has failed to restore or rehabilitate the Historic Property in the manner specified in paragraph 4 of this Agreement. City's right to cancel this Agreement pursuant to this paragraph shall in no way limit or restrict its rights or legal remedies arising from City's Historic Preservation Ordinance and Municipal Code.

(a) **CANCELLATION FEE.** In the event of cancellation, Owner shall be subject to payment of those cancellation fees set forth in California Government Code Sections 50280, et seq., described herein. Upon cancellation, Owner shall pay a cancellation fee equal to twelve and one-half percent (12.5%) of the current fair market value of the property as determined by the County Assessor as though the Historic Property were free of the contractual restriction pursuant to this Agreement. The Owner shall pay the cancellation fee to the county auditor in the time and manner prescribed by the County Auditor. As an alternative to cancellation of the contract for breach of any conditions, the City, or landowner that is a party to the contract may bring any action in court necessary to enforce a contract, including, but not limited to, an action to enforce the contract by specific performance or injunction.

(b) **OPPORTUNITY TO CURE.** In lieu of and/or in addition to any provisions to cancel the agreement as referenced herein, City may specifically enforce or enjoin the breach of the terms of this agreement. In the event of a breach by Owner under the provisions of this agreement, City shall give written notice to Owner by registered or certified mail to the address stated in this agreement, which notice shall specifically identify the alleged breach and the proposed action which City recommends to Owner to cure said alleged breach. Owner shall thereafter have sixty (60) days within which to cure such breach to the reasonable satisfaction of the City. Upon completion by Owner of the cure of the breach, City shall withdraw its notice of breach.

(c) **CITY ACTION UPON OWNER FAILURE TO CURE.** If such a violation is not corrected to the reasonable satisfaction of the City within thirty (30) days after the date of the notice of violation, or within



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

such a reasonable time as may be required to cure the breach or default (provided that acts to cure the breach or default are commenced within thirty (30) days and thereafter diligently pursued to completion),

then City may, without further notice, declare a default under the terms of this Agreement and bring any action necessary to specifically enforce the obligations of Owner growing out of the terms of this Agreement, including, but not limited to, bringing an action for injunctive relief against the Owner or for such other relief as may be appropriate.

7. DESTRUCTION: Notwithstanding any provision of this Agreement to the contrary, the Owner may cancel this Agreement without payment of the cancellation fee set forth in Paragraph 8, if the existing single-family residence [the "Structure"] on the Historic Property is damaged by fire, earthquake, or other Act of God or accidental cause to the extent (1) the then fair market value of said Structure is reduced by 51 percent or more; or (2) 51 percent or more of said Structure' s floor area is destroyed or irreparably damaged; or (3) 51 percent or more of the Structure's Character Defining Features are destroyed or irreparably damaged; or (4) that the cost to the Owner (exclusive of insurance proceeds) to restore the Structure to its prior condition would exceed 10,000.00. If the Owner desires to cancel this Agreement under this Paragraph 9, written notice shall be given to the City within 90 days after such damage or destruction occurs. In the event the Owner desires to cancel this Agreement due to the circumstances outlined in this Paragraph 9, either party may request a hearing before the City Council to determine (a) the extent of diminution of value, (b) the extent of the damage or destruction to the floor area of said Structure, and/ or (c) extent of damage or destruction to the Character Defining Features of the said Structure. The City Council may refer any matter relating to (c) to the Preservation Commission for its findings and recommendations.

8. ENFORCEMENT OF AGREEMENT. In lieu of and/or in addition to any provisions to cancel this Agreement as referenced herein, City may specifically enforce, or enjoin the breach of, the terms of this Agreement.

9. WAIVER. City does not waive any claim or default by Owner if City does not enforce or cancel this Agreement. All other remedies at law or in equity which are not otherwise provided for in this Agreement or in City's regulations governing historic properties are available to City to pursue in the event there is a breach of this Agreement. No waiver by City of any breach or default under this Agreement shall be deemed to be a waiver of any other subsequent breach thereof or default hereunder.

10. BINDING EFFECT OF AGREEMENT. Owner hereby subjects the Historic Property to the covenants, reservations and restrictions set forth in this Agreement. City 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.



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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.

11. COVENANTS RUN WITH THE LAND. City 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. City 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.

12. 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:

City: City of MANHATTAN BEACH
Department of Community Development
1400 Highland Avenue
Manhattan Beach, CA 90266
ATTENTION: Historic Preservation

Owner: _____

Manhattan Beach, CA 90266

13. EFFECT OF AGREEMENT. None of the terms, provisions or conditions of this Agreement shall be deemed to create a partnership between the parties hereto and any of their heirs, successors or assigns, nor shall such terms, provisions or conditions cause them to be considered joint ventures or members of any joint enterprise.

14. INDEMNITY OF CITY. Owner agrees to protect, defend, indemnify, and shall hold City and its elected officials, officers, agents, and employees harmless from liability for claims, loss, proceedings, damages, causes of action, liability, costs or expense, including reasonable attorney's fees in connection with damage for personal injuries, including death, and claims for property damage which may arise from the direct or indirect use or operations of such Owner or those of his contractor, subcontractor, agent, employee or other person acting on his behalf which relate to the use, operation and maintenance of the Historic Property. Owner hereby agrees to



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and shall defend the City and its elected officials, officers, agents, and employees with respect to any and all actions for damages caused by, or alleged to have been caused by, reason of Owner's activities in connection with the Historic Property. This hold harmless provision applies to all damages and claims for damages suffered, or alleged to have been suffered, by reason of the operations referred to in this Agreement regardless of whether or not the City prepared, supplied or approved the plans, specifications or other documents for the Historic Property.

15. BINDING UPON SUCCESSORS. All of the agreements, rights, covenants, reservations, and restrictions contained in this Agreement shall be binding upon and shall inure to benefit of the parties herein, their heirs, successors, legal representatives, assigns and all persons acquiring any part or portion of the Historic Property, whether by operation of law or in any manner whatsoever.

16. LEGAL COSTS. In the event legal proceedings are brought by any party or parties to enforce or restrain a violation of any of the covenants, reservations or restrictions contained herein, or to determine the rights and duties of any party hereunder, the prevailing party in such proceeding may recover all reasonable attorney's fees to be fixed by the court, in addition to court costs and other relief ordered by the court.

17. 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.

18. GOVERNING LAW. This Agreement shall be construed and governed in accordance with the laws of the State of California.

19. EMINENT DOMAIN PROCEDURES. Upon the filing of an action in eminent domain by a public agency for the condemnation of the fee title of any land described herein or of less than fee interest which will present the portion of land condemned or other land or a portion of it which is the subject of this Agreement from being used for any authorized use, or upon the acquisition in lieu of eminent domain by a public agency for a public improvement, the portions of this Agreement by which Owner agrees to preserve and to restrict the use of property described herein shall be null and void upon such filing as to the portion of the land condemned or acquired and to the additional land the use of which for an authorized purpose will be prevented as a result of condemnation or acquisition.

If, subsequent to the filing of an action in eminent domain, the proposed condemnation is abandoned by the condemning agency as to all or a portion of the land subject to this Agreement, the restrictions on the use of the property included in this Agreement shall, without further agreement of the parties, be re-instituted and the terms of this Agreement shall be in full force and effect.



**CITY OF MANHATTAN BEACH
MILLS ACT APPLICATION PACKET**

20. RECORDATION. No later than sixty (60) days after the parties execute this Agreement, the owner or agent of owners shall record this Agreement in the Office of the County Recorder of the County of Los Angeles.

21. AMENDMENTS. This Agreement may be amended, in whole or in part, only by written recorded instrument executed by the parties hereto.

IN WITNESS WHEREOF, City and Owner have executed this Agreement on the day and year first written.

CITY OF MANHATTAN BEACH

BY:

Bruce Moe, City Manager

City of Manhattan Beach

ATTEST:

APPROVED AS TO FORM:

Liza Tamura, City Clerk

City of Manhattan Beach

Quinn Barrow, City Attorney

City of Manhattan Beach

OWNERS

BY:

Dated _____

Owner

Dated _____

Owner

Note: City and Owner(s) signatures must be notarized by a Notary Public.



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

Exhibit A: Legal Description

Exhibit B: Secretary of the Interior's Standards for Rehabilitation

Exhibit C: Resolution No. 18-0034



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

EXHIBIT A

[LEGAL DESCRIPTION OF PROPERTY]



CITY OF MANHATTAN BEACH MILLS ACT APPLICATION PACKET

EXHIBIT B

SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

EXHIBIT C

RESOLUTION NO. 18-0034

A RESOLUTION OF THE MANHATTAN BEACH CITY COUNCIL RE-ESTABLISHING A MILLS ACT PROGRAM INCLUDING DEVELOPMENT OF AN APPLICATION PROCESS, REVIEW PROCEDURES, AND REQUIRED CONTRACT PROVISIONS FOR IMPLEMENTATION OF THE ACT IN THE CITY

THE MANHATTAN BEACH CITY COUNCIL HEREBY FINDS AND RESOLVES AS FOLLOWS:

Section 1. On October 7, 2014, the City Council adopted Resolution No. 14-0062 implementing a Mills Act Pilot Program for the City to incentivize the preservation, maintenance, and rehabilitation of historic properties through property tax reductions. The Program expired on October 7, 2016. No Mills Act applications were received during the Program.

Section 2. On March 20, 2018, the City Council discussed and considered a new Mills Act Program. The City Council considered written and oral reports by City staff, and comments from the public.

Section 3. A Mills Act Program would provide property tax reductions to property owners who agree to invest in the preservation and rehabilitation of qualifying historic properties. Pursuant to Government Code Section 50280 et seq. ("the Mills Act"), the City Council may establish a program and enter into a historical property preservation agreements ("Preservation Agreement") with owners of a historic properties for the purposes 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 City 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 repair, restore, rehabilitate, and/or maintain the historic property.

Section 4. The preservation and rehabilitation of historic properties would enhance the character of Manhattan Beach by retaining the City's sense of place and continuity with the community's past. As a matter of public policy, the identification, designation, preservation, enhancement, perpetuation and use of improvements, buildings and structures within the City that reflect special elements of the City's cultural, historical, agricultural, architectural, artistic, educational, or economic heritage is 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 City is preserving its history and supporting the local economy. Preservation Agreements would benefit residential neighborhoods, businesses, community pride, and regional image.

Section 5. The Mills Act Program is consistent with the General Plan because the City's General Plan Land Use Element includes policies related to preserving resources that represent the City's history and culture or contribute to the City's special character and unique identity. Specifically, General Plan Policies LU-1.1, LU-2:3, LU-4.4, LU-4.5, and LU-4.6, focus on protecting and preserving the City's significant historic character of homes and residential neighborhoods.

Section 6. The Manhattan Beach Municipal Code has established procedures for identifying and designating historic resources. The Historic Preservation Code (Manhattan Beach Municipal Code Chapter 10.86) is intended to identify buildings, structures, and sites that are of particular historic or cultural significance and define the City's heritage and historic development. The Planning Commission ("Commission") is designated to serve in an advisory capacity to the City Council on the preservation of historic and cultural landmarks. In this capacity, the Commission, Historical Preservation Consultant and the Community Development Department, which is the department that supports the Commission and Historical Consultant, are positioned to administer City programs for rehabilitating, restoring, maintaining and preserving historic structures, including a Mills Act Program.

Section 7. Pursuant to the requirements of the California Environmental Quality Act (CEQA), the City environmentally evaluated the establishment of a Mills Act Program. The Mills Act Program establishes a property tax reduction for property owners that rehabilitate, restore, maintain, and preserve properties that are determined to be of historic significance. The establishment of a Mills Act Program does not authorize any new development or construction of buildings, nor does it authorize any new land uses. The program encourages the continued use of existing structures and the continuance of existing land uses. For these reasons it can be seen with certainty that the Mills Act Program will not result in any significant adverse impact on the environment. Thus, the establishment of the Program is exempt from the CEQA environmental review requirements pursuant to Section 15061(b)(3) of Title 14 of the California Code of Regulations ("CEQA Guidelines"). Further, the Mills Act Program is categorically exempt from environmental review pursuant to section 15331 of the CEQA Guidelines, which exempts 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 in that it is a program that encourage the preservation and maintenance of historic resources in exchange for property tax reductions. In addition, the Program is categorically exempt from CEQA, pursuant to CEQA Guidelines Section 15308 because it is an action by a regulatory agency (the City) to maintain, restore and protect the environment through protection of historical resources in the community and does not authorize construction or relaxed standards that would degrade the environment.

Section 8. A "qualified historic property" for the purposes of the Manhattan Beach Mills Act Program shall be defined as:

- a. A single-family residential property, a multi-family residential property or a commercial property with a tax assessed value not exceeding \$5 million dollars, unless exempted from the maximum tax assessed value through exceptional circumstances;
- b. Located entirely within the City of Manhattan Beach;

- c. Privately owned;
- d. Not exempt from property taxation; and
- e. Individually listed by the City of Manhattan Beach as an official Historic Resource.

Section 9. To limit any fiscal impact of the Mills Act Program, the City's annual loss of property tax revenues resulting from the Program shall not exceed \$50,000 each year. To further limit any fiscal impact, the City of Manhattan Beach shall not enter into or execute more than three preservation agreements per calendar year. To further limit unanticipated potential losses to property tax revenue, contracts executed under the Mills Act Program shall specify that the City has full right to cancel the contract, on an annual basis, the first year and every year thereafter, pursuant to Government Code Section 50280. To encourage participation by various property owners, the City may establish a means of accepting applications to the Mills Act Program that ensures that both commercial and residential property owners have an opportunity to participate.

Section 10. The City Council may consider increases to the cap on tax assessed value in Section 8(a) of this Resolution and the limit on annual property tax revenue loss in Section 9 of this Resolution, including based upon the Consumer Price Index.

Section 11. The City Council hereby delegates to the Director of Community Development or his or her designee, with review by the City Attorney, the authority and responsibility to develop, maintain, and amend, as necessary, an application, administrative guidelines, and forms of Preservation Agreements for properties seeking qualification and participation in the Mills Act Program. The Director of Community Development or his or her designee shall, as necessary, establish priority consideration criteria whereby such criteria shall be used to rank applications in terms of the preservation and rehabilitation needs of each property and prioritize selection of applications. The Director of Community Development or his or her designee shall also report on an annual basis to the City Council the number of Mills Act preservation agreements executed and the effectiveness of the 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 of 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 State Revenue and Taxation Code Section 439 et seq.

Section 12. The City Council hereby delegates to the Planning Commission the authority and responsibility to review and make recommendations to the City Council on applications submitted pursuant to the Mills Act Program. The City Council shall be the final authority on the authorization and approval of Preservation Agreements pursuant to the Mills Act Program.

Section 13. Preservation Agreements will have a minimum contract term of 10 years, with automatic one-year renewals, to be recorded against title to the property and running with the land. Owners shall maintain the regulated characteristics of historical significance of the historic property in accordance with the rules and regulations of the State Office of Historic Preservation of the Department of Parks and Recreation, the United States Secretary of the Interior's Standards for Rehabilitation, the State Historical Building Code, and any applicable local codes and policies. Owners must allow reasonable periodic examination of the interior and exterior of the premises if a request is made by representatives of the County Assessor, State Office of Historic Preservation Department of Parks and Recreation, the State Board of Equalization, and/or the City's Community Development Director or his or her designee to determine the owner's compliance with the Preservation Agreement. No Preservation Agreement may be cancelled without compliance with Government Code Section 50280 et seq.

Section 14. The City Council shall establish fees for the processing of applications for Preservation Agreements and other matters required by the Mills Act Program, as legally permissible by State and local law.

EXHIBIT C

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Section 15. The record of proceedings for establishment of the City's Mills Act Program is maintained by the City as part of the official records of the Community Development Department at 1400 Highland Avenue, Manhattan Beach, California, 90266.

Section 16. A Mills Act Program is hereby established based on the parameters included in this resolution to implement the State of California Mills Act in the City.

Section 17. The City Clerk shall certify to the adoption of the Resolution.

ADOPTED on March 20, 2018.

AYES: Lesser, Montgomery, Hersman, Napolitano and Mayor Howorth.
NOES: None.
ABSENT: None.
ABSTAIN: None.



AMY HOWORTH
Mayor

ATTEST:



LIZA TAMURA
City Clerk