

**ORDINANCE NO. 3677 C.S.**

**AN URGENCY ORDINANCE OF THE COUNCIL OF THE CITY OF MONTEREY**

**EXTENDING URGENCY ORDINANCE NO. 3673 SUSPENSION OF THE MILLS ACT  
PROPERTY TAX REDUCTION INCENTIVE PROGRAM FOR HISTORIC ZONED  
PROPERTIES FOR TEN MONTHS AND 15 DAYS TO PURSUANT TO GOVERNMENT CODE  
SECTION 65858**

THE COUNCIL OF THE CITY OF MONTEREY DOES ORDAIN, as follows:

SECTION 1:

WHEREAS, on November 7, 2023, the City Council adopted Ordinance No. 3673 to suspend the Mills Act Property Tax Reduction Incentive Program for Historic Zoned Properties. The City Council finds that it is necessary to continue the duration of the urgency ordinance for 10 months and 15 days pursuant to Government Code section 65858(a) to protect the public health, safety, and welfare. This ordinance is intended to temporarily prohibit the approval of any Mills Act Property Tax Reduction Program contracts in the City pending further review and study;

WHEREAS, Government Code section 50280 et seq. authorizes local governments to create historic zones and to contract with the owners of qualified historic properties to restrict the use of the properties to preserve their historic significance. In 1976, Article XIII, Section 8 of the California Constitution was amended to permit the valuation of historic property for property tax purposes on a basis consistent with its restrictions and use. In 1977, the Legislature added Section 439 et seq. to the Revenue and Taxation Code to implement this amendment. The contracts entered into pursuant to the foregoing are commonly referred to as Mills Act contracts, named after former State Senator James Mills, who sponsored the legislation;

WHEREAS, the intent of Mills Act contracts is to provide a financial benefit to property owners to offset the additional maintenance costs associated with ownership of a historic property. Through the contract the City is assured that the historic property will be maintained, however, based on current property values and the existing market, Mills Act contracts may be more harmful to the overall public good than helpful due to the amount of lost revenue;

WHEREAS, the City adopted Resolution 99-032 C.S., a Mills Act incentive program, on March 2, 1999;

WHEREAS, each property owner pays approximately 1% annually of the assessed value of their property taxes and approximately 20% of those property taxes are passed through to the City. Most Mills Act contract properties recognize a 40-60% savings in taxes, depending on how the County Assessor estimates the site's rental rate.

WHEREAS, 60 properties in the City have active Mills Act contracts with one additional property's contract to become effective in 2024;

WHEREAS, there has been an increase in requests for Mills Act contracts for properties that are purchased for investment purposes and then quickly resold, diminishing property tax revenue and potentially harming revenue to the City, the County, and Monterey Peninsula Unified School District. Residential properties sell for a substantial amount of money and presumably the owner has sufficient funds to maintain their property;

WHEREAS, the City anticipates an influx of applications for Mills Act contract approval prior to the end of 2023 so that the property tax saving could be achieved in 2024;

WHEREAS, the City desires to study the effectiveness of the Mills Act contract incentive program and determine whether the number of Mills Act contracts should be limited each year or if the program otherwise needs revisions;

WHEREAS, the City Council further finds that the foregoing conditions exist which require the immediate preservation of the public health, safety, and welfare through a moratorium pursuant to California Government Code section 65858; and

WHEREAS, the City of Monterey determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA)(CCR, Title 14, Chapter 3 (“CEQA Guidelines), Article 20, Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities 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. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or any reasonably foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

NOW THEREFORE, the Monterey City Council declares as follows:

SECTION 2: The above recitals are true and correct and are hereby incorporated and adopted as findings of the City Council as if fully set forth herein.

SECTION 3: Moratorium. The Mills Act Property Tax Reduction Incentive Program for Historic Zoned Properties set forth in Monterey City Code section 38-76(H)(1)(c), General Plan Program a.1.7, Cannery Row Conservation District (Incentive Menu #3), Historic Master Plan and any other ordinances, resolutions, or plans that reference the Mills Act Property Tax Incentive Program are hereby suspended. This moratorium excludes from its application the properties located at 581 Larkin Street and 875 Spencer Street, which are pending final Mills Act approval.

SECTION 4: Effective Date. This extension of Urgency Ordinance No. 3673 is an urgency measure adopted pursuant to Government Code section 65858. As set forth in the findings above, the continuation of Urgency Ordinance No. 3673 is necessary to preserve the public safety, health, and welfare. Pursuant to Government Code section 65858, this urgency ordinance extension is effective immediately by a 4/5 vote of the City Council and shall be in full force and effect for 10 months and 15 days from the date of its adoption. This 10 month and

15-day period may be subsequently extended by the City Council for one year in accordance with the provisions of Government Code section 65858.


SECTION 5: Severability. If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the Ordinance, including the application of such part or provision to other persons or circumstances, shall not be affected thereby and shall continue in full force and effect. To this end, the provisions of this Ordinance are severable.


PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF MONTEREY this 5th day of December, 2023, by the following vote:

AYES:	5	COUNCILMEMBERS:	Barber, Garcia, Haffa, Smith, Williamson
NOES:	0	COUNCILMEMBERS:	None
ABSENT:	0	COUNCILMEMBERS:	None
ABSTAIN:	0	COUNCILMEMBERS:	None

APPROVED:

ATTEST:

DocuSigned by:  
  
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 Mayor of said City

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 City Clerk thereof