Save Our Heritage Organisation

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July 21, 2005

HRB COST-RECOVERY FEE PROPOSAL

Existing Code:

California Government Code, Article 12, Sections 50280 – 50290
50281.1. Fees.

The legislative body entering into a contract described in this article may require that the property owner, as a condition to entering into the contract, pay a fee not to exceed the reasonable cost of administering this program.

SAN DIEGO COUNCIL POLICY CP-700-46

B) The owner shall pay a graduated processing fee of $100 per $100,000 of assessed value prorated to actual value, however in no event shall the processing fee exceed t he actual cost of processing and recording the Agreement.

New Policy Wording [proposed]:

The legislative body entering into a contract described in this article may require that the property owner, as a condition to entering into the contract, pay a fee not to exceed the reasonable cost of administering this program.

The cost of administering the program includes, but is not limited to, reviewing voluntary designation request, generating staff reports, implementing the Mills Act, and following up on the condition of Mills Act properties to ensure the property owner's compliance with Mills Act contract requirements.*

* It seems most efficient to leave actual numbers and dollar values out of the policy wording itself. Staff memos should suffice to detail the reasonable costs. This structure would allow for fee increases as economic conditions and labor costs change without having to implement a policy change, thus ensuring the financial health of the department.

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The memo discussing the reasonable cost to administer the program and when those costs would be recovered could be outlined as follows:

1. Currently the cost to review a voluntary designation request, generate staff report, provide administrative support, etc. falls into a range between $__-__. The most simple and fair way to calculate the fee for any particular property is as follows: ***The owner shall pay a graduated processing fee of $200 per $100,000 of assessed value or, if the property has been purchased within 24 months of the request for a Mills Act contract, actual purchase price as shown on escrow documents, whichever is greater; processing fee not to exceed $3000.********

   ** Using a graduated scale to calculate the review fee is supportable since the owners of properties with higher assessed values will realize greater actual dollar value property tax savings. Structuring the partial cost recovery fee in this manner for this portion of the program's administration cost is seen as a one-time method for offsetting this greater actual dollar loss to the City in terms of its portion of property tax reallocation. Additionally, homes with greater assessed values generally require more staff time to review since they are more likely to be important under several criteria.

2. The cost to generate the Mills Act contract and prepare all necessary documents to submit to the County is currently $___. Property owners will pay this cost as a one-time flat fee.

3. The projected cost to monitor Mills Act contract compliance is recurring and expected to cost $___ per year. Property owners will pay this cost as a flat fee, perhaps every other year.

4. Obtaining a Mills Act property tax reduction is a process. Part of the process is obtaining historic designation; another part is submitting a signed Mills Act contract. The process is considered complete when a signed Mills Act contract is submitted to the Planning Department. The fee for the entire process will be collected upon completion.

Of Special Note:

It should be remembered that this is a unique program. There is no other opportunity like that presented by the Mills Act. Therefore, it can not be compared policy-wise to any other fee-supported service provided by the City of San Diego to an individual citizen.

There will be no property owners coming forward with disgruntled arguments against the fee calculation because they will be recouping all their fee costs within the first 1-2 years after the Mills Act tax savings is in place.

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Citizens in discussion, arbitration, and/or litigation involving fees in other departments will not be able to use this program as precedent to support their actions since this process is unlike any other in terms of the ongoing benefit received by participants.

Structuring the cost-recovery method in the manner proposed has the capability of ensuring ongoing fiscal health for the HRB department, as opposed to flat fees called out in hard and fast policy language which will always be losing ground due to inflation and increased labor costs.

The collection of a large, flat, upfront review fee is seen as a barrier to designation for some property owners since it is the same for all applicants regardless of the value of their property, complexity of the review process, or household income. Also, the fee would be collected whether or not the property was successfully designated. Some applicants would be unable to take that financial risk and may choose not to seek designation.

Having no upfront fee, but collecting monies *after* the property achieves landmark status is fair and much more palatable. Since the structure will have already been designated, participants would be assured they will recover fee costs through future property tax reductions.

Some may argue that this formula falls apart when a property is reviewed, but not designated, or designated, but not established into the Mills Act program. Those situations will occur, though not very often. Most structures voluntarily submitted for designation, about 95%, are successfully recognized and enlisted in the Mills Act.

One other financial benefit to the HRB is that, under the proposed system, property owners within historic districts entering into Mills Act contracts would pay the same fees as owners of individually landmarked buildings, whether or not the structures were recently designated. So, the new owner of a home designated 20 years ago as part of a district, but upon which there had never been an active Mills Act contract, would pay this proposed cost-recovery fee.

Based on my experience with historic property owners and as a recipient of Mills Act tax savings myself, I can absolutely assure you that this proposed method of collecting review, Mills Act, and monitoring fees will work, and work well. Property owners will gladly pay the fees rather than face the disbanding of the program or the prospect of another missed Mills Act cycle while languishing on the waiting list – a list made long due to the inability of the department to adequately provide staff due to budget issues.

Respectfully Submitted,

Beth Montes

Beth Montes
President, Save Our Heritage Organisation