What is the purpose of the Historic Preservation Ordinance?

The purpose of the Historic Preservation Ordinance is to give recognition and consideration to properties and areas that reflect special elements of the City’s historic, architectural, cultural, and aesthetic heritage. The Ordinance helps protect a part of local history, for all of the citizens to enjoy today and in the future generations.

What is the procedure for historic designation?

The City Council designates historic landmarks, districts and sites on the recommendation of the Historic Resources Advisory Committee and the Planning Commission. Any person may request the designation by submitting an application to the Planning Division. The Historic Resources Advisory Committee, Planning Commission and City Council may also initiate the designation on their own.

How does a property or properties achieve landmark or historic district designation?

a. Exemplifies or reflects special elements of the City’s Cultural, aesthetic, or architectural history; or
b. Identifies with persons or events significant in local, state, or national history; or
c. Embodies distinctive characteristics of a style, type, period, or method of construction, or is a valuable example of the use of indigenous materials or craftsmanship; or
d. Representative of the notable work of a builder, designer, or architect.

What is the effect of Historic Landmark or Historic District Designation?

The Historic Preservation Ordinance has no effect unless the structure is to be demolished or the exterior altered. A careful review of demolition permit applications will be made so that historic structures will not be unnecessarily lost. Approval for projects involving demolition or exterior alteration will be required from the Planning Commission or City Council, upon appeal. A decision on any proposed work is based primarily upon the following criteria:

a. In the case of an historic landmark, the proposed work would not detrimentally affect any exterior architectural feature or;
b. In the case of a property located within a historic district, proposed work conforms to the prescriptive standards as adopted by the
Planning Commission and does not adversely affect the character of the district, or

(c.) In the case of new construction, the exterior will not adversely affect, and will be compatible with, the external appearance of existing designations of said site.

Consideration will be given if substantial hardship results from a denial of proposed work.

What are the benefits of Historic Landmark or Historic District designation?

(a.) Local building inspectors must review building permit applications for use of State Historic Building code regulations, which grant code flexibility for designated historic landmarks and historically contributing structures within designated historic districts.

(b.) You are eligible for property tax relief. The City Council of Redwood City passed a resolution establishing a policy to process what are known as Mills Act Agreements for officially designated historic properties in Redwood City.

The Mills Act is a California State law that provides for a reduction in property taxes for qualified historic properties. It represents a current use assessment for properties, known as “contract assessment”. Property owners enter into preservation contracts with the City in exchange for property tax relief. The County Assessor is directed by State Law to adjust the value of the property downward to reflect restrictions placed on the property rather than assessing based on the market value. The restriction is that the property will be historically maintained.

A Mills Act contract term is for a minimum of 10 years. The contract provides for the preservation of a qualified historic property and, when necessary, restoration and rehabilitation. There would be at least one inspection of the property annually to assure compliance with the terms and conditions of the contract. The contract is binding on successors in interest in the property.

The City Council took its action in an effort to provide property owners with an incentive to maintain their historic properties and to further the City’s Historic Preservation program. Property tax savings can be substantial for properties purchased after the passage of Proposition 13 in 1976. Often benefits are minimal the first few years of a contract, but as the value of the property climbs, significant property tax savings may be experienced. Attached for your information is an example of a Mills Act tax adjustment.
c. Properties designated as individual historic landmarks will receive a Certificate of Historical Designation signed by the Mayor of Redwood City and the Chair of the Historic Resources Advisory Committee and will be eligible to receive a Redwood City Historic Landmark Plaque.
MILLS ACT TAX ADJUSTMENT

The following is a simple example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. Let’s assume that the current assessed value for a house is $100,000 and that a fair rent or income is $600 per month (prescribed in Sec. 439.2 of the State Revenue and Tax Code).

First, determine annual income. $600 per month minus approximately $100 per month assumed for maintenance, repairs, insurance, water, and gardener gives a net income of $500 per month. Multiply by 12 months to get an annual income of $6,000.

Second, determine capitalization rate as follows:

- Determine home loan mortgage rate. Interest rate is determined yearly by the State Board of Equalization based on the effective rate on conventional mortgages as determined by the Federal Housing Finance Board. The rate is set at 4% for 2014.

- The historical property risk component of 4% (as prescribed in Sec. 439.2 of the State Revenue and Tax Code). The 4% risk component applies to owner-occupied single-family dwellings. A 2% risk component applies to all other properties (i.e. commercial, rental).

- The Tax Rate (Post-Prop 13) of .01 times the assessment ratio of 100% (1%).

- Assume a remaining life of 20 years. Reciprocal of this is 1/20 or 5%.

Add these together: 4% + 4% + 1% + 5% = 14% Capitalization rate.

Third, the new assessed value is determined by dividing the annual income ($6,000) by the capitalization rate (14%) to arrive at the new assessed value of $42,857.

Last, determine the amount of taxes to be paid by taking 1% of the assessed value $42,857. Compare with current property tax rate:

  - Current property tax: 1% of original assessed valuation of $100,000 is $1,000 ($100,000 x 1% = $1,000).

  - Mills Act property tax: 1% of new assessed value of $42,857 is $429 ($42,857 x 1% = $429).

Savings of $571 in annual property taxes.