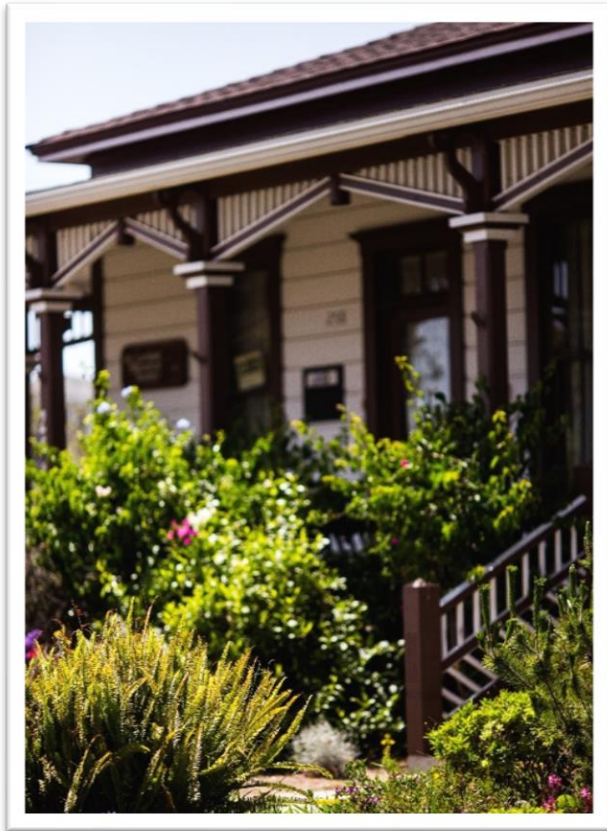


Historic Preservation



The City of Carlsbad has a long and rich built environment history with its origins dating back to the late 19th century as a “whistle stop” on the new California Railroad. The city’s namesake dates back to the 1880s when John Frazier, a former sailor, dug a well in the area and sold the water to train passengers. It was found that the fresh water was like that found in some of the most renowned spas in the world, so the town was named after the famed spa in the Bohemian town of Karlsbad.

As the area grew over the decades, many of the historical structures and landmarks built in those earlier years and later still remain. The city recognizes the importance of restoring, preserving, and protecting these older buildings in order to help give people a sense of place and connection with the past.

Documents Referenced

CA Mills Act - Contract; [§50280-50290](#)

CA Mills Act - Tax Code; [§439](#)

Secretary of the Interior’s Standards; [website](#)

State Historical Building Code; [§18950](#)

Carlsbad Historic Preservation Code; [Title 22](#)

Land Use Review Application; [P-1](#)

Historic Preservation Permit Form; [P-40](#)

Mills Act Supplemental Checklist; [P-40\(a\)](#)

This Info-Bulletin provides an overview of the historic designation process and various incentive programs that are available to owners of these historical structures. Through these programs, we can help protect and maintain the city’s rich cultural history for generations to come.

Designated Historic Resources

A potential historic resource can be more than just a building or structure; it may be a landmark, site, landscape features, or artifact.

However, in order for a potential historic resource to be considered a designated “Historic Resource” that is subject to the benefits prescribed under the city’s historic preservation code, the property owner must provide reason and justification supporting why the resource is significant and should be protected.





Step one in this process is to determine whether the resource meets initial historic qualifications. The property owner must show that the potential historic resource is at least 50 years old and meets at least one of the following criteria:

- It is associated with significant events that contribute to our city's, state's or nation's history;
- It is identified with a person or persons who significantly contributed to the culture and/or development of the city, state, or nation;
- It is an excellent example of an architectural style/period or work of known professionals who significantly influenced local, state, or national heritage; or
- It yields information important to the prehistory or history of the area, state or nation.

The potential historic resource must also retain enough of its historic, cultural or architectural character or appearance to be recognizable as a historic resource and to convey the reasons for its significance. Resources meeting this initial qualification step can then proceed to Step 2: Application Submittal. Under this step, the property owner must file a Historic Resource Designation application to add the property to the Carlsbad Historic Resource Register (Register), along with documentation showing how the resource meets the criteria selected in Step 1 above. Such supporting documentation may include site records, reports and surveys prepared by qualified professionals, or other similar documented evidence showing the historical importance of the property.

Once filed and reviewed by the city's 3rd party historical consultant, the application and findings

are presented before the Historic Preservation Commission (Commission) for consideration.

Following their review, the Commission makes a recommendation to the City Council whether the potential historic resource should be included in the Register. Only those properties included in the Register are eligible to participate in the historic preservation incentives discussed in this bulletin.

Removal from the Register

Because this is a voluntary program, property owners may request their property to be removed from the Register. The Commission and City Council consider the de-designation application.

Properties that are removed from the Register will no longer be eligible for the incentives listed below.



HISTORIC PRESERVATION INCENTIVES

The city offers a number of incentives designed to encourage property owners to enhance and preserve important historic resources.

Bed & Breakfast Establishments

Although most residential zones only allow residential use of property, city code [§21.04.046](#) & [§21.42.140](#) allow some historic resources in some multi-family and mixed-use zones to operate a business that accommodates overnight guests, commonly referred to as a bed & breakfast.



The specific zones that offer this incentive are Multiple-Family Residential (R-3), Residential Density-Multiple (RD-M), Residential Professional (R-P), Residential Tourist (R-T) and Commercial Tourist (C-T).

A discretionary permit (specifically, a Conditional Use Permit, or CUP) is required, which may require conditions be added by the city to ensure compatibility with surrounding properties. For more information on the city's discretionary permit review process, please see the Community Development Department [Permit & Service Delivery Guide](#).

State Historical Building Code

This alternative building code seeks to preserve historic buildings by providing equivalent life safety standards for repairs, alterations, and additions to historic buildings.

The equivalent measures permitted by the code are more sensitive to the historic conditions of a building than standard building codes and allow flexibility (often resulting in cost savings) in meeting building code requirements for restored and rehabilitated structures. The City of Carlsbad has adopted the State Historical Building Code in the city's code (Chapter 18.08). General information about the State Historical Building Code may also be found at the California Office of Historic Preservation's [website](#).

Federal Tax Credits

The Federal Historic Preservation Tax Incentives program, and the 20% Rehabilitation Tax Credit, may be available for buildings that are listed landmarks in the National Register of Historic Places, or that contribute to National Register Historic Districts or certain local historic districts.

To qualify, properties must be income-producing (i.e., commercial, industrial, agricultural, or rental residential purposes, but not properties used exclusively as the owner's private residence) and substantially rehabilitated according to the Secretary of the Interior's Standards for Rehabilitation.

The historic building, the rehabilitation project plans, and the completed project must all be certified by the Secretary of the Interior. The program is jointly administered by the National Park Service and the Internal Revenue Service in partnership with the State Historic Preservation Office. More information about the Federal 20% Rehabilitation Tax Credit may be found at the California Office of Historic Preservation's [website](#).



THE MILLS ACT

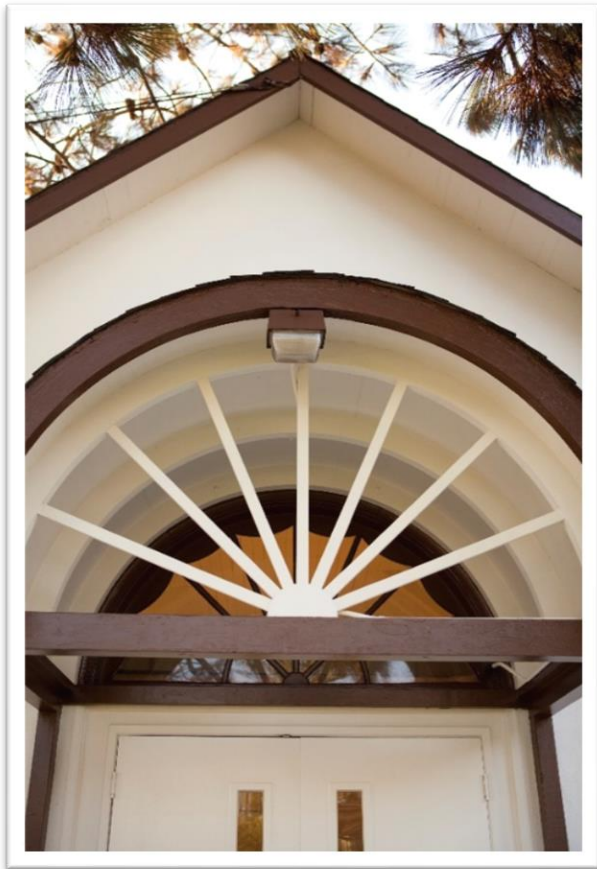
The Mills Act is often recognized in the state as probably the single most important economic incentive program offered to private property owners for the restoration and preservation of historic buildings, which is why this section provides more attention to this city incentive.

Mills Act Origins

In 1971, the City of Coronado was pursuing a rezone of the Hotel Del Coronado, which would have had significant property tax implications if approved. In response, State Senator James Mills from San Diego

introduced in 1976 the Mills Act legislation, which established an economic incentive program that allows local jurisdictions to enter into contracts with property owners who agree to preserve, restore, and maintain their historic property in exchange for a potential reduction in local property taxes.

Since its adoption, local Mills Act programs have helped preserve thousands of historic structures throughout California. The program's regulatory authority is described under state Government Code (§50280-50290) as well as the Revenue and Taxation Code (§439-439.4).



Program Eligibility

The city's historic preservation code (Chapter 22.10) establishes a voluntary program that incentivizes owners to preserve their historic structures by providing potential fiscal benefits and relief from certain development standards and taxes. To qualify, the owner of the historic resource must agree to participate in the program, and the historic resource being considered must meet certain requirements, as summarized below.

Carlsbad Mills Act Program – Highlights

In 2022, the city established a voluntary Mills Act program (Chapter 22.10). Application processing steps for a Mills Act contract are provided later in this info-bulletin, but some important program highlights are provided below.

- According to the County Tax Assessor's website, properties under a Mills Act contract can experience a reduction in property taxes for most owners of between 40% and 60% compared to what the property tax would be without the Mills Act.
- The city and the property owner enter into a Mills Act contract that is recorded on the property's title.
- Contract term is for 10 years that automatically renews each year. Either party can file a notice not to renew the contract after 10 years. Financial penalties are imposed for a breach of the contract, including a state-mandated penalty fee of 12.5% of the full market value at the time of cancellation.
- Only privately-owned properties that meet the definition of a "Qualified Historical Property" (§22.02.040) are eligible to apply for a Mills Act contract.
- Following submittal, the property will be assessed by the city to confirm historic significance and determine if any alterations are in compliance with the Secretary of the Interior's Standards for the Treatment of Historic Properties, in particular the Standards and Guidelines for Preservation, Restoration & Rehabilitation.
- The contract includes a work plan describing the improvements or modifications required, if any, for preserving, restoring, and maintaining the historic property during the term of the contract. Failure to timely complete the work plan may result in cancellation of the contract.
- Improvements to the historic property under the work plan must follow the aforementioned Secretary of the Interior's Standards.
- While under contact, the property owner may build an addition to their property, so long as it complies with the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Rehabilitation. It should be noted that the new construction

receives no property tax reduction. Please contact the County Assessor's office for information.

- The deadline for owners to apply for a Contract is **June 1**. This deadline has been set to ensure that contract applications can be approved, executed, and recorded before the County Tax Assessor's lien date (December 31).
- State law requires the city to inspect the property before the contract is approved and recorded, and every five years afterward to ensure contract requirements are being met.

Pre-Application Meeting

Owners interested in pursuing a Mills Act contract must first contact the Planning Division to schedule a meeting to go over program and application requirements. This mandatory meeting must occur before a contract application can be submitted. Approved Mills Act contracts must be recorded by the end of the year in order for the property tax reductions to take place the next tax year. As such, it is recommended that the pre-application meeting occur within January through March of each year. Refer to the calendar located on the next page for a listing of critical deliverable dates.

Please note that the City of Carlsbad does not have any role in the eventual valuation of the property under a Mills Act contract. The County Tax Assessor's office is solely responsible for valuations to determine property tax bills. Property owners are encouraged to contact the County Tax Assessor's office regarding potential savings under the Mills Act as well as their tax professional prior to filing their application with city.



Application Submittal

The following is a summary of the submittal requirements required to request a Mills Act contract. All required forms and supplemental requirements need to be submitted by the June 1 deadline before the city will begin processing the Mills Act contract application.

Failure to supply timely sufficient information during the processing of the Mills Act contract application is reasonable grounds for processing delays or the withdrawal or disapproval of the application.

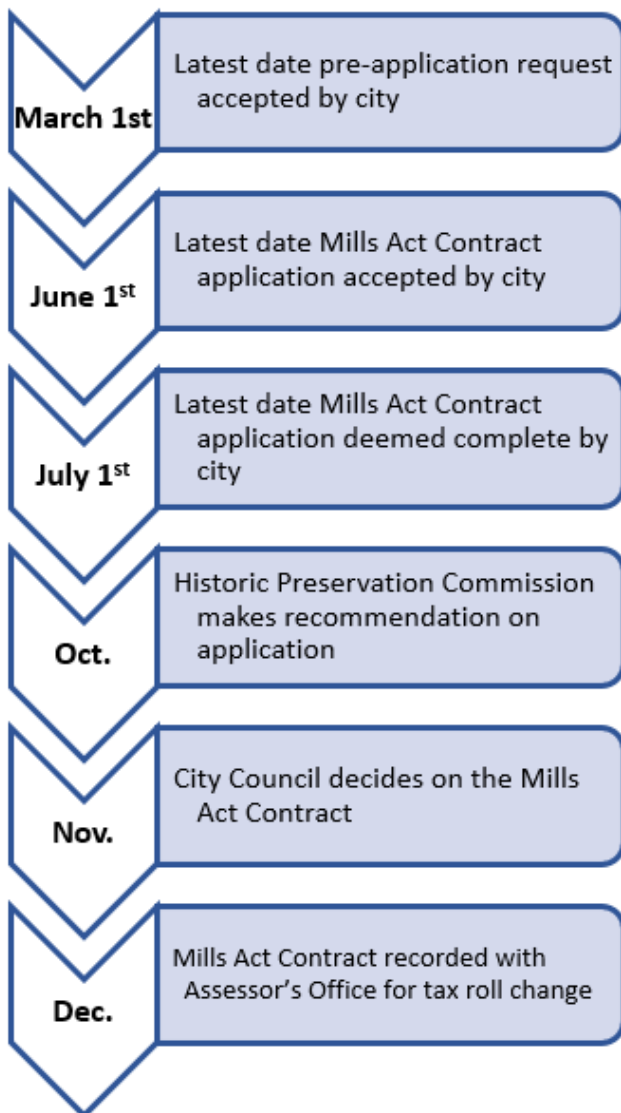
- Land Use Review Application ([P-1](#))
- Historic Preservation Permit Application ([P-40](#))
- Mills Act Supplemental Checklist ([P-40\(a\)](#))
- Verification of historical status from the National Register, California Register or city Register. If not available, a historical report prepared by a qualified professional for a concurrent city historic designation request. A qualified professional is someone who meets one or more of the applicable "Secretary of the Interior's Historic Preservation Professional Qualification Standards" to the satisfaction of the City Planner.
- A proposed 10-year work plan report, which details the preservation, maintenance, repair, restoration, and rehabilitation improvements the owner anticipates completing within the first 10 years of the contract. The work plan shall either be prepared by, or submitted with a statement of concurrence provided by, a qualified professional as referenced in the preceding bullet.

- Copy of Title Report, which must be current within the six months prior to application submittal. If the property has changed ownership within those six months, it must be supplemented by a copy of the current deed.

Please note that historical reports and work plans can take time to prepare. It is strongly suggested that owners begin the process of hiring these professionals during the year before you intend to apply for the Mills Act.

Critical Dates Calendar

Below is an overview of the critical dates that must be met in order to timely process a Mills Act contract application.



Application Review Process

The following are processing steps the city will likely take during its review of a Mills Act application and supporting documentation.

- During review, the city may approximate the amount of reduced property taxes. This is only used to estimate the potential impact on city revenues. Actual tax savings will be determined by the County Tax Assessor.
- A site inspection will be conducted to assess the physical condition and historic condition, known as "integrity."
- Once deemed complete, the application will be scheduled for review by the Historic Preservation Commission (typically in September) followed by a final decision by the City Council (typically in November).
- Once City Council approves the contract, the city will execute and forward it to the county for recordation within 20 days after approval. Recordation must occur by December 31 in order for the contract to take effect in the next full property tax year.
- Once recorded, the city will notify the property owner, the County Tax Assessor, and the State Office of Historic Preservation.
- If all deadlines are met, the property owner will see any property tax reduction in the next full property tax year. Questions about the property tax bill and valuation should be directed to the County Tax Assessor's office at (619) 531-5002.





Contract Monitoring

After the Contract is recorded, state law requires the city to monitor the owner’s compliance through inspections. The owner will need to provide a signed affidavit to the city prior to each inspection stating the owner is complying with the terms of the contract and written consent authorizing city staff or designated third party to enter the premises.

Inspections occur every five years during the life of the contract. The purpose is to verify that the property owner is maintaining their building per historic standards and is making progress on the contract’s work plan in a timely manner.

Contract Nonrenewal or Cancellation

Every year on the anniversary date, a Contract is automatically renewed for another year. This means the Contract has a rolling, or perpetual, 10-year term. However, state law provides two ways to end a Mills Act Contract term.

- The first way is that either party to the contract (city or owner) may file a “notice of nonrenewal,” which is recorded with the county and signals the tax assessor to value the property that gradually increases the property valuation while the years left decrease for the remainder of the contract.
- The second way is for a local government to cancel the contract. Cancellation could be because of an owner’s breach of the contract terms such as not maintaining and repairing the property or making inappropriate alterations to the property that do not follow required guidelines.

Such a cancellation would follow due process through a public hearing, but the city would typically pursue administrative and legal remedies to try to obtain the owner’s compliance before cancelling the contract.

Cancellation could also be the result of an owner’s request to cancel the contract, typically for reasons of site development.

Unlike nonrenewal, cancellation is immediate and state law requires the owner to pay a penalty fee of 12.5% of the property’s full market value at the time of cancellation.

YOUR OPTIONS FOR SERVICE

To schedule an appointment or to learn more about the Mills Act Contract process, please contact the Planning Division at (442) 339-2610 or via email at Planning@carlsbadca.gov.

