



MILLS ACT PROGRAM

INTRODUCTION

Thank you for your interest in the City of Riverside's Mills Act Program. In order for your property to be considered for a contract, it must be a designated historic resource listed on a city, county, state or federal register. City designations are: Landmark, Structure of Merit, and Contributor to a designated Historic District or Neighborhood Conservation Area. If you are unsure whether your property is included within any of these designations, or wish to seek designation of your property, contact us.

After the contract is recorded, you will be required to submit annual reports on completed project(s), along with photo documentation of the completed work, copies of receipts, and building permits where applicable. City shall inspect the interior and exterior of the premises prior to the approval of new contracts and every year thereafter to determine the owner's compliance with the contract. Significant penalties may be imposed for breach of contract or failure to maintain the historic property.

This packet is designed to assist you in completing the Mills Act Application. The application packet is also available on line at www.riversideca.gov. If you have any questions please contact Frances Andrade, Project Assistant, at 951-826-2371 or fandrade@riversideca.gov.

PROCEDURES

Application packages are accepted during the month of June. Incomplete applications will not be considered. The City of Riverside allocates an average of seven but no more than ten Mills Act contracts per year – five for residential properties and two for commercial properties. All contracts may be for residential properties if no commercial applications are filed. If the City receives more applications than the allocated contracts, the properties will be randomly selected for the program.

All applications are reviewed by Cultural Heritage Board staff. During which time, staff may request modifications to the submitted ten-year rehabilitation plan to show compliance with the Secretary of the Interior's Standards for Rehabilitation of Historic Properties. Additionally, staff will contact you during the month of August to set up an appointment for the initial inspection. Following the review of the application and the initial inspection, staff will submit a request to the City Attorney's Office to prepare the Mills Act Contract. You will be asked to sign the contract once it has been prepared, generally the end of September. Staff will then prepare to refer to the City Council for approval during the month of November. Once

approved, the contract will be recorded on your property title with the county by the end of the calendar year.

FILING FEES

There are two fees associated with your Mills Act application a non-refundable application fee (currently \$404; may be adjusted) and a contract initiation fee (currently \$3,274; may be adjusted). The contract initiation fee must be included with the application via a post-dated check, dated December 1 of the current year.

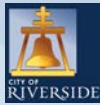
SUBMITTAL REQUIREMENTS

- Completed Application Form
- Property Tax Adjustment Worksheet
- Ten-Year Plan for Property Improvements
- Grant Deed or Title Report, with Legal Description of Property, indicating that I am the property owner.
- Non-Refundable Application Fee and post-dated check for Contract Initiation Fee (Refer to current fee schedule, post-date check to December 1 of the current year)
- Copy of the Current Property Tax Statement or Coupons
- IMPORTANT NOTICE: All parties listed on the grant deed and spouses will need to appear in the Community & Economic Development Department during October to sign the contract. If any of the deed holders will be unavailable at any time during this month, please contact our office ahead of time so alternate arrangements can be made.
- CONTRACT INITIATION FEE: Include a check for the current Contract Initiation (currently \$3,274; may be adjusted), post-dated for December 1 of the current year. Following City Council Approval, staff will deposit the check provided. Should you wish to pay this fee via credit card, please contact staff prior to December 1 to make arrangements. Failure to pay the fee shall cause the City to void and cancel the contract—it will not be recorded and will not be of any force or effect.

MILLS ACT FACTS

- The Mills Act (a state sponsored legislation enacted in 1972) is a self-directed, economic incentive program for owners of historic buildings that are listed in the National Register of Historic Places or on a state, county, or city official register. Although it is applicable to any income producing property, it is the single most important economic incentive program available in California for private property owners of qualified historic buildings. A Mills Act program must be developed according to two California State Codes: California Government Code, Article 12, Sections 50280-50290 and California Revenue and Taxation Code, Article 1.9, Sections 439-439.4.
- Under the program, property owners receive a significant reduction in local property taxes in exchange for their promise to actively participate in restoring, rehabilitating, repairing and preserving their properties. Participants enter into a perpetual ten (10) - year contract with the City.
- The county assessor's office re-assesses property taxes based on a capitalization of income formula rather than on market value. Mills Act participants may realize a property tax savings of approximately 50% each year depending on property value, net operating income, and other variables.
- Contracts are automatically renewed each year and are transferred to new owners when the property is sold.
- Starting in 2012, prior to the approval of new contracts, and every five years thereafter, the City shall inspect the interior and exterior of the premises to determine the owner's compliance with the contract. Should an inspection fee be imposed, the cost may be applied toward allowable annual expenses.
- Penalties may be imposed for breach of contract or failure to maintain the historic property. The California Codes listed above require the owner to pay a cancellation fee of twelve and one-half percent (12-1/2%) of the current fair market value of the property, as determined by the county assessor, in the event of breach of contract. As an alternative to cancellation of the contract for breach of any condition, the county, city, or any landowner 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.





MILLS ACT APPLICATION FORM

Mills Act applications are only accepted during the month of June and must be submitted by 5:00 pm on the last business day of the month. Thank you for your investment in the City of Riverside.

Property Address: _____

Assessor's Parcel Number(s): _____

Property Use: _____

CONTACT INFORMATION

Property Owner: _____

Mailing Address (if different): _____

City: _____ State: _____ Zip: _____

Telephone: _____ E-Mail Address: _____

I authorize the City of Riverside to act as my agent for the purpose of recording the Mills Act contract.

Property Owner Signature(s) _____

Date _____

PROGRAM ELIGIBILITY

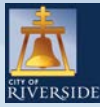
In order for your property to be considered for a contract you must have a designated historic resource from the list below:

Date of Designation: _____

- City Landmark
- City Structure of Merit
- County Landmark
- California Register
- State Landmark
- State Point of Historical Interest
- National Register

- National Historic Landmark
- Contributor to a Designated Historic District or Designated Neighborhood Conservation Area (NCA)

Name of District or NCA:



PROPERTY TAX ADJUSTMENT WORKSHEET

Instruction Guide Follows

Used for estimated saving to aid in filling out Ten-Year Rehabilitation Plan

INCOME		
Monthly Rental Income	Even if property is owner-occupied, an estimated monthly rental income is needed as a basis for this formula. Remember to include all potential sources of income (i.e. filming, advertising, photo-shoots, etc.).	
Annual Rental Income	Multiply Monthly Rental Income by 12	
ANNUAL EXPENSES		
Insurance	Fire, Liability, etc.	
Utilities	Water, Gas, Electric. Utilities may only be listed and deducted as permitted in a traditional landlord-tenant relationship, i.e. net lease vs. gross lease.	
Maintenance and Repairs ¹	Includes: painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs.	
Management ²	Standard fee (usually 5% of rent)	
Other Operating Expenses	Security, services, etc. May also include special district assessments and special taxes; however, general levy property taxes are not allowed expenditures. Provide breakdown on separate sheet.	
TOTAL ANNUAL ALLOWED EXPENDITURES ³	Add total expenses. Total expenses typically equal approximately 25% of annual rental income.	
NET OPERATING INCOME		
Net Operating Income	Annual rental income minus total expenses.	

¹ If you are calculating for commercial property, remember to provide the following back-up documentation where applicable:

- Rent Roll (include rent for on-site manager's unit as income if applicable);
- Maintenance Records (provide a detailed break-down—**all costs should be recurring annually**).

² Include expense of on-site manager's unit and 5% off-site management fee; and describe other management costs—provide breakdown on separate sheet.

³ Annual operating expenses do NOT include mortgage payments, general levy property taxes, depletion charges, corporate income taxes or interest on funds invested in the property.

CAPITALIZATION RATE		
Interest Component	Annually determined by the State Board of Equalization and based on the effective rate on conventional mortgages as determined by the Federal Housing Finance board. The interest component is announced annually in a Letter To Assessors, by October 1 of the preceding assessment year. (4.75% for 2019)	4.75%
Historical Property Risk Component	Determined by property type. Single-family home = 4% All other property = 2%	
Property Tax Component	Fixed Component	1.0%
Amortization Component	Because the land is a non-depreciating asset, it is necessary to adjust the amortization component. 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 $70\% \times 1/20 = 3.5\%$.	
Capitalization Rate	Add individual components above	
TAXES		
Mills Act Assessment Value	Divide Net Operating Income by Capitalization Rate	
Current Taxes	General tax levy only – do not include bonded indebtedness, special district assessments, and special taxes, which are treated as allowed expenses.	
Tax under Mills Act	1% of Mills Act Assessment Value. (Multiply Mills Act Assessment Value by 0.01)	
ESTIMATED TAX REDUCTION	Subtract Tax under Mills Act from Current Taxes	



PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

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.***

EXAMPLE: Single-family Dwelling
Current Assessed Value (GENERAL LEVY TAXES ONLY⁴) = \$100,000
Estimated Monthly Rent = \$800

DETERMINE ANNUAL INCOME AND ANNUAL OPERATING EXPENSES⁵

\$800 per month income minus approximately \$100 per month expenses for maintenance, repairs, insurance, utilities, and gardener, only as permitted in a traditional landlord/tenant relationship, equals a net income of \$700 per month. Multiply by 12 months for an annual net income of **\$8400**. (Mortgage payments and property taxes are not considered expenses.)

DETERMINE CAPITALIZATION RATE

Add the following to determine the Capitalization Rate:

- The Interest Component is determined by the Federal Housing Finance Board and is based on conventional mortgages. While this component will vary from year to year, the State Board of Equalization has set this at **4.0%** for 2018. As the interest component increases or decreases, property tax savings change as well;
- The Historical Property Risk Component of **4%** (as prescribed in Sec. 439.2 of the State Revenue and Tax Code) applies to owner-occupied single-family dwellings. A **2%** risk component applies to all other properties;
- The Property Tax Component (Post-Prop. 13) of .01 times the assessment ratio of 100% (**1%**).
- The Amortization Component for improvements defined as a percentage equal to the reciprocal of the remaining life of the improvements (e.g., if the remaining economic life of the improvements were 20 years, the amortization component would be 5 percent). Since the amortization component applies only to improvements, not to land, which is a non-depreciating asset, it is necessary to adjust the amortization component described in the statute.

⁴ The Mills Act applies ONLY to general levy property taxes. Be sure to DEDUCT the portions of your tax bill that include sewer assessment, bond issues, etc. when calculating what portion of your property tax will be reduced by the Mills Act.

⁵ Single-Family applicants may find that a property manager or realtor may assist in determining a monthly rental figure.

- Based on market data, estimate the percentage of total property value attributable to improvements. *In this example, 70% of the value is attributable to improvements, and the remaining life of a wood frame building is typically 20 years.* The amortization component is calculated thus: $70\% \times 1/20 = 3.5\%$. Use 3.5% for your calculation.

Now add the following:

$4.0\% + 4\% + 1.0\% + 3.5\% = 12.5\%$ **Capitalization Rate** (single-family dwelling).

CALCULATE NEW ASSESSED VALUE AND ESTIMATED TAX REDUCTION

The new assessed value is determined by dividing the annual net income (**\$8,400**) by the capitalization rate **0.125** (12.75%), to arrive at the new assessed value of **\$67,200**.

Lastly, determine the amount of taxes to be paid by taking 0.01 (1%) of the assessed value \$67,200. Compare with current property tax rate for land and improvements only (be sure to exclude voter indebtedness, direct assessments, tax rate areas and special district items on your tax bill):

- Current general levy property tax; 1% of original assessed valuation of \$100,000 ($\$100,000 \times .01 = \mathbf{\$1,000}$);
- Mills Act property tax: 1% of new assessed value of \$67,200 is **\$672**.

Annual property taxes have been reduced by **\$328** ($\$1,000 - \672), approximately a **33% property tax reduction**.





MILLS ACT TEN-YEAR REHABILITATION PLAN

YEAR	PROPOSED PROJECT*	ESTIMATED COST
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		
Year 6		
Year 7		
Year 8		
Year 9		
Year 10		

*See attached for list of potential projects. Use additional sheets if necessary.

To be attached to the Historic Property Preservation Agreement (Mills Act Contract)-Exhibit D.

Projects may be interior or exterior, but must utilize all of your tax savings. All projects that affect the exterior of the residence are subject to Cultural Heritage Board/Staff review and approval before work begins. Work must meet all City requirements and the *Secretary of the Interior's Standards for the Treatment of Historic Properties* (see attached). Retain copies of all receipts and permits for submittal with the required annual reports. Photograph the before and after condition of each project for submittal with the annual reports.

PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

Projects may include but are not limited to:

- Access Modifications – Exterior
- Access Modifications – Interior
- Accessory Structure Repair or Replace
- Annual Maintenance & Repairs
- Appliance Vent
- Architectural – Remove Non-historic Feature & Restore to Original
- Architectural Trim – Repair
- Architectural Trim – Replace
- Architectural Trim – Install New
- Balcony/ Decks – New Railings
- Balcony/ Decks – Repair or Replace
- Basement – Access – Repair or Replace to Code
- Basement – New or Rebuild
- Cabinets – New Built-in Bathroom
- Cabinets – New Built-in Kitchen
- Cabinets – New Built-in Other
- Carpentry – Remove window & reframe shower including Siding/Caulking
- Chimney – Inspect and Clean
- Chimney – New
- Chimney – Rebuild or Repair
- Code Repair Item
- Column – Replace or Rebuild
- Corbels/ Structural Brackets Replace or Repair
- Door – Repair or Replace Screen Door
- Door – Hardware
- Door – New Basement Hatch Cover and Base
- Door – Repair
- Door – Replacement
- Drain for Deck – Install & or Repair
- Drainage Protection or Correction
- Dry-Rot Remove, Repair and or Replace
- Electrical – Rewire or Install New Outlets
- Electrical – Complete Rewire and Service Upgrade
- Electrical – Ground & Service Entry
- Electrical – Install New Circuits
- Electrical – Lighting Fixtures
- Electrical – New Service Lines to Garage
- Electrical – Security Lighting and Alarm
- Electrical – New Outlets



(SHEET TWO OF THREE)

Fence – Repair or New
Flashing
Floor Furnace – Remove or Restore floor
Flooring – Carpet
Flooring – Repair
Flooring –Repair Wood Floors
Flooring – Replacement
Foundation – Bolting and Seismic Work
Foundation – New
Foundation – Repair
Gable or Attic – Re-screening
Garage Door
Gutters & Downspouts
House Relocation
HVAC – Complete New System
HVAC – Maintenance & Replacement/Plumbing Service & Painting
Insulation – Walls – Blown-in
Insulation – Attic
Interior Trim – Refinish
Kitchen – New Counters
Masonry – New
Masonry – Repair or Replace Tile Hearth
Masonry – Repair or Repoint
Masonry – Repoint Brick
Mechanical – Air Conditioning
Mechanical – Heating Unit
Mechanical – Ventilation – New Kitchen/Bath Fan & Duct Work
Mechanical – Venting & Duct
Mechanical – Venting & Duct Work
Minor Painting and Exterior Repairs
Painting – Exterior
Painting – Interior
Painting – Removal of Lead Based Paint
Painting – Exterior Trim
Patio – Repair
Plastering – Remove, Replace, or Refinish
Plumbing – DWV, Drain, Waste & Vent
Plumbing – Fixtures
Plumbing – Install new supply lines
Plumbing – Install Sump Pump & Discharge Drain
Plumbing – Minor Repairs
Plumbing – New Supply



(SHEET THREE OF THREE)

Plumbing – Service Lines
Plumbing – Sewer
Plumbing Repairs
Porch - Ceiling replacement
Porch – Rebuild or Replace
Porch – Repair
Porch – Repoint Brick
Porch Railing – Repair or Replace to Code
Porches – Resurface
Remove Substandard Construction (Tin Shed)
Repair Eaves and/or Overhangs
Repair Exterior Stucco
Repair Garage
Replace Garage
Replace Non-Historic Feature
Roof- Minor Repair
Roof- Reroof
Roof- Strip and Install New
Security Lighting and Alarm System
Seismic Retrofitting – Other than Foundation
Siding – Remove Asbestos Siding & Restore
Siding – Repair
Skylights – Replace
Stair – Repair
Stair – Replacement
Stonework
Stoop – Repair
Stoop – Replacement
Structural – New Framing or Repairs
Structural Bracing
Structural Modifications
Structural Repairs – Roof and/or Ceiling Joists
Termite Treatment
Termite Treatment and Repair
Tile – Replace, Repair or Repoint
Utility Enclosure – New
Ventilation – Attic Fan
Waterproofing
Weatherproofing
Window – Screens or Hardware
Windows – Repair
Windows – Replacement in kind





MILLS ACT ANNUAL REPORT

CONTACT INFORMATION

Property Owner: _____

Mill's Act Property Address: _____

Mailing Address (if different): _____

City: _____ State: _____ Zip: _____

Daytime Telephone: _____ E-Mail Address: _____

REPORTING INFORMATION

Annual Report for the year of: _____

What were your tax savings this year? _____
(Please attach copies of your tax statement for the applicable year.)

What was the total cost of the project(s)? _____

What was (were) your project(s)? Please describe each project contributing to your required expenditure, include the cost of each project (add additional sheets as necessary):

Would you like to revise your Ten-Year Plan? _____ (If yes, attach a revised Ten-Year Plan)

PROPERTY OWNER CERTIFICATION

I certify that the above information is true and accurate to the best of my ability. I acknowledge that I understand that the entirety of the annual Mills Act savings shall be reinvested into the property on an annual bases. I further acknowledge that an annual inspection, to be completed by City Staff, shall be completed to certify compliance.

Signature: _____ Date: _____

SUBMITTAL REQUIREMENTS

Your Mills Act Annual Report shall be submitted in hard copy on 8.5"x11" paper, bound in a report folder. (all items are required to determine the annual report complete)

- Before and After photographs for all Mills Act work performed during the last year;
- Copies of receipts for all required expenditures;
- Copies of the applicable property tax statements.

Return Form and Attachments by the Last Business Day in July to:

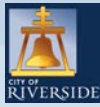
City of Riverside
Community Development Department, Planning Division
3900 Main Street-3rd Floor
Riverside, CA 92522

For Questions Contact:

Community and Economic Development Department (951) 826-5371, or the Mills Act Specialist Pangy Crosby, (951) 826-5430 or (951) 237-9636, pcrosby@riversideca.gov

Please note: Some work performed may require a Certificate of Appropriateness and/or Building Permit. It is the responsibility of the property owner to obtain the proper permits. This annual report is not a substitute for any required permits and is only used to verify Mills Act compliance.





MILLS ACT QUESTIONS AND ANSWERS

Q: What is the Mills Act?

A: The Mills Act is an economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners. Enacted by the State in 1972, Mills Act legislation grants participating local governments the authority to enter into contracts with owners of qualified historic properties who actively participate in the rehabilitation, restoration, preservation, and maintenance of their historic properties. Since the costs of doing so can be prohibitive, property tax relief can offset these costs.

In 1976, California voters passed Proposition 7, amending Section 8 of Article XIII of the California Constitution requiring enforceably restricted historical properties be valued on a basis that is consistent with its restrictions and uses. [Sections 439 through 439.4](#) of the Revenue and Taxation Code set forth the statutory authority for the assessment of Mills Act properties. Essentially, it provides that valuation of the property be determined by the income approach rather than a sales data approach, even for an owner-occupied single-family residence.

Riverside's City Council adopted Resolution No. 20825 in 2004, which permits property owners to enter into Mills Act contracts with the City. Mills Act contracts are for a minimum term of ten (10) years. Unless a Notice of Nonrenewal is filed or the contract is breached, a contract automatically renews each year on its anniversary date, creating a "rolling" contract term that is always equal to the initial contract term.

Q: Who can apply for the Mills Act?

A: Owners of designated historic properties can apply for the Mills Act. Designated historic properties include those individually listed as Landmarks or Structures of Merit, as well as contributors to designated Historic Districts or Neighborhood Conservation Areas.

Q: How can I apply for the Mills Act?

A: The Mills Act Applications are extensive and require calculations and research that will likely require assistance from a professional accountant. Applications are available by: 1) Picking up a copy up at the Community & Economic Development Department, at City Hall on the 3rd floor, or 2) Contacting the Historic Preservation Staff at 951-826-5371 or email at planinfo@riversideca.gov and requesting a copy via the US Mail, or 3) Downloading a Mills Act Application found at the historic preservation website at the following address:

<http://www.riversideca.gov/historic/mills.asp> .

Complete applications can be submitted with the required application fee at the Community & Economic Development Counter on the 3rd Floor of City Hall or via US mail at the following address: Community Development Department, Historic Preservation, Neighborhoods, and Urban Design Division, 3900 Main Street, Riverside, CA 92522.

Q: How many Mills Act Applications are accepted annually?

A: The City accepts an average of seven and a maximum of ten Mills Act contract applications per year – five residential and two commercial, or all residential if no commercial applications are submitted. If more applications than the average allotment are received, the Mills Act contract recipients will be determined by a lottery system of the complete applications.

Q: When are the Mills Act Applications due?

A: Mills Act Applications are accepted during the month of June and must be received by the last business day in June.

Q: What is the application fee?

A: The application fee for Mills Act Contracts is due at the time of application submission and is currently \$404.46 but may be adjusted each year. See the Community Development Fee Schedule for the fee amounts in effect. Once the Mills Act application is approved by City Council an initiation fee (currently \$3,274.08 and may be adjusted) will be due before recordation can occur.

Q: How much will I save on my property taxes?

A: The Mills Act uses an alternative equation to calculate the property taxes. This alternative equation may save property owners up to 50% on the property tax bill. If the property has been owned for more than ten years, the County Assessor does not recommend applying for the Mills Act as the savings will be negligible. Due to unprecedented financial times, complete the financial and property tax worksheets to determine whether or not you will benefit from the program.

Q: When will I start to receive my savings on my tax bill?

A: Savings will appear on the tax bill for the fiscal year (July 1st to June 30th) following the calendar year in which it is executed and recorded with the County. For Example, Mills Act participants from the 2013 year received the first tax bill savings on the fall of 2014 tax coupon, which is typical. See our Application Processing and Contract Implementation Schedule handout for more detail.

Q: When do I start saving receipts from qualified property improvements?

A: Start saving receipts for qualified improvements during the fiscal year (July 1st to June 30th) following the recordation of the contract. Property owners of Mills Act contracts approved in 2016 will start saving receipts from qualified improvements for the fiscal year July 2016 to June 2017.

Q: Can I spend all of my ten-year savings in one fiscal year for one big improvement project?

A: No, the ten-year savings cannot be spent on one big project. The proposed tax savings must be spent on the historic property on an annual fiscal year (July 1st to June 30th) basis. The goal is for ongoing financial contribution to the Mills Act property.



Q: Is the Mills Act transferable if I sell my property?

A: Yes, Mills Act contracts remain with the property and will be the responsibility of the new property owners when the property is sold.

Q: Does my property get reassessed if I sell my property, thus changing the monetary value of my savings?

A: Yes, Mills Act contracts are reevaluated on an annual basis with the County Tax Assessor for tax savings. One of the factors the Assessor uses in determining the Mills Act tax bill is the current assessment value of the historic property. Were the property value to change, the tax savings could also see a change.

Q: During what time frame do the property improvements need to occur?

A: Qualified improvements need to take place during the fiscal year (July 1st to June 30th) following the approval, and subsequent fiscal years thereafter for a minimum term of ten years. For example, Mills Act contracts approved in 2018 will start completing qualified improvements during the fiscal year July 2019- June 2020.

Q: What property improvements are eligible?

A: Most improvements are eligible for the Mills Act, as the intention is to encourage property owners to continue to provide maintenance for the historic properties. The improvements need to be a permanent part of the property and/or property. For example:

- A new outdoor seasonal gazebo would not qualify, but a permanent gazebo that is attached to a foundation would qualify;
- New furniture would not qualify, but new built-in cabinetry or shelving would qualify.

Q: Can I count the cost of labor for the improvements made to my property?

A: Yes, the cost of labor can be included in the total cost of improvements to the property, as long as the labor has been completed by a qualified individual that can produce a verifiable receipt for the labor. Property owners cannot include the cost for the owner's personal labor. For Example:

- If a property owner were to have the outside of the historic property painted by a painting company, the full cost of the bill could be counted as a qualified improvement;
- If a property owner were to paint the property utilizing the property owner's own labor to apply the paint, the only costs that could count as an improvement are the cost of paint and paint prepping materials used to complete this qualified task.

Q: How do the property inspections work?

A: Be prepared to submit photographs of the entire exterior and interior of the property, including the view from the street. Based on Government Code Section 50281, members from the Community & Economic Development Department's Historic Preservation staff shall inspect the interior and exterior of the premises prior to approval of the contract, and every five years thereafter. These appointments will be scheduled in advance. Should a fee be required for the five-year inspection, the amount will apply toward allowable annual expenses.



Q: Can I change things on my submitted “Ten-Year Rehabilitation Plan” for work on my property?

A: Yes, previous submissions on the “Ten-Year Rehabilitation Plan” can be changed. Although Historic Preservation staff asks for the Rehabilitation plan up front, changes are allowed on an annual basis. These changes must be submitted to the Historic Preservation staff in the Community & Economic Development Department in writing, for review and approval prior to completion of the proposed qualified task.

Q: How long is my Mills Act Contract good?

A: Participants enter into a contract with a minimum term of ten-years. Mills Act contracts are automatically renewed for an additional year on the anniversary of the effective date, year for a perpetual ten-year term. If a Notice of Nonrenewal is given, the contract will run down for the length of the time remaining.

Q: Who approves the contract I have with the City for my Mills Act Property?

A: Mills Act contracts are subject to the review and approval of the City Council. The review occurs prior to the end of the calendar year in which the application was submitted.

Q: Can I cancel my contract?

A: Mills Act contracts may only be cancelled by the City if it determines that the owner has breached any of the conditions of the contract or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property. If the property owner wishes to no longer continue with the Mills Act Program, he/she can chose to not renew the contract.

If the property owner or the City desires in any year not to renew the contract, that party shall serve written notice of nonrenewal of the contract on the other party in advance of the annual renewal date of the contract. Unless the notice is served by the owner at least 90 days prior to the renewal date or by the City at least 60 days prior to the renewal date, one year shall automatically be added to the term of the contract.

If the City or the owner serves notice of intent in any year not to renew the contract, the existing contract shall remain in effect for the balance of the period (generally 9 to 10 years) remaining since the original execution or the last renewal of the contract, as the case may be. The owner shall furnish the City with any information the City shall require in order to enable it to determine the eligibility of the property involved.

Within fifteen (15) days of Owners receipt of the Notice of Nonrenewal from City, Owner may file with City a written protest of the Notice of Nonrenewal. Upon receipt of the written protect, the City Council shall set a hearing prior to the expiration of the Renewal Date of this Agreement. Owner may furnish the City Council with any information which Owner deem relevant and shall furnish the City Council with any information it may require. The City Council may, at any time prior to the annual Renewal Date, withdraw its Notice of Nonrenewal.

Q: What happens if I do not fulfill my obligation to the Mills Act?

A: The Mills Act is a privilege given to those who have willingly applied and been accepted through the extensive application process. The Mills Act is an incentive for those who own historic properties by providing financial assistance through tax savings. However, the Mills Act is also a legal contract and is enforceable by law. Penalties may incur if owners do not fulfill

the obligation required by the contract to spend the tax savings on the repair and maintenance of the historic property.

Current California Codes include the following language:

The City may cancel a contract if it determines that the owner has breached any of the conditions of the contract or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property. The City may also cancel a contract if it determines that the owner has failed to restore or rehabilitate the property in the manner specified in the contract.

The City may cancel a contract after giving notice of and holding a public hearing on the matter. Notice of the hearing shall be mailed to the last known address of each owner of property within the historic district and shall be published.

If a contract is canceled, the owner shall pay a cancellation fee equal to twelve and one-half percent (12-1/2%) of the current fair market value of the property, as determined by the county assessor as though the property were free of contractual restriction.

The cancellation fee shall be paid to the county auditor, at the time and in the manner that the county auditor shall prescribe, and shall be allocated by the county auditor to each jurisdiction in the tax rate area in which the property is located in the same manner as the auditor allocates the annual tax increment in that tax rate area in that fiscal year.

As an alternative to cancellation of the contract for breach of any condition, a 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.

Local agencies and owners of qualified historical properties may consult with the State Historical Resources Commission for its advice and counsel on matters relevant to historical property contracts.

