

# THE MILLS ACT PROPERTY TAX INCENTIVE



**MARCH 30, 2021**



# OVERVIEW

Background

City  
Guidelines

Scope of  
Work

Case  
Studies

## OBJECTIVES

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- **Understand program basics.**
- **Discuss appropriate scope of work.**
- **Case studies.**

# PROGRAM BACKGROUND



# PROGRAM BACKGROUND



- California's leading financial incentive program for historic preservation.
- Contract between City or County and property owner that allows for potential reduction in property taxes.
- Applies to all types of taxable properties: single-family, multi-family, commercial, and industrial.
- Provides incentive for restoring, rehabilitating, and maintaining eligible properties.

# BENEFITS

- Property tax is based on income potential of the property rather than most recent sales price or transfer value.
- Expectation tax savings used to offset cost of a substantial scope of rehabilitation, restoration, and maintenance work in conformance with the Secretary's Standards.



# CREATION | CALIFORNIA

**Senator Mills introduced SB 357, signed by Governor Reagan on December 29, 1972.**

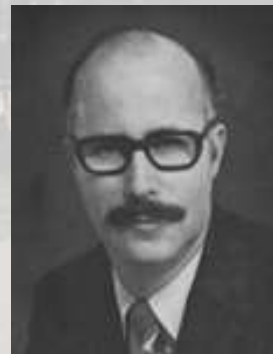
***“The purpose of my bill is to provide an incentive to restoring and maintaining points of historical interest in California.”***

***“This state abounds with priceless treasures of our dynamic history. All too often we have seen invaluable links with our past fall to the bulldozer’s blade as developers greedily devoured our heritage in the name of progress.”***

***“My legislation will provide an incentive to preserve historically significant landmarks so that future generations will be able to appreciate California’s cultural diversity.***

**-Senator James Mills, February 1977**

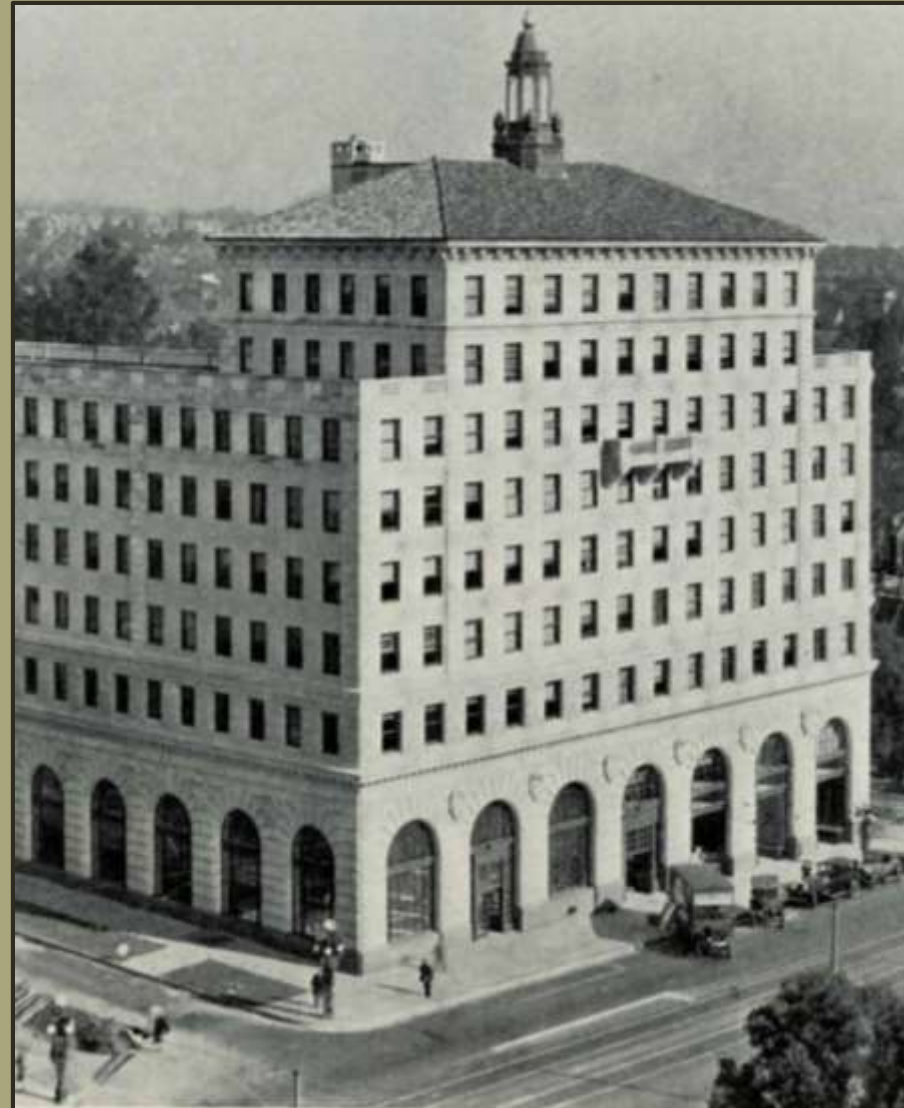
Hotel del Coronado photo by William Henry Jackson, c. 1900; photo of Senator Mills from [joincalifornia.com](http://joincalifornia.com)



# CONTRACT TERMS

## Property owners enter into Mills Act contracts with the City:

- Contract runs for a minimum term of 10 years and is renewed annually for the minimum term.
- Contract runs with the land and is transferred to new owners when a property is sold.
- Property must be maintained in accordance with the Secretary's Standards and California Historical Building Code.
- Property may be periodically inspected to ensure compliance.



# CITY PROGRAM GUIDELINES





# ELIGIBILITY

- Any designated historic property:
  - Individually Listed in National Register
  - National Register Historic District
  - City Historic Monuments & Landmarks
  - Landmark Districts
  - Non-contributing properties in districts eligible if contract will make property contributing
  - Undesignated properties may apply with concurrent application for designation of property
- Valuation Limit of \$2,000,000 for single-family properties
- Must have future rehabilitation plan (completed work not eligible)



# EXEMPTIONS

## Exemptions to Valuation Limit are granted for:

- Historic monuments (City designation that denotes regional, statewide or national significance)
- Properties individually listed in the National Register
- Works of Greene & Greene
- One additional exception may be granted annually for “exceptional circumstances”



# APPLICATION REQUIREMENTS

**Historical Property Contract  
Application Form**

**Photographs of Current  
Conditions**

**Priority Consideration Criteria  
Statement**

**Current Tax Bill**

**Rehabilitation/Restoration/  
Maintenance Plan**

**Grant Deed**

**Site Plan**

**Taxpayer Protection Form**

**Copy of Photo ID (all contract  
signatories)**

**If owner is trust, LLC or entity,  
legal documents of entity**

# CONTRACT LIMITS

- City may approve up to 20 contracts for single-family residential properties & 6 contracts for non-single-family properties.
- If applications received exceed limits, submitted applications weighed against each other to determine which are accepted.
- Point system created to evaluate applications based on priority considerations:
  - Threatened properties
  - Financial need
  - Affordable housing
  - Condition of property
  - Significance of property
  - Location of property



# SCHEDULE

- Application submittal deadline: May 17
- Site visits by Planning staff to all properties that apply: between June 24 and August 26
- Notification of decisions: by September 30
- Contracts drafted: by October 28
- Contracts signed and notarized by applicants: by November 18
- Contracts executed and recorded by County Recorder: by December 31



# SCOPE OF WORK



Now Leasing  
call (626) 565-9315  
Includes Utilities

BRICKMORE APARTMENTS  
189

BRICKMORE APARTMENTS

# REHABILITATION/RESTORATION/MAINTENANCE PLAN



## GENERAL REQUIREMENTS

- Most important part of Mills Act application
  - Determines need for program
  - Establishes nexus between tax savings and historic preservation
- Any work items that would improve the property's exterior appearance, original historic character, structural integrity and future longevity may be included.
- All necessary, financially feasible projects expected to be completed within 10 years should be included – staff will work with applicants during process to modify the plan to ensure proper preservation of the resource.

# SCOPE OF WORK



## FOUNDATION/STRUCTURE

- Repair obvious structural damage/deterioration.
- Seismic strengthening (typically foundation bolting).
- Correct water pooling/infiltration.



# SCOPE OF WORK



## EXTERIOR (CLADDING, PORCHES, BALCONIES)

- Retain and repair early wood siding or stucco to the greatest extent feasible. Where deterioration necessitates replacement, replace in-kind to match adjacent.
- Investigate condition of mortar at brick veneer/walls; repoint as necessary.
- Engage a materials conservator to consult on rehabilitation of masonry and architectural terra-cotta.
- Avoid sandblasting!



# SCOPE OF WORK



## ROOF

- Investigate and address locations of leaks.
- Ensure continuous waterproof layer; maintain flashing.
- Maintain asphalt shingles; replace as necessary.
- When possible, maintain wood shake roofs.
- Salvage and reuse early terra cotta tile to the greatest extent feasible. Where needed, new tile shall match existing as closely as possible. Concentrate early tile at primary elevations facing the street or use early tile as ridge (downward arching) elements and new tile as valley (upward arching) elements.

# SCOPE OF WORK



## CHIMNEY

- Engage structural engineer with historic preservation experience to inspect and evaluate chimney and make recommendations with an implementation schedule for future work.
- Retain and repair distinctive materials like clinker brick or stonework.
- Repair any fire safety hazards.

# SCOPE OF WORK



## WINDOWS/DOORS

- At early wood and steel sash windows, retain and repair wood/steel elements to the greatest extent feasible. At areas where deterioration necessitates replacement, replace wood/steel elements in-kind.
- Maintain leaded glass windows; add strengthening bars to mitigate settlement.
- Remove incompatible jalousie and aluminum or vinyl sliding windows when these are not character-defining features. Use extant historic windows as inspiration for replacement window design.
- When installing new wood sash windows, avoid dual glazing, as muntins are generally thicker than what is appropriate.

# SCOPE OF WORK



## INTERIORS

- Typically interior features not included.
- Extensive interior restoration work may be included.
- Repair or restoration of significant interior features may also be included.

# SCOPE OF WORK



## SYSTEMS (MECHANICAL, ELECTRICAL, PLUMBING)

- Replace galvanized plumbing, localized leaky plumbing, hazardous knob & tube wiring.
- Installation of HVAC systems; removal of window A/C units
- When replacing systems, penetrations in interior walls should be avoided or minimized to the greatest extent feasible. Where necessary, penetrations should be patched seamlessly to exactly match adjacent material.

# SCOPE OF WORK



## SITE (HARDSCAPE, LANDSCAPE, ANCILLARY BUILDINGS)

- Rehabilitate and maintain contributing ancillary buildings. Replace non-original, inappropriate garage doors.
- If landscape is also historically significant, retain and restore original features.
- If drainage is an issue, landscape work may alleviate issues, particularly if water is pooling at the building's foundation.



# SCOPE OF WORK

## UNACCEPTABLE TASKS

- *Do not include tasks that do not address rehabilitation, restoration, and maintenance of building features.*
  - *Should future owners be required to implement these tasks?*
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## COMMONLY DELETED TASKS DURING APPLICATION REVIEW

- Install swimming pool/spa
- Interior remodeling
- New additions/ADUs
- Utility bills
- Gardener
- New fencing
- Landscaping
- Paving
- Handyman
- Pest control



# DENIAL OF APPLICATION



## COMMON REASONS FOR DENIAL

- Extensive removal of historic fabric.
- Completed work does not conform with historic preservation Standards.
- Construction of incompatible additions.
- Necessity is questionable; work does not extend beyond routine maintenance or lacks historic preservation intent.
- Did not agree to work projects deemed necessary by the City.
- Received more applications than annual limit.
- May reapply any time.

# PASADENA CASE STUDIES



# EXAMPLE PROPERTY #1



- Projects included in contract:
  - Replace garage doors
  - Repair windows
  - Repair leaded glass features
  - Restore Batchelder tiles
  - Re-roof house & garage
  - Repair/replace damaged roof joist
  - Repair sagging eaves & brackets
  - Restore original configuration of front porch based on evidence
  - Re-paint exterior
- Total estimated cost: \$80,000

# EXAMPLE PROPERTY #1

Three assessed values (2020):

**1: TRENDED BASE  
VALUE (PROP 13)**

**2: MARKET  
APPROACH**

**3: INCOME  
APPROACH**

**\$659,360**

**\$731,000**

**\$293,000**

# EXAMPLE PROPERTY #1

Property taxes are appx. 1% of valuation  
County receives 1% of property taxes paid; City receives 15% of County

**PROPERTY TAXES  
UNDER MILLS ACT**

**\$2,930**

**PROPERTY TAXES  
UNDER PROP 13**

**\$6,594**

**DIFFERENCE**

**\$3,664**

Loss to City: \$863.51

# EXAMPLE PROPERTY #2



- Projects included in contract:
  - Repair roof
  - Rebuild chimney
  - Replace heavily deteriorated garage doors
  - Reverse previous garage interior remodel
  - Re-paint exterior
  - Replace exterior wiring
- Total estimated cost: \$41,700

# EXAMPLE PROPERTY #2

Three assessed values (2020):

**1: TRENDED BASE  
VALUE (PROP 13)**

**2: MARKET  
APPROACH**

**3: INCOME  
APPROACH**

**\$562,299**

**\$675,000**

**\$209,000**

# EXAMPLE PROPERTY #2

Property taxes are appx. 1% of valuation  
County receives 1% of property taxes paid; City receives 15% of County

**PROPERTY TAXES  
UNDER MILLS ACT**

**\$2,090**

**PROPERTY TAXES  
AT PROP 13 RATE**

**\$5,623**

**DIFFERENCE**

**\$3,533**

Loss to City: \$532.42



# EXAMPLE PROPERTY #3



- Projects included in contract
  - Seismic retrofit
  - Install rain gutters & downspouts
  - Repair deteriorated wood on walls and porch
  - Front porch repairs & stabilization
  - Repair main water line
  - Repair roof at porch and bay
  - Repair windows and front door
  - Re-paint
  - Upgrade electrical system
  - Chimney retrofit
- Total estimated cost: \$200,000

# EXAMPLE PROPERTY #3

Three assessed values (2020):

**1: TRENDED BASE  
VALUE (PROP 13)**

**2: MARKET  
APPROACH**

**3: INCOME  
APPROACH**

**\$1,264,706**

**\$1,700,000**

**\$491,000**

# EXAMPLE PROPERTY #3

Property taxes are appx. 1% of valuation  
County receives 1% of property taxes paid; City receives 15% of County

**PROPERTY TAXES  
UNDER MILLS ACT**

**\$4,910**

**PROPERTY TAXES  
UNDER PROP 13**

**\$12,647**

**DIFFERENCE**

**\$7,737**

Loss to City: \$1,165.97

# QUESTIONS



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