

The Mills Act & Beyond

Preservation Through Incentives

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California Office of Historic Preservation
City of Ojai
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Historic Preservation Incentives

- “Successful historic preservation programs make available positive incentives, providing property owners financial & technical tools that help give new life to historic properties.”

-City of Los Angeles Office of Historic Resources

Incentive Categories

Financial Incentives



- Federal Historic Preservation Tax Incentive Program
- The Mills Act- State Enabling Legislation Administered at the Local Level
- Local Loan or Grant Programs

Technical Incentives

- California Historical Building Code
- Local code or zoning variances



What is the Mills Act?

- A local property tax incentive to encourage restoration, rehabilitation and preservation of privately owned historic resources.
- A program designed and administered by the local government with help from the assessor, without state government oversight.



The State Law



- The Mills Act is found at California Government Code, Article 12, Sections 50280 through 50290.
- State enabling legislation creates a loosely framed program.
- All of the authority for the program is given to local governments.

The State's Role in Mills Act

- There is NO state oversight. The authority rests with the local governments and disputes are handled by the courts.
- The Office of Historic Preservation advises property owners and local governments.
- The Board of Equalization advises and interprets the law for County Assessors.



How Does the Mills Act Work?

- A local government with a Mills Act Program may enter into a contract with the owner of a property to restore, rehabilitate, or maintain their property in exchange for property tax savings.
- The property must meet the definition of a “qualified historical property.”



What Qualifies?

A “*qualified historical property*” is a privately owned property that is not exempt from property taxation and is either:

- Listed in the National Register of Historic Places
- or
- Listed in any state or local register of historical or architectural resources, sites, or landmarks:
 - California Register of Historical Resources
 - California Historical Landmarks
 - California Points of Historical Interest
 - Locally designated properties (such as City of Ventura’s City Landmarks)

Mills Act Basics

- Contracts are for a minimum of 10 years and renew annually
- Contracts run with the title of the property
- Non-renewal:
 - If either party wishes to opt out they must notify the other party in writing prior to annual renewal date
 - After opting out, contract will run for the final 10 year term

Mills Act Mathematics

- “Income” or “capitalization” formula used.
- Can result in tax savings of 50 percent or more.
- Formula complex.
- Assessor can calculate actual savings.
- Assessor & BOE determine key elements.



More Mills Act Math

Annually, the Assessor's Office reviews:



- 1. Factored Base Year Value**
(prior change in ownership)
- 2. Current Fair Market Value**
(based on comparable sales)
- 3. Mills Act or Restricted Value**
(based on real or potential rental income)

The lowest of the 3 values is used to calculate the General Levy Property Tax.

Implementing a Program

- Communities can either adopt a program through:
 - Ordinance; or
 - By resolution
- Can target certain properties by limiting what qualifies for the program.
- Can choose the level of enforcement.



Why Adopt a Mills Act Program?



- Place making
- Heritage tourism
- Helps retain character of an area
- Stable property values in maintained areas

Why Adopt a Program?

- Flexibility of the program
- Voluntary
- Only statewide incentive available to single family residential property owners.



Statewide Perspective

- There are approximately 90 programs statewide
- No two programs are alike
- Many local governments have no other preservation program
 - City of Santa Ana
 - County of Orange



Dramatic Statewide Variation



Contracts:

- San Diego has over 1000 contracts
- Oakland has less than 50

Fees:

- Some local governments still do not charge a fee
- Fees as high as \$6500 have been reported
- Most charge a fee to recover some administrative costs but does not make program participation prohibitive.

Current Statewide Issues

- The law was amended in 2011 to include property inspections by the local government before a contract and every five years thereafter.
- Local governments are being very creative in their efforts to meet this new requirement.



Beyond the Mills Act!

Federal Historic Preservation Tax Incentive Program

- Encourages private sector investment in the rehabilitation and re-use of historic buildings.
- Creates jobs and is one of the nation's most successful and cost-effective community revitalization programs.
- Has leveraged over \$69 billion in private investment to preserve 39,600 historic properties since 1976.
- The National Park Service and the [Internal Revenue Service](#) administer the program in partnership with [State Historic Preservation Offices](#).



Federal Tax Credit Program

10% Tax Credit

- The 10% tax credit is available for the rehabilitation of non-historic buildings placed in service before 1936.
- The building must be rehabilitated for non-residential use.
- There is no formal review process for rehabilitations of non-historic buildings. Learn more about this credit in [Historic Preservation Tax Incentives](#).



20% Tax Credit

- Credit equals 20% of the [qualifying expenses](#) of rehabilitation.
- Only available to revenue –producing properties.
- Must be a "substantial" rehabilitation
- Must be certified as a historic structure by the National Park Service.
- Rehabilitation work has to meet the [Secretary of the Interior's Standards for Rehabilitation](#), as determined by the National Park Service.

Tax Credit Program Information



National Parks Service:

<http://www.nps.gov/tps/tax-incentives.htm>

California Office of
Historic Preservation:

http://ohp.parks.ca.gov/?page_id=25007

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California Historic Building Code

- The CHBC is intended to save California's architectural heritage by recognizing the unique construction issues inherent in maintaining and adaptively reusing historic buildings.
- The CHBC provides alternative building regulations for permitting repairs, alterations and additions necessary for the preservation, rehabilitation, relocation, related construction, change of use, or continued use of a "qualified historical building or structure."



What Qualifies?

- A "*qualified historical building or structure*" is defined as a structure or property, collection of structures, and their associated sites deemed of importance to the history, architecture, or culture of an area by an appropriate local or state governmental jurisdiction.
- Any property listed in:
 - National Register of Historic Places
 - California Register of Historical Resources
 - State Historical Landmarks
 - State Points of Historical Interest, or
 - A local register



For Additional Information on the California Historic Building Code

Go to:

The California Office of Historic Preservation website at
http://ohp.parks.ca.gov/?page_id=21410

Or

The State Historical Building Safety Board website at
<http://www.dgs.ca.gov/dsa/AboutUs/shbsb.aspx>

Incentives Summary

- They exist at all levels of government.

- Federal

- State

- Local



- They can be financial or technical in nature.
- They are a positive way to encourage the rehabilitation and retention of a communities significant resources.

Questions & Discussion

Thank You!

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