



Low Graphics Version

Search... [SEARCH]

Monday, June 9, 2014

- In the City
- Calendars
- Services
- City Offices
- F.A.Q.s
- Contact Us
- Index & Help

Homepage > ... > [Historic Preservation](#) > [Incentives](#) > Mills Act

Email page Print friendly format

Historic Preservation

- Landmarks
- Incentives
- Programs
- Activities
- Contact Us
- Murals
- Site Map
- Context Statement
- Redondo Beach Historical Society

Mills Act Program

Do you own a great old building in Redondo Beach? Are you interested in incentives that can help you restore and maintain your building? Our Mills Act Program can help by allowing qualifying owners to use a portion of their property taxes to maintain their building.

The Mills Act is a state tax incentive law that allows cities to enter into contracts with the owners of historic structures. This contract provides a method of reducing property taxes in exchange for the continued preservation of the property. Property taxes recalculated using the special Mills Act assessment method can be reduced **50 percent or more!**

On October 6, 1992 the Redondo Beach City Council acted to endorse the approval of Mills Act contracts with owners of locally-designated historic properties. Based on this action, the Preservation Commission is attempting to promote awareness and use of the Mills Act as an incentive for the preservation of local historic buildings.

How it works...

This State law enables the City Council to enter into 10-year contracts with owners of historic properties in which the owners agree to maintain and, if necessary, rehabilitate their historic structure. The contract renews itself annually; hence, the owner is always 10 years from termination unless there is a notice of nonrenewal. Either the property owner or the City may elect not to renew for any reason. The effect of nonrenewal is to terminate the contract at the end of the current ten year term. The owner may also petition the City to initiate an immediate cancellation. If cancelled, a penalty equal to **12 1/2 percent** is imposed. The City may also cancel the contract, but only in the case of breach of the contract conditions.

Who is eligible...

To qualify for the Mills Act in Redondo Beach, a building must first be designated as a local landmark, or be a contributing structure within a designated local historic district. This requires application to and approval by the City's Preservation Commission.

Calculating property tax...

Mills Act contracts are unusual among preservation incentives in that tax benefits are available not only for income property, but also for owner occupied property. Property valuation is determined by the "income" method set out in Revenue and Tax Code, Section 439.21. Generally, the income, or projected income, less certain expenses, is divided by a capitalization rate to determine the assessed value of the property. When a property is owner occupied, the determination of "income" is based on what a property could reasonably be expected to yield, or an amount stipulated in the contract as the minimum income to be used. The income projected for owner occupied property is based on comparable rents for similar property in the area or, if insufficient rental information is available, the income that it could reasonably be expected to produce under prudent management. In the case of income producing property, the income amount is based on rent actually received and on typical rents received for similar property in similar use.

The capitalization rate for both owner occupied and income property is determined by adding together in interest component, a historical property risk component, an amortization component and a property taxes component.

- Interest component is determined by the State Board of Equalization by September of the year preceding the assessment year and is based on the effective rate on conventional mortgages as determined by the Federal Home Loan Bank Board. In recent years, this rate has ranged from 8% to 10%.

- Historical property risk component is 4% in the case of owner occupied single family dwellings. In all other cases, the property risk component is 2%.
- Amortization component is a percentage equal to the reciprocal of the remaining life of the improvements. Although this calculation varies by individual structure, as an estimate, a typical remaining life of a frame building would be 20 years (or 0.05); for masonry buildings the remaining life might be up to 50 years (or 0.02).
- Property taxes component is defined as the "percentage of the estimated total tax rate applicable to the property for the assessment year times the assessment ratio. Typically, this component will be 1% (0.01 post-Prop. 13 tax rate).

Hypothetical example of property tax calculation

Current assessed valuation = \$ 250,000
Current taxes = \$ 2,500 (\$250,000 X 0.01)

Recalculation using Mills Act assessment method

Gross income = \$ 14,000 (\$1200 mo. X 12)
Less expenses = \$ 2,000 (insurance, repairs, utilities)
Net income = \$ 12,400
Capitalization rate = 18% (mortgage rate @ 8%
+ risk component @ 4%
+ tax rate @ 1 %
+ amortization @ 5%)
New valuation = \$ 68,888 (\$12,400 / 0.18)
New taxes = \$ 688 (\$68,888 X 0.01)

TOTAL SAVINGS OF \$1,812 in annual property taxes

The Mills Act offers owners of historical buildings in Redondo Beach the opportunity to realize significant property tax savings in exchange for preserving their buildings and acts as a tangible incentive for the City's preservation program. For more information regarding landmark designation and applying to enter into a Mills Act agreement, please contact:

[Alex Plascencia](#)
Associate Planner
City of Redondo Beach
Planning Division
415 Diamond Street
Redondo Beach, CA 90277
310.318.0637

[Privacy Policy](#)

Copyright © 2001-2014, City of Redondo Beach

Contact the City's [Webmaster](#)

[Top](#) 

Powered by 

HISTORICAL RESOURCES IN HERMOSA BEACH

The City's historic resources preservation program established in 1998 encourages property owners of historically significant structures or sites to voluntarily apply for local landmark status. A number of financial Incentives are available to the owners of landmark properties. For more information about the program please contact Planning Staff at the Hermosa Beach Community Development Department at (310) 318-0242.

HERMOSA BEACH'S HISTORIC RESOURCES

Protecting the integrity of historic resources in Hermosa Beach is one way that Hermosa Beach can distinguish itself from 'everywhere USA.' As of June 2009, three buildings have been designated for protection under the City's Historic Resources Preservation Ordinance.

- The '*Bijou Theater*' at 1229-1235 Hermosa Avenue is a local and state designated landmark.
- The *Bank of America Building* at 90 Pier Avenue and *Hermosa Hotel* at 20-26 Pier Avenue are designated as potential landmarks that warrant further study by Section 17.53.040(B) of the Historic Preservation ordinance (per Planning Commission Resolution No. 98-65).
- The *Community Center* was designated a locally significant landmark for the purposes of a grant application (City Council Resolution 02-6216).

A Certificate of Appropriateness granted by the City Council is required prior to alteration of the exterior or interior of a designated landmark or potential landmark on a list of historic resources established by City Council being considered for landmark status.

The City's General Plan Land Use Element (Historic Preservation) designates 28 resources as potentially significant including those listed above, although several have been demolished and others have been significantly altered: *Historic Resources Map*

As time marches on, more resources become potential candidates by virtue of their age and community significance. However, without specific identification, designation and protection, the community cannot be assured that these resources will remain intact.

HISTORIC RESOURCES PRESERVATION ORDINANCE

The City's *Historic Resources Preservation Ordinance in Municipal Code Chapter 17.53* is intended to identify and ensure the long-term protection and use of historic resources, such as buildings and structures, sites and places within the City that reflect special elements of the City's architectural, artistic, cultural, historical, political, and social heritage.

Historic Landmark Eligibility:

To be considered as a historic landmark, a historic resource must be at least 50 years old. However, a historic resource at least 30 years old may be eligible if the City Council determines it is exceptional or is threatened by demolition, removal, relocation, or inappropriate alteration.

The resource must also meet one or more of the following criteria:

- exemplify or reflect special elements of the City's cultural, social, economic,

- political, aesthetic, engineering, or architectural history
- are identified with persons or events significant in local, state, or national history
- embody distinctive characteristics of a style, type, period, or method of construction, or is a valuable example of the use of indigenous materials or craftsmanship
- represent notable work of a builder, designer, or architect
- has a unique location or singular physical characteristic representing an established and familiar visual feature or landmark of a neighborhood, community, or the City.

Designating and Protecting a Site or Building as a Historic Landmark:

The property owner may apply for local historic landmark status. Other interested persons or the City itself may also pursue designation. Property owners or interested persons should review the information in the *Historic Resources Preservation Ordinance* before contacting Planning staff at the Community Development Department at (310)318-0242.

Under the City's ordinance, property owners have a duty to maintain landmark resources in good repair. Landmark properties cannot be altered or removed without being granted a 'Certificate of Appropriateness' by the City Council. Property maintenance and some minor modifications are allowed without going through this process; property owners or managers should confirm with Community Development staff whether proposed work may proceed without a 'Certificate of Appropriateness'. The ordinance also provides procedures for removing the landmark designation.

INCENTIVES

Protection of historic resources preserves our cultural past and maintains Hermosa's identity. Some communities have 'marketed' these resources as an important part of their economic development programs. Property owners can be proud of their contribution and also obtain financial incentives. However, historic designation also imposes responsibilities to maintain the building as detailed in the City's ordinance.

Historical Building Code:

Repairs, alterations, restorations, or changes in use of historic landmarks may conform to the California Historical Building Code as an alternative to building standards adopted by the City.

Mills Act Program:

The Mills Act is a state tax incentive law that allows cities to enter into contracts with the owners of historic structures. This contract provides a method of reducing property taxes by 50 percent or more in exchange for the continued preservation of the property.

To qualify for the Mills Act, a building must first be designated as a local landmark or be a contributing structure within a designated local historic district approved by the City Council.

The Mills Act enables the City Council to enter into 10-year contracts with owners of historic properties. The owners agree to maintain and, if necessary, rehabilitate their historic structure. The property may be owner occupied or income property.

The contract automatically renews itself annually so that the term of the contract is always 10 years unless the property owner or City files a 'notice of nonrenewal' electing not to renew, for

any reason. Nonrenewal terminates the contract at the end of the current 10-year term. The owner may also petition the City to initiate an 'immediate cancellation.' If the City approves immediate nonrenewal, a penalty equal to 12.5 percent is imposed. The City may also cancel the contract, but only in the case of breach of the contract conditions.

Participation in the Mills Act Program is administered by the City. Information about this state law, including tax abatement issues, is available at the [State Office of Historic Preservation](#) – click on Incentives.

Other incentives:

Information on other federal and state incentives is available at the [State Office of Historic Preservation](#) – click on Incentives.

HOW CAN I HELP TO PROTECT HERMOSA BEACH'S RESOURCES?

Owners of potential historic resources and other interested persons or groups may contact the Community Development Department at (310) 318-0242 for more information.

The criteria are for listing are:

- exemplify or reflect special elements of the City's cultural, social, economic, political, aesthetic, engineering, or architectural history
- are identified with persons or events significant in local, state, or national history
- embody distinctive characteristics of a style, type, period, or method of construction, or is a valuable example of the use of indigenous materials or craftsmanship
- represent notable work of a builder, designer, or architect
- has a unique location or singular physical characteristic representing an established and familiar visual feature or landmark of a neighborhood, community, or the City.
- is at least 50 years old, or at least 30 years old if determined by the City Council to be exceptional or threatened by demolition, removal, relocation, or inappropriate alteration.

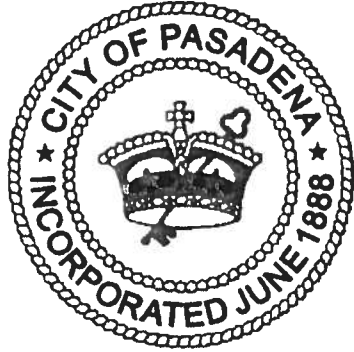
HERMOSA BEACH HISTORICAL SOCIETY

The Hermosa Beach Historical Society <http://www.hermosabeachhistoricalsociety.org/> exists for the purpose of preserving and chronicling the history of Hermosa Beach. Established in 1987, its offices and the museum are located in the Hermosa Beach Community Center, 710 Pier Avenue (310) 318-9421.

LINKS

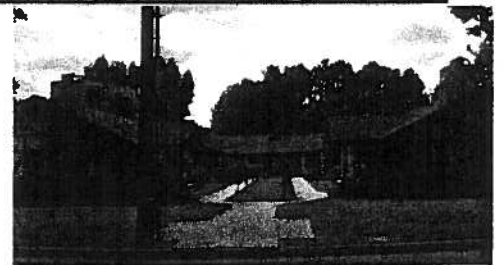
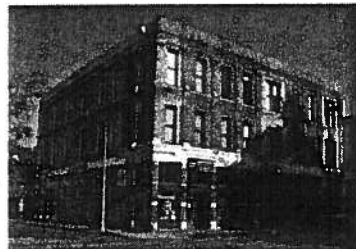
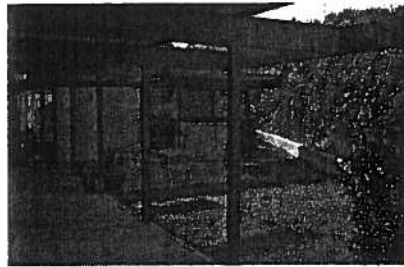
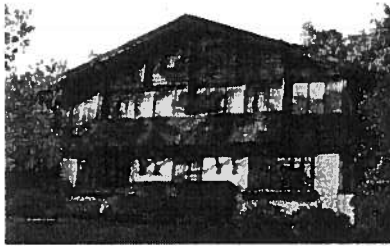
- *City of Hermosa Beach, Historic Resources Preservation Ordinance: Municipal Code Chapter 17.53* <http://www.hermosabch.org/index.aspx?page=462>
- *Hermosa Beach Historical Society:* <http://www.hermosabeachhistoricalsociety.org/>
- *State Office of Historic Preservation:* <http://ohp.parks.ca.gov/>

8/21/2011



HISTORIC PROPERTY CONTRACT PROGRAM

FEBRUARY 2014



**Design & Historic Preservation Section
Planning & Community Development Department
City of Pasadena
175 N. Garfield Ave.
Pasadena, CA 91101
626-744-4009
www.cityofpasadena.net/millsact**

HISTORIC PROPERTY CONTRACT APPLICATION GUIDELINES

Introduction

The City of Pasadena Historic Property Contract Program was established by ordinance in October 2002 under the authority of a State enabled program known as the Mills Act (California Government Code, Article 12, Sections 50280-50290). Under this act, local governments may enter into historic property contracts with owners of qualifying privately owned historic properties who agree to rehabilitate, restore and/or maintain their property according to the Secretary of the Interior's Standards (see attached Appendix A).

These application guidelines are a summary of the main features of the Historic Property Contract Program in the City of Pasadena. The complete regulations are in the legal texts of the California Government Code and the City of Pasadena Ordinance 6912.

Purpose of Historic Property Contract Program

The Historic Property Contract is a financial incentive that encourages designation, rehabilitation and protection of historic buildings. The benefit to the owner may be a substantial reduction in property taxes, while the benefit to the City is the preservation of a significant historic resource and investment in rehabilitation of housing.

Application Process

Applications for historic property contracts are processed through the Office of the City Manager and administered by the Director of the Planning & Community Development Department. The application form is available from the Design and Historic Preservation Section of the Planning & Community Development Department, 175 North Garfield Avenue, window #4 in the Permit Center Lobby or through the City of Pasadena Web site, www.cityofpasadena.net/millsact.

The 2014 application process schedule is as follows:

Application package distribution – Beginning Monday, February 10

Application submittal period – Between Monday, February 10 and Monday, May 5

Site visits by Planning Staff – Between Monday, June 2 and Friday, August 29

Notification to applicants of final selection – On or before Friday, September 26

Contracts drafted – On or before Friday, October 24

Contracts signed and notarized – On or before Friday, November 14

Contracts executed and recorded by County Recorder – On or before December 31

There is no fee to *apply* for a contract, but please note that properties selected for inclusion in the program must pay a one-time processing fee. The fee will likely increase slightly on July 1; however, the 2013 fee was \$1,099.01 for single-family residential properties and \$2,198.02 for multi-family residential/commercial/industrial properties. The 2014 fee will be slightly higher than these amounts.

For all contracts recorded by December 31 of a calendar year, reassessment by the County will be conducted by June 30, 2015 and the new tax assessment under the historic property contract program will be reflected on fiscal year tax bills issued in October 2015.

The City may approve up to **six contract agreements per calendar year** for multiple-family residential, commercial or industrial properties and up to **twenty contract agreements** for single-family residential properties.

Eligibility Requirements

1. Historic Designation

Only properties that are **designated** landmarks or historic monuments, works of Greene and Greene, listed individually in the National Register of Historic Places or contributing to a designated landmark district or historic district listed in the National Register of Historic Places will be considered for historic property contract agreements.

Properties that are **not designated** may be considered if a nomination for designation is submitted concurrently, deemed complete by the Mills Act application deadline, and recorded with the Los Angeles County Recorder before the end of the year. For information on how to designate a property as a landmark, or to request an evaluation to see if your property qualifies for designation, contact the Design & Historic Preservation Section of the Planning Division, 626-744-4009.

Properties pending National Park Service approval for listing in the National Register may submit an application provided that the property is listed by the end of the year.

Properties that are non-contributing and in a landmark or National Register historic district may be considered if the historic property contract agreement results in exterior restoration and/or reconstruction of significant historic and architectural features that would render the property contributing to the district and if the work is based on pictorial, documentary, or physical evidence in compliance with the Secretary of the Interior's Standards for Rehabilitation. Conjectural changes to a non-contributing building designed to make it appear historical—when there is no supporting pictorial, documentary, or physical evidence—do not qualify for a contract.

Applications from condominium buildings must be submitted by the property's home owners association along with a petition indicating the support of all the affected owners.

2. Valuation of Property

For single-family houses, eligibility is limited to properties with a total assessed value of \$1.5 million or less, with an exemption for works of Greene & Greene, designated historic monuments, and properties listed individually in the National Register. In addition to the exceptions listed above, **one exception per year** may be granted for special circumstances, which shall be substantiated by the applicant.

The applications with the highest number of points will be awarded contracts.

Terms of a Contract Agreement

Duration. The initial term of a Historic Property Contract is 10 years. The contract **automatically renews each year** on its anniversary date and a new 10-year agreement becomes effective (i.e., the contract is in effect **in perpetuity** unless terminated as described below). The contract is recorded on the property's title is **transferred to the new owner** upon sale of the property.

Termination of Contract. The owner may terminate the contract by notifying the City at least 90 days prior to the annual renewal date. The City may terminate the contract by notifying the owner at least 60 days prior to the renewal date. The owner, upon receipt of the notice from the City, may submit a written objection to termination by the City. The contract remains in effect for the balance of the term of the contract beyond the year of termination.

Alterations or Additions to Property. Work affecting historic architectural features (both interior and exterior) of the property must comply with the ***Secretary of the Interior's Standards for Rehabilitation*** (Appendix A) and must obtain a **Certificate of Appropriateness** (an application with the Design and Historic preservation Section of the Planning & Community Development Department in the Permit Center) and **building permit**. [For more information about appropriate rehabilitation techniques and the *Secretary of the Interior's Standards* see the *Illustrated Guidelines for Rehabilitating Historic Buildings* (<http://www.cr.nps.gov/hps/tps/tax/rhb/guide.htm>)].

Inspections for Compliance. The City requires **annual inspections** of the property, by prior appointment, to ensure compliance with the terms of the agreement. Inspections may also be required by the County Assessor, State Office of Historic Preservation, and/or State Board of Equalization.

Breach of Contract Penalty. If the City determines at any time that the property owner has **breached the contract**, the owner is liable for a cancellation fee of 12.5% of the current value of the property as determined by the County Assessor.

Potential Tax Savings

The average benefit to Pasadena owners has been a **54% reduction** in property taxes, but it can vary widely. All Mills Act assessed values are subject to annual review, reflecting annual fluctuations in market rent, expenses and interest rates. All calculations are conducted by the County Assessor **after** the contracts are signed. There is no guarantee of tax savings under the Historic Property Contract and the amount of property taxes under the program is unknown until **after** the contracts are signed.

Owners of properties with comparatively low property taxes because of Proposition 13 or other reasons will not benefit by a Historic Property Contract because the assessed value under the Mills Act will likely be higher than the existing base-year market value of the property. Generally, owners who have **purchased their properties within the last 10 years at current market-rate prices** are most likely to benefit from entering into a Mills Act contract.

Appendix A

SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.
10. New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

For a full version of the standards and the accompanying illustrated guidelines you may log onto:
www.cr.nps.gov/hps/tps/tax/rhb/index.htm