



OFFICE OF HISTORIC RESOURCES INFO BRIEF

# Mills Act Historical Property Contract Program

## About the Program

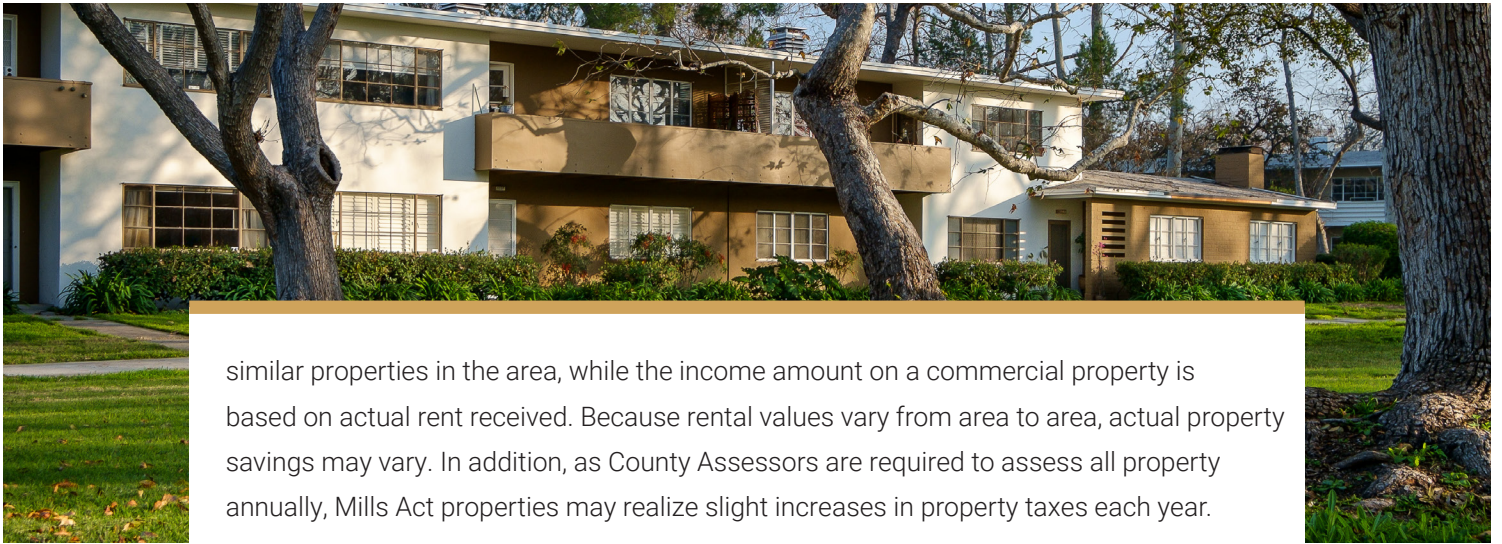
The Mills Act Historical Property Contract Program is California's leading financial incentive program for historic preservation. It is a revolving ten-year contract between the City of Los Angeles and an owner of a qualified historic property that allows for a potential property tax reduction in exchange for owners using the savings to offset costs to rehabilitate and restore their property. Contracts are automatically renewed each year so that the term of the contract always extends for ten years.

Owners of qualified historic properties within the City of Los Angeles may apply for the program if they agree to rehabilitate and maintain the historical and architectural character of their properties for the life of the Contract. Periodic inspections by City and County officials ensure proper maintenance of the property. The City may impose penalties for breach of contract or failure to protect the historic property. The contract is transferred to new owners if the property is sold, and is binding to all successive owners.

## Benefits to Owners

The Mills Act program is especially beneficial for recent buyers of historic properties and for current owners of historic buildings who have made major improvements to their properties. Mills Act participants may realize substantial property tax savings each year for recently improved or purchased older properties because valuations of Mills Act properties are determined by an Income Approach to Value rather than by the standard Market approach to determining appraised value. The Income Approach, divided by a capitalization rate, determines the assessed value of the property. In general, the income potential for an owner-occupied residential property is calculated by examining comparable rents for





similar properties in the area, while the income amount on a commercial property is based on actual rent received. Because rental values vary from area to area, actual property savings may vary. In addition, as County Assessors are required to assess all property annually, Mills Act properties may realize slight increases in property taxes each year.

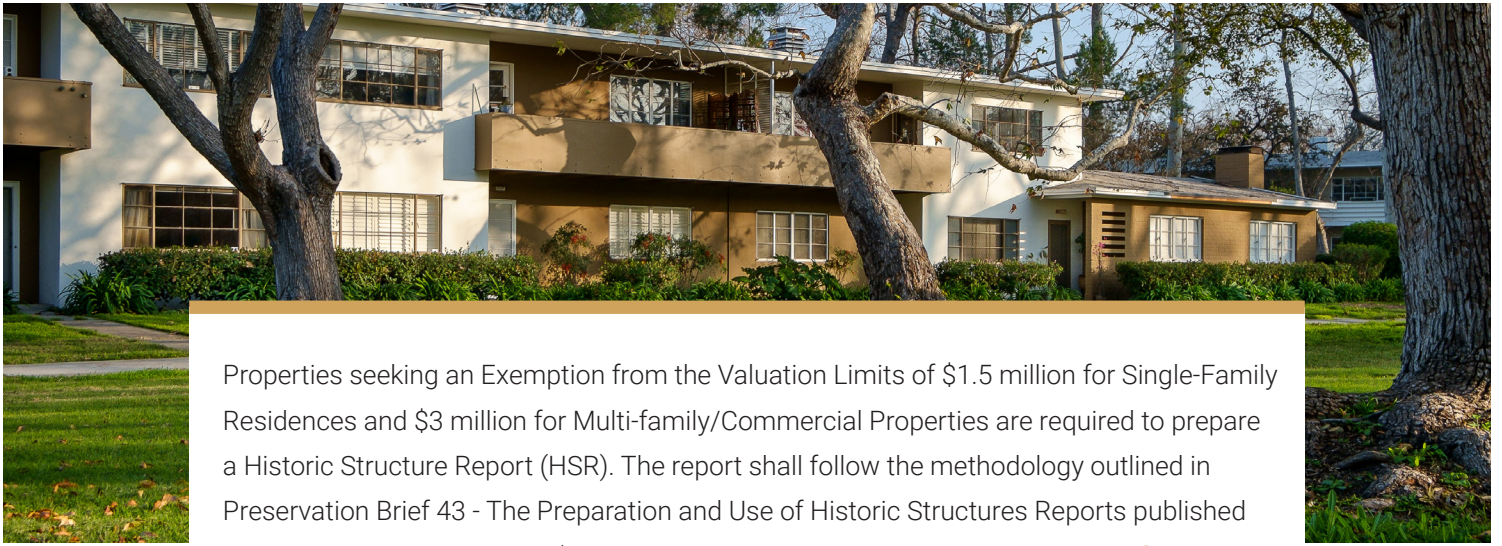
**Qualified Historic Property**

A qualified historic property in the City of Los Angeles is a property listed as a locally-designated Historic-Cultural Monument or Contributing Property to an approved Historic Preservation Overlay Zone. Additionally, single-family residences (with a property tax value assessment of not more than \$1,500,000) and income producing multi-family/commercial/industrial properties (with a property tax value assessment of not more than \$3,000,000) are eligible to apply. Property values in excess of these limits may apply for an exemption if they meet certain criteria.

**Applicant Information**

We are no longer accepting applications for the 2019 Mills Act cycle; the deadline was March 1, 2019. The application for the 2020 Mills Act cycle will be available in January 2020. Below is a general timeline for the program:

Mid-January	Annual Mills Act workshop and opening of application cycle
Late February/Early March	Part 1 application and application fee sub-mission deadline
Late April/ Early May	Part 2 of the application and contract sub-mission by appointment
Mid-October	In-person meetings for approved Part 1 applicants review inspection results and submit Contract Execution Fee
Late November/ Early December	Contract recordation



Properties seeking an Exemption from the Valuation Limits of \$1.5 million for Single-Family Residences and \$3 million for Multi-family/Commercial Properties are required to prepare a Historic Structure Report (HSR). The report shall follow the methodology outlined in Preservation Brief 43 - The Preparation and Use of Historic Structures Reports published by the National Park Service (see <http://www.nps.gov/tps/how-to-preserve/briefs/43-his-toric-structure-reports.htm>) and formatted as per the California Office of Historic Preservation's *Historic Structure Report Format*. The HSR is used to substantiate the exceptional circumstances that warrant granting the exemption. The FINAL Historic Structures Report (HSR) and Exemption Application Check are also due at submission of Part 2. Draft or incomplete HSRs will not be accepted.

The current fees are as follows:

<b>Part 1: Application</b>	\$650
Appeal of Staff Determination of Ineligibility	\$1,532
Valuation Exemption	\$2,266
<b>Part 2: Contract Execution</b>	\$2,796