

# MILLS ACT QUESTIONS AND ANSWERS

(SHEET ONE OF FOUR)

1. **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 an initial term of 10 years. Unless a Notice of Nonrenewal is filed or the contract is breached, a contract automatically renews each year on its anniversary date and a new 10-year agreement becomes effective, creating a "rolling" contract term that is always equal to the initial contract term.

2. **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.

3. **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 Development Department, Planning Division, at City Hall on the 3<sup>rd</sup> floor, or 2) Contacting the Historic Preservation Staff at 951-826-5371 or email at [planinfo@riversideca.gov](mailto:planinfo@riversideca.gov) and requesting a copy via the US Mail, or 3) Downloading a Mills Act Application found at the planning website at the following address:

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

Complete applications can be dropped off at the Planning Counter on the 3<sup>rd</sup> Floor of City Hall or via US mail at the following address: Community Development Department, Planning Division, Historic Preservation, 3900 Main Street, Riverside, CA 92522.

4. **Q: How many Mills Act Applications are accepted annually?**

**A:** The City accepts an average of seven Mills Act contracts 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.

5. **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.

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6. **Q: What is the application fee?**

A: The application fee for Mills Act Contracts is \$114 at the time of application submission. Once the Mills Act application is approved by City Council an initiation fee of \$418 will be due.

7. **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.

8. **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 1<sup>st</sup> to June 30<sup>th</sup>) following the calendar year it is recorded with the County and finalized. For Example, Mills Act participants from the 2008 year received the first tax bill savings on the fall of 2009 tax coupon, which is typical. See our Application Processing and Contract Implementation Schedule handout for more detail.

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

A: Start saving receipts for qualified improvements during the fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) following the approval with the City. For example, Mills Act contracts approved in 2011 will start saving receipts from qualified improvements for the fiscal year July 2012 to June 2013.

10. **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 1<sup>st</sup> to June 30<sup>th</sup>) basis. The goal is for ongoing financial contribution to the Mills Act property.

11. **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.

12. **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.

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

A: Qualified improvements need to take place during the fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) following the approval, and subsequent fiscal years thereafter for ten years. For example, Mills Act contracts approved in 2011 will start completing qualified improvements during the fiscal year July 2012- June 2013.

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14. **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.

15. **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.

16. **Q: How do the property inspections work?**

A: Members from the Planning Division's Historic Preservation staff will do a drive-by visit the first year for preparation of the contract. Subsequent years will be monitored by applicant submitted photographs. Site inspections will be performed for clarification or as needed. These appointments will be scheduled in advance.

17. **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 Planning Division in writing prior to completion of the proposed qualified task.

18. **Q: How long is my Mills Act Contract good?**

A: Participants enter into a perpetual ten-year contract with the City. Mills Act contracts are automatically renewed each fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>). The contract is renewable at the City's discretion for subsequent years after the ten-year contract is complete.

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

A: The City Council approves the Mills Act contract before the end of the application's calendar year.

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20. **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, the County, City, or any landowner may bring any action in court necessary to enforce a contract including, but not limited to, and 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.