

COMMUNITY DEVELOPMENT DEPARTMENT PLANNING DIVISION

MILLS ACT PROGRAM

Thank you for your interest in the City of Riverside's Mills Act Program. In order for your property to be considered for a contract, it must be a designated historic resource listed on a city, county, state or federal register. City designations are: Landmark, Structure of Merit, and Contributor to a designated Historic District or Neighborhood Conservation Area. If you are unsure whether your property is included within any of these designations, or wish to seek designation of your property, contact us.

The City of Riverside allocates up to seven Mills Act contracts per year – five for residential properties and two for commercial properties, or up to seven for residential properties if no commercial applications are filed. Application packages are accepted during the month of June, accompanied by a non-refundable application fee of \$114. Incomplete applications will not be considered. The seven properties will be randomly selected for the program. All contracts are reviewed by Cultural Heritage Board staff and referred to the City Council for approval. Once approved, and before the contract is recorded, a contract initiation fee of \$418 is required.











A ten-year rehabilitation plan is required as part of the application package, and may be re-evaluated as needed. Staff may request modifications to the plan to show compliance with the Secretary of the Interior's Standards for Rehabilitation of Historic Properties. Upon acceptance for consideration in the program, you will be required to submit photographs to document the current condition of the property. Cultural Heritage Board staff will take several exterior photographs from the street to include in the file. After the contract is recorded, you will be required to submit annual reports on completed project(s), along with photo documentation of the completed work, copies of receipts, and building permits where applicable.

Significant penalties may be imposed for breach of contract or failure to maintain the historic property.

This packet is designed to assist you in completing the Mills Act Application. The application packet is also available on line at www.riversideca.gov. If you have any questions please contact Barbara Bouska, Associate Planner at (951) 826-5507

3900 Main Street – Third Floor, Riverside, CA 92522
Phone: (951) 826-5371 / Fax: (951) 826-5981
www.riversideca.gov/planning

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MILLS ACT FACT SHEET

- The Mills Act (a state sponsored legislation enacted in 1972) is a self-directed, economic incentive program for owners of historic buildings that are listed in the National Register of Historic Places or on a state, county, or city official register. Although it is applicable to any income producing property, it is the single most important economic incentive program available in California for private property owners of qualified historic buildings. A Mills Act program must be developed according to two California State Codes: California Government Code, Article 12, Sections 50280-50290 and California Revenue and Taxation Code, Article 1.9, Sections 439-439.4.
- Under the program, property owners receive a significant reduction in local property taxes in exchange for their promise to actively participate in restoring, rehabilitating, repairing and preserving their properties. Participants enter into a perpetual 10-year contract with the City.
- The county assessor's office re-assesses property taxes based on a capitalization of income formula rather than on market value. Mills Act participants may realize a property tax savings of approximately 50% each year depending on property value, net operating income, and other variables.
- Contracts are automatically renewed each year and are transferred to new owners when the property is sold.
- City, county, or state officials may periodically inspect properties to ensure proper maintenance.
- Penalties may be imposed for breach of contract or failure to maintain the historic property. The California Codes listed above require the owner to pay a cancellation fee of twelve and one-half percent (12-1/2%) of the current fair market value of the property, as determined by the county assessor, in the event of breach of contract. 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, an action to enforce the contract by specific performance or injunction.

MILLS ACT APPLICATION CHECKLIST

- Completed Application Form
- Financial Analysis Form
- Ten-Year Plan for Property Improvements
- Grant Deed and Legal Description of Property
- \$114 Non-Refundable Application Fee
- IMPORTANT NOTICE:** All parties listed on the grant deed will need to appear in the Community Development Department during November or December to sign the contract. If any of the deed holders will be unavailable at any time during these months, please contact our office ahead of time so alternate arrangements can be made.

MILLS ACT APPLICATION FORM

PROPERTY INFORMATION:

Property Address: _____

APN: _____

Owner: _____

Owner Address: _____

Owner Telephone Number:

Daytime: _____ Evening: _____

E-mail: _____

Use of Property: _____

ELIGIBILITY FOR PROGRAM:

In order for your property to be considered for a contract you must have a designated historic resource from the list below:

___ City Landmark ___ City Structure of Merit

___ County Landmark ___ California Register

___ State Landmark ___ State Point of Historical Interest

___ National Register ___ National Historic Landmark

___ Contributor to a Designated Historic District

___ Contributor to a Designated Neighborhood Conservation Area (NCA)

Name of District or NCA: _____

Date of Designation: _____

FINANCIAL ANALYSIS FORM

INSTRUCTION GUIDE FOLLOWS
CURRENT YEAR TO YEAR THREE (SHEET ONE OF THREE)

		YEARS			
		CURRENT	ONE	TWO	THREE
INCOME					
1.	Monthly Rental Income	_____	_____	_____	_____
2.	Annual Rental Income	_____	_____	_____	_____
ANNUAL EXPENSES					
3.	Insurance	_____	_____	_____	_____
4.	Utilities	_____	_____	_____	_____
5.	Maintenance / Repairs	_____	_____	_____	_____
6.	Management	_____	_____	_____	_____
7.	Other	_____	_____	_____	_____
8.	Total	_____	_____	_____	_____
NET OPERATING INCOME					
9.	Net Operating Income	_____	_____	_____	_____
CAPITALIZATION RATE					
10.	Interest Component	_____	_____	_____	_____
11.	Historical Property Risk Component	_____	_____	_____	_____
12.	Property Tax Component	_____	_____	_____	_____
13.	Amortization Component	_____	_____	_____	_____
14.	Capitalization Rate	_____	_____	_____	_____
TAXES					
15.	Mills Act Assessment Value	_____	_____	_____	_____
16.	Current Taxes	_____	_____	_____	_____
17.	Mills Act Taxes	_____	_____	_____	_____
18.	Tax Savings	_____	_____	_____	_____

FINANCIAL ANALYSIS FORM

YEAR FOUR TO YEAR SEVEN (SHEET TWO OF THREE)

		YEARS			
		FOUR	FIVE	SIX	SEVEN
INCOME					
1.	Monthly Rental Income	_____	_____	_____	_____
2.	Annual Rental Income	_____	_____	_____	_____
ANNUAL EXPENSES					
3.	Insurance	_____	_____	_____	_____
4.	Utilities	_____	_____	_____	_____
5.	Maintenance / Repairs	_____	_____	_____	_____
6.	Management	_____	_____	_____	_____
7.	Other	_____	_____	_____	_____
8.	Total	_____	_____	_____	_____
NET OPERATING INCOME					
9.	Net Operating Income	_____	_____	_____	_____
CAPITALIZATION RATE					
10.	Interest Component	_____	_____	_____	_____
11.	Historical Property Risk Component	_____	_____	_____	_____
12.	Property Tax Component	_____	_____	_____	_____
13.	Amortization Component	_____	_____	_____	_____
14.	Capitalization Rate	_____	_____	_____	_____
TAXES					
15.	Mills Act Assessment Value	_____	_____	_____	_____
16.	Current Taxes	_____	_____	_____	_____
17.	Mills Act Taxes	_____	_____	_____	_____
18.	Tax Savings	_____	_____	_____	_____

FINANCIAL ANALYSIS FORM

YEAR EIGHT TO YEAR TEN (SHEET THREE OF THREE)

		YEARS			
		EIGHT	NINE	TEN	
INCOME					
1.	Monthly Rental Income	_____	_____	_____	_____
2.	Annual Rental Income	_____	_____	_____	_____
ANNUAL EXPENSES					
3.	Insurance	_____	_____	_____	_____
4.	Utilities	_____	_____	_____	_____
5.	Maintenance / Repairs	_____	_____	_____	_____
6.	Management	_____	_____	_____	_____
7.	Other	_____	_____	_____	_____
8.	Total	_____	_____	_____	_____
NET OPERATING INCOME					
9.	Net Operating Income	_____	_____	_____	_____
CAPITALIZATION RATE					
10.	Interest Component	_____	_____	_____	_____
11.	Historical Property Risk Component	_____	_____	_____	_____
12.	Property Tax Component	_____	_____	_____	_____
13.	Amortization Component	_____	_____	_____	_____
14.	Capitalization Rate	_____	_____	_____	_____
TAXES					
15.	Mills Act Assessment Value	_____	_____	_____	_____
16.	Current Taxes	_____	_____	_____	_____
17.	Mills Act Taxes	_____	_____	_____	_____
18.	Tax Savings	_____	_____	_____	_____

PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET ONE OF FIVE)

An electronic version of the financial analysis spreadsheet is available at <http://www.riversideca.gov/historic/pdf/Mills-financial-analysis-form.xls>

STEP 1: DETERMINE PROPERTY INCOME FOR EACH OF TEN YEARS

PROPERTY INCOME	CURRENT	EXPLANATION
1. Monthly Fair Rent, or Gross Income		Even if property is owner-occupied, an estimated monthly rental income is needed as a basis for this formula. Remember to include all potential sources of income (i.e. filming, advertising, photo-shoots, etc.).
2. TOTAL ANNUAL INCOME		Multiply line 1 by 12 months.

STEP 2: CALCULATE ALLOWED EXPENDITURES FOR EACH OF TEN YEARS

ANNUAL EXPENSES	CURRENT	EXPLANATION
3. Insurance		Fire, Liability, etc.
4. Utilities		Water, Gas, Electric
5. Maintenance and Repairs*		Includes: painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs.
6. Management†		Standard fee (usually 5% of rent)
7. Other Operating Expenses		Security, services, etc. May also include special district assessments and special taxes; however, general levy property taxes are not allowed expenditures. Provide breakdown on separate sheet.
8. TOTAL ANNUAL ALLOWED EXPENDITURES‡		Add lines 3 through 7.

* If you are calculating for commercial property, remember to provide the following back-up documentation where applicable:

- Rent Roll (include rent for on-site manager's unit as income if applicable);
- Maintenance Records (provide a detailed break-down—**all costs should be recurring annually**).

† Include expense of on-site manager's unit and 5% off-site management fee; and describe other management costs—provide breakdown on separate sheet.

‡ Annual operating expenses do NOT include mortgage payments, general levy property taxes, depletion charges, corporate income taxes or interest on funds invested in the property.

PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET TWO OF FIVE)

STEP 3: DETERMINE NET OPERATING INCOME, OR INCOME TO BE CAPITALIZED FOR EACH OF TEN YEARS

NET OPERATING INCOME	CURRENT	EXPLANATION
9. TOTAL ANNUAL INCOME TO BE CAPITALIZED		Line 2 minus line 8

STEP 4: DETERMINE CAPITALIZATION RATE FOR EACH OF TEN YEARS

CAPITALIZATION RATE	CURRENT	EXPLANATION
10. Interest Component	5%	Annually determined by the State Board of Equalization and based on the effective rate on conventional mortgages as determined by the Federal Housing Finance board. The interest component is announced annually in a Letter To Assessors, by October 1 of the preceding assessment year (5% for 2011, refer to historical interest rates, attached).
11. Historical Property Risk Component		Determined by property type. Single-family home = 4% All other property = 2%
12. Property Taxes Component	1%	.01 times the assessment ratio of 100%.
13. Amortization Component		Because the land is a non-depreciating asset, it is necessary to adjust the amortization component. Estimate the percentage of total property value attributable to improvements, multiplied by the reciprocal of the remaining life of improvements. Wood frame is typically 20 years, masonry is typically 50 years. If 70% of the property value is attributed to improvements, and the life of the improvement is 20 years, use $70\% \times 1/20 = 3.5\%$.
14. TOTAL CAPITALIZATION RATE		Add lines 10 through 13

PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET THREE OF FIVE)

STEP 5: CALCULATE TAXABLE VALUE FOR EACH OF TEN YEARS

NEW TAXABLE VALUE	CURRENT	EXPLANATION
15. Mills Act Assessed Value		Line 9 divided by line 14 Example: Line 9 divided by 0.15 (15%)

STEP 6: DETERMINE ESTIMATED TAX REDUCTION FOR EACH OF TEN YEARS

NEW TAX ASSESSMENT	CURRENT	EXPLANATION
16. Current Tax		General tax levy only – do not include bonded indebtedness, special district assessments, and special taxes, which are treated as allowed expenses.
17. Tax under Mills Act		Line 15 multiplied by 0.01
18. ESTIMATED TAX REDUCTION		Line 16 minus 17

PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET FOUR OF FIVE)

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. *THIS IS ONLY A SAMPLE. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation because some figures are determined at the discretion of the assessor. The parties to a historical property agreement may stipulate a minimum annual income to be capitalized, in which case the income to be capitalized may not be less than the stipulated amount.*

EXAMPLE: Single-family Dwelling
 Current Assessed Value (GENERAL LEVY TAXES ONLY[§]) = \$100,000
 Estimated Monthly Rent = \$800

DETERMINE ANNUAL INCOME AND ANNUAL OPERATING EXPENSES**

\$800 per month income minus approximately \$100 per month expenses for maintenance, repairs, insurance, utilities, and gardener equals a net income of \$700 per month. Multiply by 12 months for an annual net income of **\$8400**. (Mortgage payments and property taxes are not considered expenses.)

DETERMINE CAPITALIZATION RATE

Add the following to determine the Capitalization Rate:

- The Interest Component is determined by the Federal Housing Finance Board and is based on conventional mortgages. While this component will vary from year to year, the State Board of Equalization has set this at **5%** for 2011;
- The Historical Property Risk Component of **4%** (as prescribed in Sec. 439.2 of the State Revenue and Tax Code) applies to owner-occupied single-family dwellings. A **2%** risk component applies to all other properties;
- The Property Tax Component (Post-Prop. 13) of .01 times the assessment ratio of 100% (**1%**).
- The Amortization Component for improvements defined as a percentage equal to the reciprocal of the remaining life of the improvements (e.g., if the remaining economic life of the improvements were 20 years, the amortization component would be 5 percent). Since the amortization component applies only to improvements, not to land, which is a non-depreciating asset, it is necessary to adjust the amortization component described in the statute.

[§] The Mills Act applies ONLY to general levy property taxes. Be sure to DEDUCT the portions of your tax bill that include sewer assessment, bond issues, etc. when calculating what portion of your property tax will be reduced by the Mills Act.

** Single-Family applicants may find that a property manager or realtor may assist in determining a monthly rental figure.

PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET FIVE OF FIVE)

- Based on market data, estimate the percentage of total property value attributable to improvements. *In this example, 70% of the value is attributable to improvements, and the remaining life of a wood frame building is typically 20 years.* The amortization component is calculated thus: $70\% \times 1/20 = 3.5\%$. Use 3.5% for your calculation.

Now add the following:

$5\% + 4\% + 1.0\% + 3.5\% = 13.5\%$ **Capitalization Rate** (single-family dwelling).

CALCULATE NEW ASSESSED VALUE AND ESTIMATED TAX REDUCTION

The new assessed value is determined by dividing the annual net income (**\$8,400**) by the capitalization rate **0.135** (13.5%), to arrive at the new assessed value of **\$62,222**.

Lastly, determine the amount of taxes to be paid by taking 0.01 (1%) of the assessed value \$62,222. Compare with current property tax rate for land and improvements only (be sure to exclude voter indebtedness, direct assessments, tax rate areas and special district items on your tax bill):

- Current general levy property tax; 1% of original assessed valuation of \$100,000 ($\$100,000 \times .01 = \$1,000$);
- Mills Act property tax: 1% of new assessed value of \$62,222 is **\$622**.

Annual property taxes have been reduced by **\$378** ($\$1,000 - \622), almost a **38% property tax reduction**.

MILLS ACT TEN-YEAR REHABILITATION PLAN

Year	Proposed Project*	Estimated Cost
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		
Year 6		
Year 7		
Year 8		
Year 9		
Year 10		

To be attached to the Historic Property Preservation Agreement (Mills Act Contract)-Exhibit D.

*See attached for list of potential projects. Use additional sheets if necessary.

Projects may be interior or exterior, but must utilize all of your tax savings. All projects that affect the exterior of the residence are subject to Cultural Heritage Board/Staff review and approval before work begins. Work must meet all City requirements and the *Secretary of the Interior's Standards for the Treatment of Historic Properties* (see attached). Retain copies of all receipts and permits for submittal with the required annual reports. Photograph the before and after condition of each project for submittal with the annual reports.

LIST OF POTENTIAL PROJECTS

(SHEET ONE OF THREE)

Projects may include but are not limited to:

- Access Modifications – Exterior
- Access Modifications – Interior
- Accessory Structure Repair or Replace
- Annual Maintenance & Repairs
- Appliance Vent
- Architectural – Remove Non-historic Feature & Restore to Original
- Architectural Trim – Repair
- Architectural Trim – Replace
- Architectural Trim – Install New
- Balcony/ Decks – New Railings
- Balcony/ Decks – Repair or Replace
- Basement – Access – Repair or Replace to Code
- Basement – New or Rebuild
- Cabinets – New Built-in Bathroom
- Cabinets – New Built-in Kitchen
- Cabinets – New Built-in Other
- Carpentry – Remove window & reframe shower including Siding/Caulking
- Chimney – Inspect and Clean
- Chimney – New
- Chimney – Rebuild or Repair
- Code Repair Item
- Column – Replace or Rebuild
- Corbels/ Structural Brackets Replace or Repair
- Door – Repair or Replace Screen Door
- Door – Hardware
- Door – New Basement Hatch Cover and Base
- Door – Repair
- Door – Replacement
- Drain for Deck – Install & or Repair
- Drainage Protection or Correction
- Dry-Rot Remove, Repair and or Replace
- Electrical – Rewire or Install New Outlets
- Electrical – Complete Rewire and Service Upgrade
- Electrical – Ground & Service Entry
- Electrical – Install New Circuits
- Electrical – Lighting Fixtures
- Electrical – New Service Lines to Garage
- Electrical – Security Lighting and Alarm
- Electrical – New Outlets

LIST OF POTENTIAL PROJECTS

(SHEET TWO OF THREE)

Fence – Repair or New
Flashing
Floor Furnace – Remove or Restore floor
Flooring – Carpet
Flooring – Repair
Flooring –Repair Wood Floors
Flooring – Replacement
Foundation – Bolting and Seismic Work
Foundation – New
Foundation – Repair
Gable or Attic – Re-screening
Garage Door
Gutters & Downspouts
House Relocation
HVAC – Complete New System
HVAC – Maintenance & Replacement/Plumbing Service & Painting
Insulation – Walls – Blown-in
Insulation – Attic
Interior Trim – Refinish
Kitchen – New Counters
Masonry – New
Masonry – Repair or Replace Tile Hearth
Masonry – Repair or Repoint
Masonry – Repoint Brick
Mechanical – Air Conditioning
Mechanical – Heating Unit
Mechanical – Ventilation – New Kitchen/Bath Fan & Duct Work
Mechanical – Venting & Duct
Mechanical – Venting & Duct Work
Minor Painting and Exterior Repairs
Painting – Exterior
Painting – Interior
Painting – Removal of Lead Based Paint
Painting – Exterior Trim
Patio – Repair
Plastering – Remove, Replace, or Refinish
Plumbing – DWV, Drain, Waste & Vent
Plumbing – Fixtures
Plumbing – Install new supply lines
Plumbing – Install Sump Pump & Discharge Drain
Plumbing – Minor Repairs
Plumbing – New Supply

LIST OF POTENTIAL PROJECTS

(SHEET THREE OF THREE)

Plumbing – Service Lines
Plumbing – Sewer
Plumbing Repairs
Porch - Ceiling replacement
Porch – Rebuild or Replace
Porch – Repair
Porch – Repoint Brick
Porch Railing – Repair or Replace to Code
Porches – Resurface
Remove Substandard Construction (Tin Shed)
Repair Eaves and/or Overhangs
Repair Exterior Stucco
Repair Garage
Replace Garage
Replace Non-Historic Feature
Roof- Minor Repair
Roof- Reroof
Roof- Strip and Install New
Security Lighting and Alarm System
Seismic Retrofitting – Other than Foundation
Siding – Remove Asbestos Siding & Restore
Siding – Repair
Skylights – Replace
Stair – Repair
Stair – Replacement
Stonework
Stoop – Repair
Stoop – Replacement
Structural – New Framing or Repairs
Structural Bracing
Structural Modifications
Structural Repairs – Roof and/or Ceiling Joists
Termite Treatment
Termite Treatment and Repair
Tile – Replace, Repair or Repoint
Utility Enclosure – New
Ventilation – Attic Fan
Waterproofing
Weatherproofing
Window – Screens or Hardware
Windows – Repair
Windows – Replacement in kind

PROPERTY OWNER ANNUAL REPORT

(SHEET ONE OF TWO)

**TO BE SUBMITTED BY THE LAST BUSINESS DAY IN JULY,
AT THE END OF EACH FISCAL YEAR**

Property Address: _____

Annual Report for the year of: _____

What were your tax savings this year? _____
(Please attach copies of your tax statement for the applicable year.)

What was (were) your project(s)? Please describe each project contributing to your required expenditure, include the cost of each project (add additional sheets as necessary):

What was the total cost of the project(s)?

Based on the results of this project would you like to revise your Ten-Year Plan?

Yes___No___

If so, How?

PROPERTY OWNER ANNUAL REPORT

(SHEET TWO OF TWO)

Comments / Suggestions:

Name: _____

Signature: _____

Date: _____

Return Form and Attachments by the Last Business Day in July to:

City of Riverside
Community Development Department, Planning Division
3900 Main Street-3rd Floor
Riverside, CA 92522

For Questions Contact:

Barbara Bouska, Associate Planner (951) 826-5507

Required Attachment Checklist for All Mills Act Projects:

- Copies of receipts for all required expenditures and building permits;
- Photographs for all work performed during the last year, whether included in the required expenditures or not (to verify compliance with Title 20);
- Photographs of the site and exterior of property;
- Copies of the applicable property tax statements.
- Update Contact Information:
Please provide any changes to the property owner name, mailing address, telephone, or e-mail address:

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 3rd floor, or 2) Contacting the Historic Preservation Staff at 951-826-5371 or email at 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 3rd 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.

MILLS ACT QUESTIONS AND ANSWERS

(SHEET TWO OF FOUR)

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 1st to June 30th) 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 1st to June 30th) 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 1st to June 30th) 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 1st to June 30th) 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.

MILLS ACT QUESTIONS AND ANSWERS

(SHEET THREE OF FOUR)

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 1st to June 30th). 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.

MILLS ACT QUESTIONS AND ANSWERS

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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.