

**Mills Act 101**

# **An Incentive For Preserving Your Community's Past**

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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

# The Mills Act

A local property tax incentive to encourage restoration, rehabilitation and preservation of privately owned historic resources.



# Mills Act History



- 1972- State Senator James Mills authored the “Mills Act” in response to the plight of the Hotel Del Coronado in his district and modeled his bill after the Williamson Act.
- 1985- The Mills Act was amended to reduce the minimum contract period to 10 years (from 20), eliminate mandatory public access, & reduce the penalty for cancelation.
- 1993- The act was amended to define restoration & rehabilitation.
- 2012- The act was amended to include mandatory property inspections before a contract is issued & every five years after.

# 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.



# Mills Act Basics



- 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.
- 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.
- 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 Mathematics

“Income” or “capitalization” formula used.

**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.**

# Why Adopt a Mills Act Program?

- Place making
- Heritage tourism
- Helps retain the character of neighborhoods
- Flexibility of the program
- Voluntary
- Only statewide incentive available to single family residential property owners at this time.



# Implementing a Program

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



# Statewide Perspective

- There are approximately 90 programs statewide
- No two programs are alike
- Many local governments have no other preservation program
  - 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 Hot Topics!

- 2012 amendment 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.
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- The use of the Mills Act for condominiums.
  - Who holds the contract?



# Questions & Discussion

# Thank You!

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