

**The Mills Act & Beyond**

# **Incentives For Preserving Your Community's Past**

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Preservation  
City of Capitola  
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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

# Incentive Categories

## FINANCIAL INCENTIVES

- Federal Historic Preservation Tax Incentive Program
- The Mills Act- State Enabling Legislation Administered at the Local Level
- Local Loan or Grant Programs



## TECHNICAL INCENTIVES

- California Historical Building Code
- Local code or zoning variances



# Federal Historic Preservation Tax Incentive Program



**Also Known As...**

**The program is often referred to as the  
Federal Tax Credit Program**

# Federal Tax Credit Program

- Current federal incentives were established in the Tax Reform Act of 1986.
- Encourage private sector investment in rehabilitation and re-use of historic buildings.
- Create jobs- considered one of nation's most successful community revitalization programs.
- The National Parks Service & the Internal Revenue Service administer the program in partnership with State Historic Preservation Offices.



# 10% Tax Credit

- The 10% tax credit is available for the rehabilitation of non-historic buildings placed in service before 1936.
- The building must be rehabilitated for non-residential use.
- There is no formal review process for rehabilitations of non-historic buildings. Learn more about this credit in [Historic Preservation Tax Incentives](#).



# 20% Tax Credit



- Credit equals 20% of the [qualifying expenses](#) of rehabilitation.
- Only available to revenue –producing properties.
- Must be a "substantial" rehabilitation
- Must be “certified as a historic structure” by the National Park Service.
  - A property listed in, or eligible for, the National Register of Historic Places
  - A contributor to a Certified Local
- Rehabilitation work has to meet the [Secretary of the Interior’s Standards for Rehabilitation](#), as determined by the National Park Service.

# Tax Credit Program Information



- National Parks Service:  
<http://www.nps.gov/tps/tax-incentives.htm>
- California Office of Historic Preservation:  
[http://ohp.parks.ca.gov/?page\\_id=25007](http://ohp.parks.ca.gov/?page_id=25007)
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The California Historic Building Code & The Mills Act

# State Level Incentives

# California Historic Building Code

- The **CHBC** is intended to save California's architectural heritage by recognizing the unique construction issues with maintaining and adaptively reusing historic buildings.
- The **CHBC** provides alternatives for permitting repairs, alterations and additions need for the preservation or rehabilitation of a "qualified historical building or structure."



# What Qualifies?

- A "***qualified historical building or structure***" is a structure or property, collection of structures, and their associated sites deemed of importance to the history, architecture, or culture of an area by an appropriate local or state governmental jurisdiction.
- Any property listed in:
  - National Register of Historic Places
  - California Register of Historical Resources
  - State Historical Landmarks
  - State Points of Historical Interest, or
  - A local register



# For Additional Information on the California Historic Building Code



**Go to:**

The California Office of  
Historic Preservation website  
at  
[http://ohp.parks.ca.gov/?page\\_id=21410](http://ohp.parks.ca.gov/?page_id=21410)

**Or**

The State Historical Building  
Safety Board website at  
<http://www.dgs.ca.gov/dsa/AboutUs/shbsb.aspx>

# The Mills Act

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



# 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)



# 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.



# Mills Act Mathematics

“Income” or “capitalization” formula used.

**Annually, the Assessor’s Office reviews:**

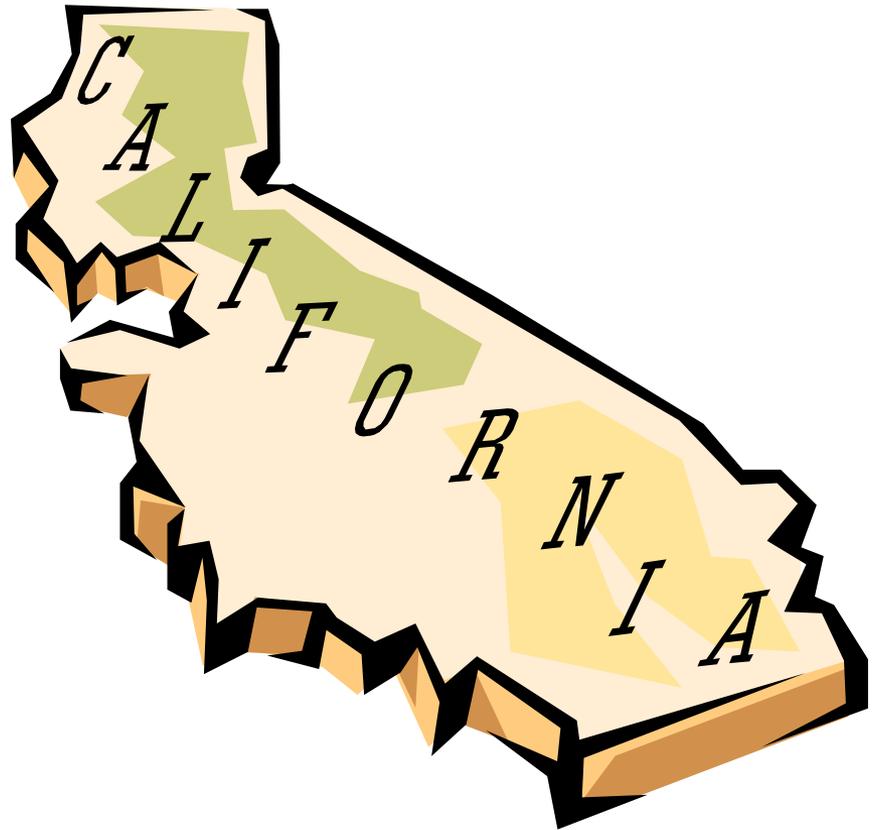


- 1. Factored Base Year Value**  
(prior change in ownership)
- 2. Current Fair Market Value**  
(based on comparable sales)
- 3. Mills Act or Restricted Value**  
(based on real or potential rental income)

**The lowest of the 3 values is used to calculate the General Levy Property Tax.**

# 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 Issues

- The law was amended in 2012 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.



Beyond the Mills Act

# Local Preservation Incentives

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# Creative Ways Local Governments Can Incentivize Historic Preservation

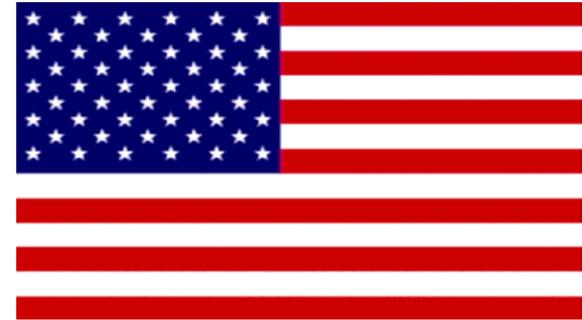
- Zoning Incentives
- Permit Fee Waivers
- Parking Variances
- Revolving Funds & Loan Programs
- Grants

# More Local Incentives

- Design Assistance & Technical Support
- Plaque Programs
- Local Recognition or Awards Programs
- Sales Tax Waivers
- Historic Property Real Estate Programs

# Incentives Summary

- They exist at all levels of government.
  - Federal
  - State
  - Local
- They can be financial or technical in nature.
- They are a positive way to encourage the rehabilitation and retention of a communities significant resources.



# Questions & Discussion

# Thank You!

## Contact Information:

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