The Mills Act & Beyond

Incentives For Preserving Your Community’s Past

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California Office of Historic Preservation
City of Capitola
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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
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](https://www.nps.gov/tps/pdfs/pib004.pdf), 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

- OHP Contact: Senior Restoration Architect Timothy Brandt, AIA LEED AP Timothy.Brandt@parks.ca.gov
The California Historic Building Code & The Mills Act

State Level Incentives
• 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.”
• 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

Or

The State Historical Building Safety Board website at
http://www.dgs.ca.gov/dsa/AboutUs/shbsb.aspx
A local property tax incentive to encourage restoration, rehabilitation and preservation of privately owned historic resources.
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.
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.”
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.
“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
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.
• 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
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
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!

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