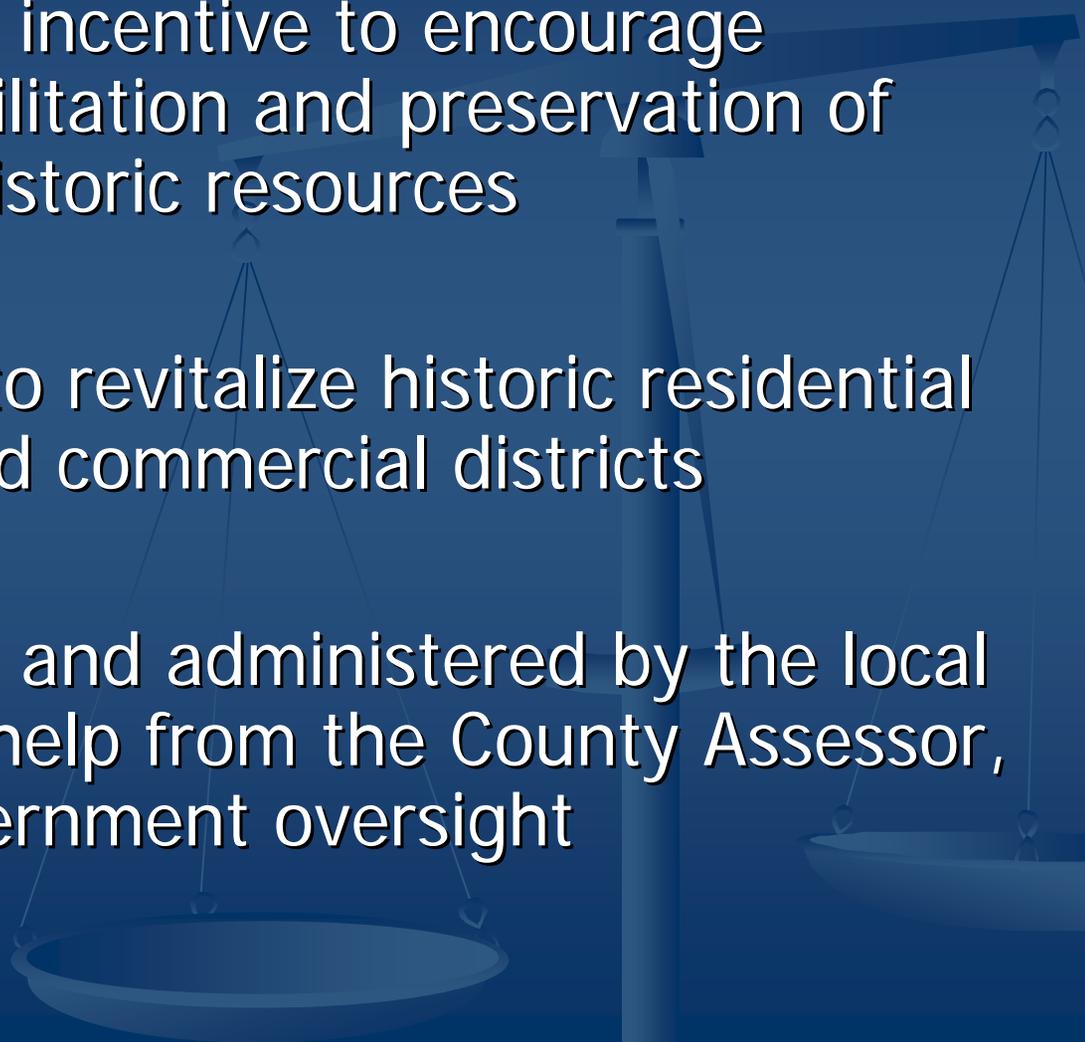


Keeping Money in Your Pocket: The Mills Act

Presented by
Lucinda Woodward
Supervisor, Local Government Programs
Office of Historic Preservation
June 19, 2008
Columbia State Historic Park

What is the Mills Act?

- Local property tax incentive to encourage restoration, rehabilitation and preservation of privately owned historic resources
 - Preservation tool to revitalize historic residential neighborhoods and commercial districts
 - Program designed and administered by the local government with help from the County Assessor, without state government oversight
- 
- A faint, stylized image of a scale of justice is visible in the background, positioned on the right side of the slide. The scale consists of a vertical pillar supporting a horizontal beam with two pans hanging from it. The image is semi-transparent and serves as a decorative element.

Mills Act History



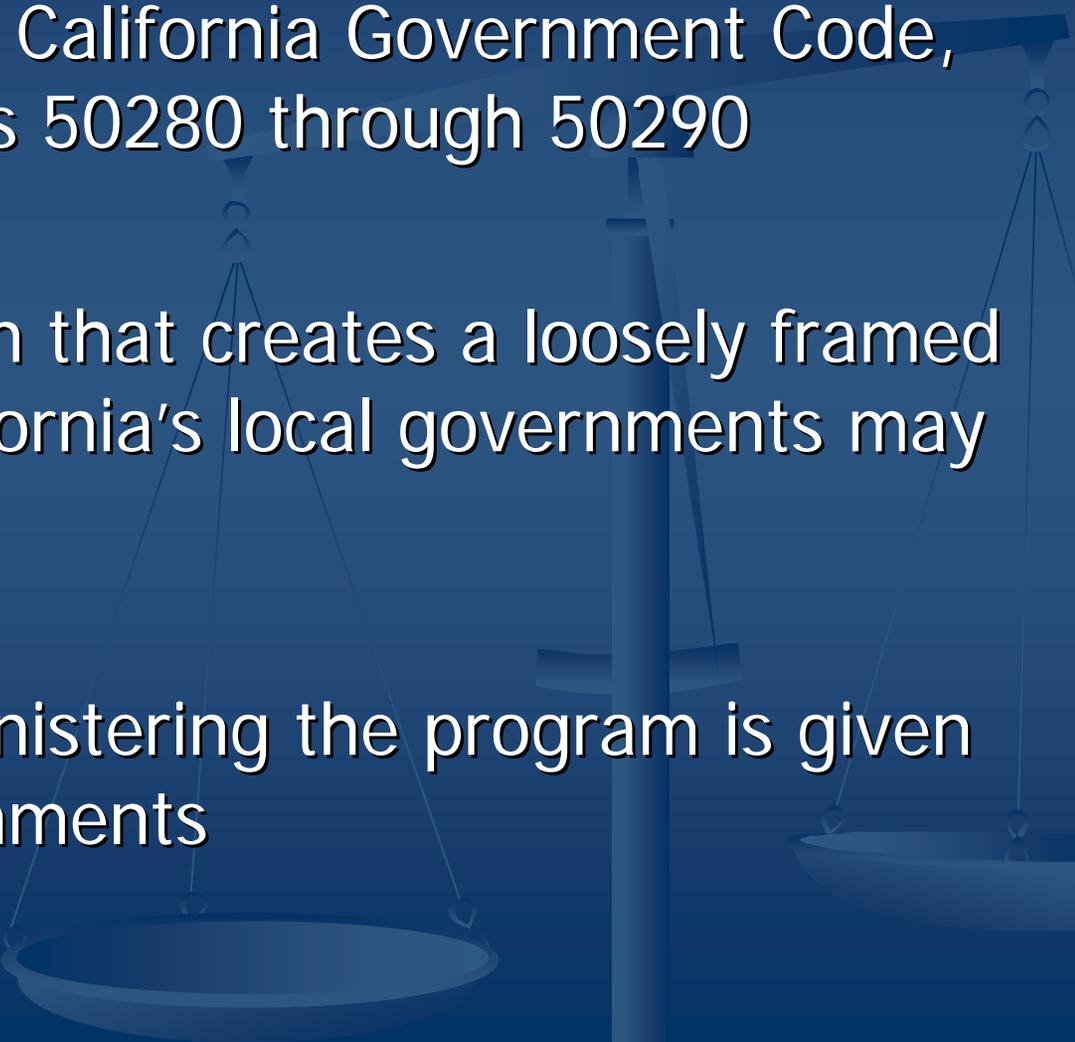
- 1972 - State Senator James Mills authored the “Mills Act” in response to the plight of the Hotel del Coronado in the City of Coronado, San Diego County
- 1973 - law was determined unconstitutional.
- 1976 - voters approved a constitutional amendment which allowed the program to be utilized by local governments.

Mills Act History Continued

- 1985 - Mills Act was amended to reduce the minimum contract period, eliminate mandatory public access, and reduce the penalty for cancellation
- 1993 - amended to define restoration and rehabilitation as meeting the standards of the OHP, the State Historic Building Code and the Secretary of the Interior's Standards.



The State Law

- Established by the California Government Code, Article 12, Sections 50280 through 50290
 - Enabling legislation that creates a loosely framed program that California's local governments may participate
 - Authority for administering the program is given to the local governments
- 

The State's Role in the Mills Act



- NO state oversight
- Authority rests with the local governments
- Disputes are handled by the courts

Role of Office of Historic Preservation

- Office of Historic Preservation advises property owners and local governments
- Provides training
- Maintains information on website



Role of Board of Equalization

- Advises and interprets the law for County Assessors
- “Guidelines for the Assessment of Enforceably Restricted Historical Property”



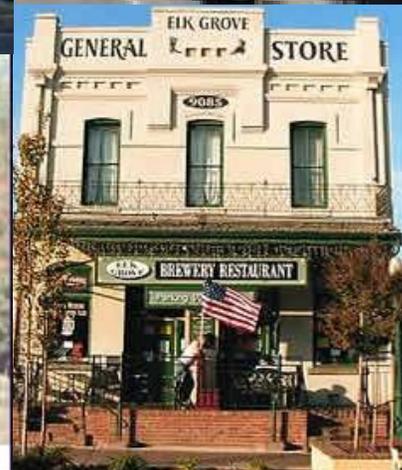
How Does the Mills Act Work?



- Local government adopts the Mills Act Program
- Local government enters into a contract with a property owner
- In exchange for tax relief, the property owner agrees to preserve, rehabilitate or restore their “qualified historic property” in accordance with federal, state and local standards.

What is a Qualified Historic Property?

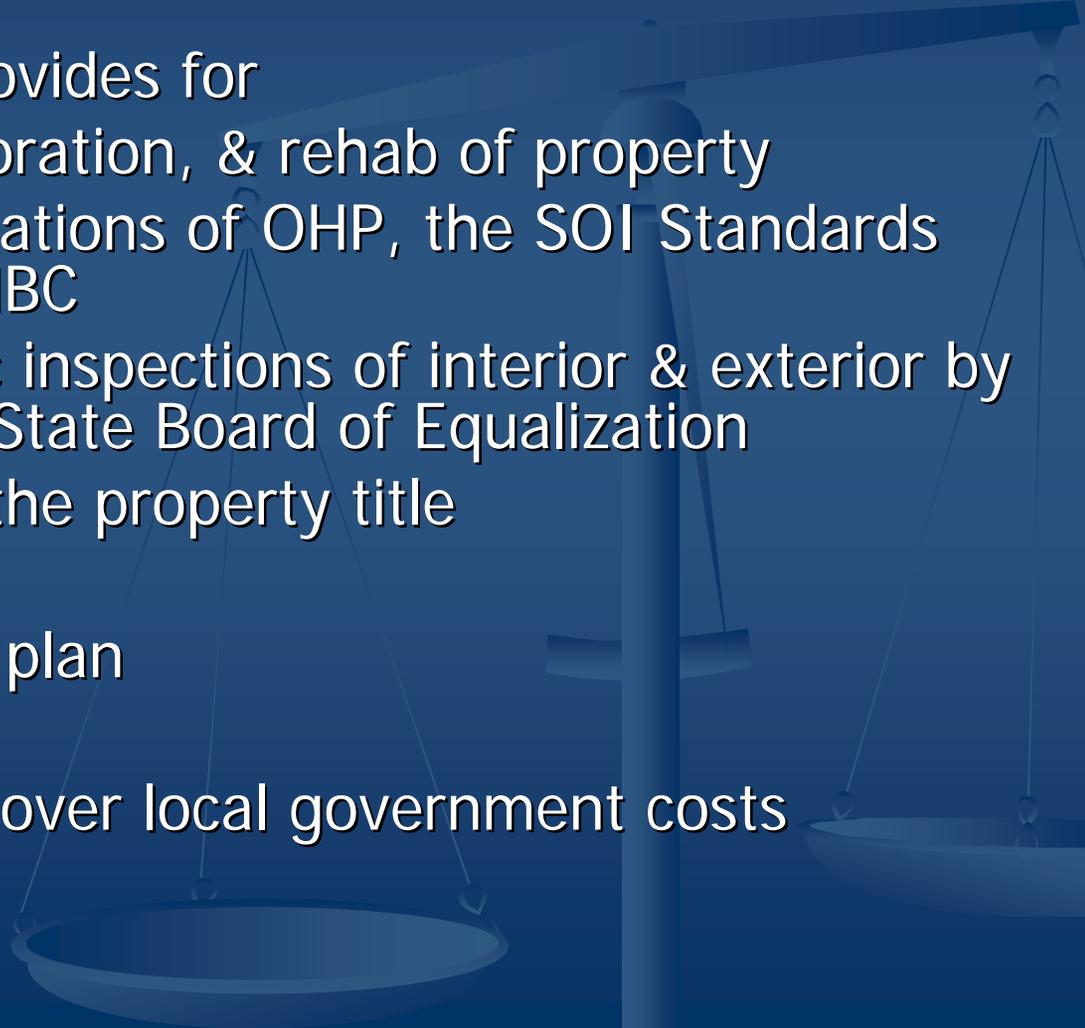
- Privately owned
 - Not exempt from property taxes
 - Listed in the National Register or located in a registered historic district
- or
- Listed in any state, city, county or city and county official register of historical or architecturally significant sites, places or landmarks.



Basic Provisions of Mill Act Contract Terms

- Minimum of 10 years; extends one year annually unless either party chooses not to renew
- Non-renewal
 - Tax benefit reduces by about 10% annually
 - By year 10, property owner should be paying same tax they would have paid before entering Mills Act contract
 - Either local gov't or property owner may initiate non-renewal
- Breach of contract
 - Only by local government
 - Public hearings
 - Owner pays cancellation fee equal to 12 ½% of current fair market value

Basic Provisions of Mill Act Contract Terms

- Where applicable, provides for
 - Preservation, restoration, & rehab of property
 - Uses rules & regulations of OHP, the SOI Standards for Rehab, and SHBC
 - Allows for periodic inspections of interior & exterior by Assessor, OHP or State Board of Equalization
 - Benefits run with the property title
 - May stipulate a work plan
 - Fees are allowed to cover local government costs
- 



Choices for the Local Government

- Local governments may adopt formal ordinance or pass less formal resolution to establish their program
- Programs may target certain property types by limiting what qualifies for the program
- Local governments may choose the level of enforcement
- Local governments may cap the number of contracts
- Local governments may cap revenue loss

Mills Act Mathematics

Annually, the Assessor's Office reviews:



1. Base Year Adjusted Value
2. Current Fair Market Value
3. Mills Act – Actual or Potential Income Valuation

Lowest of the 3 values is used to calculate the General Levy Property Tax

Benefits to the Property Owner

- Incentive for restoring, rehabilitating and maintaining eligible properties to promote appreciation of the local government's architecture, history and culture
- Commercial owners can package Mills Act with other financial incentives
- Tax benefit runs with title – a real estate selling point
- Program is voluntary

Benefits to Local Governments

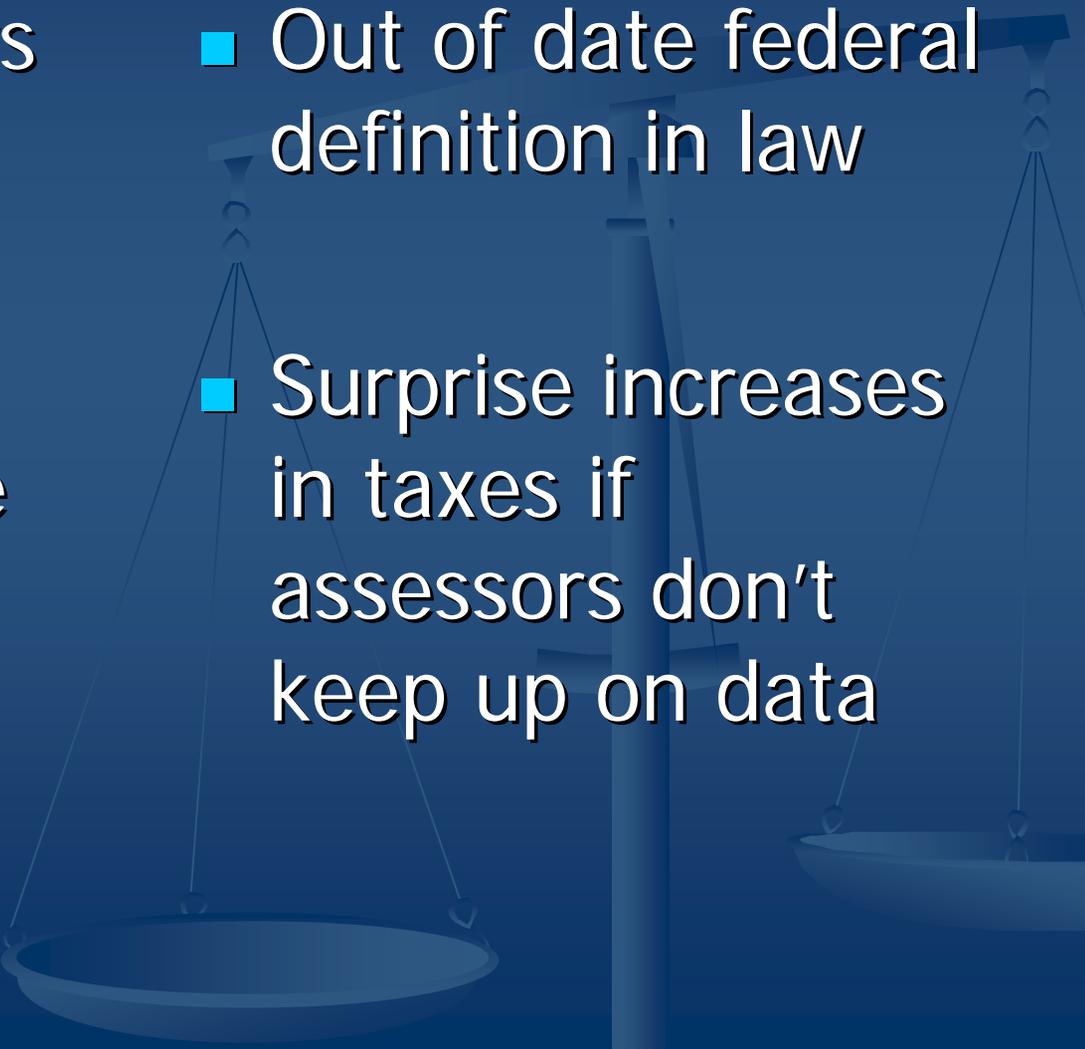
- Helps retain and maintain historic properties
- Can foster preservation of historic neighborhoods
- Tax incentive can help revitalize downtown commercial districts
- Program is flexible and can be designed to target specific resources
- Local government controls the number of contracts and the property values that can be included. This allows local governments to cap revenue losses

Mills Act Participation



- 86 California local governments participate in the Mills Act.
- There are currently more than 2,400 contracts.
- There are at least three communities considering adopting a program right now.
- Interest has grown rapidly in the last few years as property values soared and valuable historic resources have been lost.

Mills Act Quirks

- Longtime owners may not benefit
 - Law does not address multiple owners
 - Out of date federal definition in law
 - Surprise increases in taxes if assessors don't keep up on data
- 

Summary of Mills Act Pros



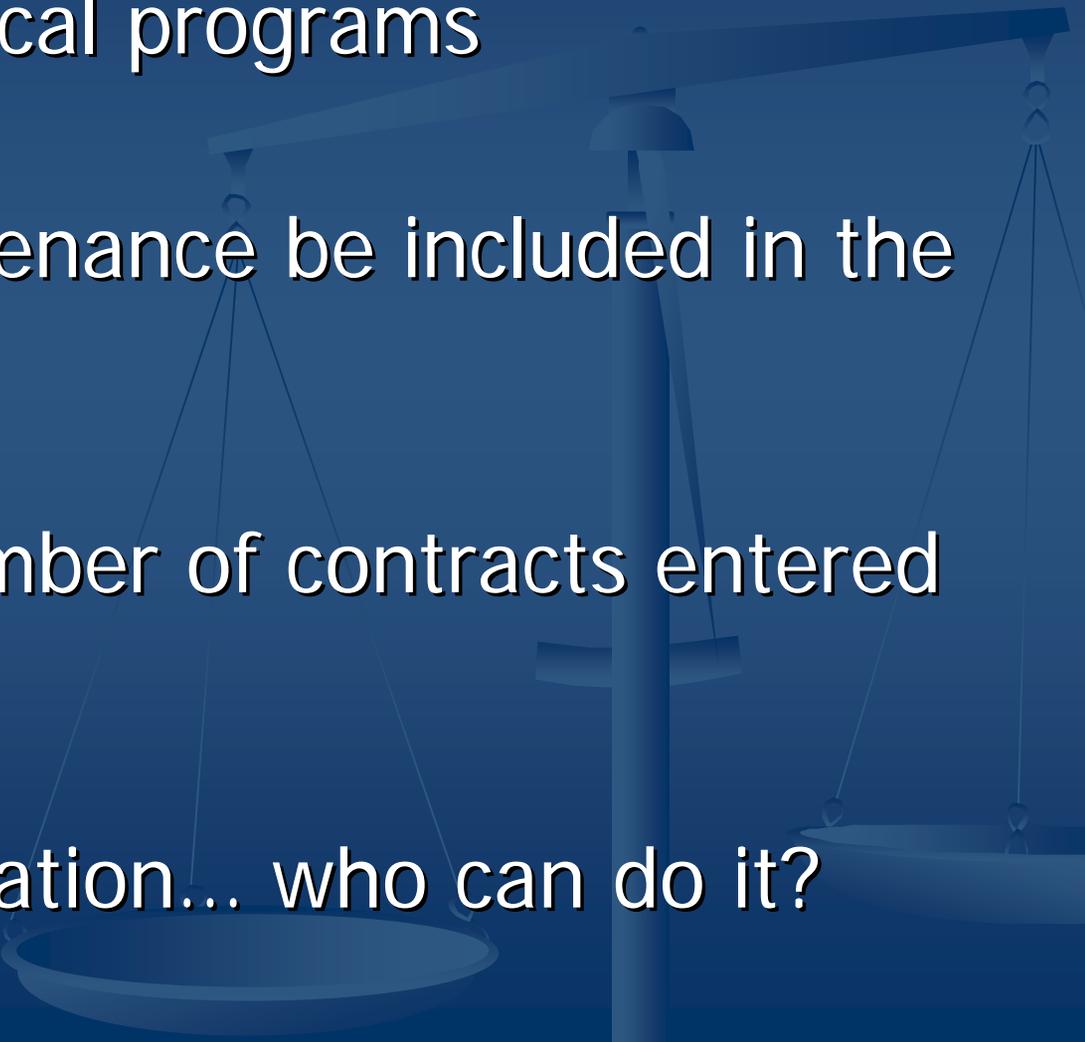
- Only statewide preservation incentive available to historic home owners
- Contracts can be used with other commercial property preservation incentives
- Tax incentive is especially helpful to recent buyers.

Summary of Mills Act Pros



- Program can help revitalize, maintain historic civic cores
- Helps keep up historic neighborhoods
- Boosts civic pride
- Helps retain civic history & character

Hot Topics!!!



- State's role in local programs
- Can basic maintenance be included in the work plan?
- Capping the number of contracts entered into each year
- Contract cancellation... who can do it?

Information & Contacts

- California Office of Historic Preservation website- Mills Act Information
http://www.ohp.parks.ca.gov/?page_id=21412
- Assessment Policy and Standards Division of the Board of Equalization at (916) 445-4982 or <http://www.boe.ca.gov/info/email.html>
- Shannon Lauchner, Mills Act Coordinator, OHP (916)653-5649 or slauchner@parks.ca.gov