

## **Mills Act Property Tax Abatement Program**

### **READ THIS FIRST!**

The Mills Act Program is administered and implemented by local governments. Mills Act contracts are between the property owner and the local government granting the tax abatement. OHP is **not** a signatory to Mills Act contracts.

Each local government establishes their own criteria and determines how many contracts they will allow in their jurisdiction. For answers to specific questions such as local eligibility criteria, application procedures, and contract terms, contact the city or county official for your jurisdiction.

---

### **GENERAL MILLS ACT QUESTIONS and ANSWERS**

**Q: *My property or a property I am considering buying is already under a Mills Act contract. What does that mean to me as a property owner?***

**A:** Mills Act contracts are for 10 years initially with automatic yearly extensions and stay with the property when transferred. Subsequent owners are bound by the contract and have the same rights and obligations as the original owner who entered into the contract. Because the local government and the property owner negotiate other specific terms of the contract, you need to contact your local government to determine the rights and obligations a Mills Act contract creates.

### **Mills Act Contacts**

---

**Q: *How are tax assessments determined for properties under the Mills Act?***

**A:** The State Board of Equalization has provided guidelines for county assessors for use in assessing properties under the Mills Act.

**Board of Equalization Guidelines**

---

**Q: *Does my property qualify for the Mills Act Program?***

**A:** First, find out if your local government participates in the program. Use the **Mills Act Contacts** list to find out if your local government participates in the Mills Act Program, what the local criteria are, and what the process is for applying.

---

**Q: *No, my local government does not currently participate. Now what do I do?***

**A:** Contact the Planning Department or Community Development Department of your local government and ask them to consider adopting the Mills Act Program.

**California Cities Contact Information**

**California Counties Contact Information**

---

**Q: *What is the Mills Act Program?***

**A:** Economic incentives foster the preservation of residential neighborhoods and the revitalization of downtown commercial districts. The Mills Act is the single most important economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners. Enacted in 1972, the Mills Act legislation grants participating local governments (cities and counties) the authority to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of their historic properties while receiving property tax relief. California State Codes Relating to the Mills Act include the following:

***Q: How does the Mills Act benefit Local Governments?***

A; The Mills Act allows local governments to design preservation programs to accommodate specific community needs and priorities for rehabilitating entire neighborhoods, encouraging seismic safety programs, contributing to affordable housing, promoting heritage tourism, or fostering pride of ownership. Local governments have adopted the Mills Act because they recognize the economic benefits of conserving resources and reinvestment as well as the important role historic preservation can play in revitalizing older areas, creating cultural tourism, building civic pride, and retaining the sense of place and continuity with the community's past.

A formal agreement, generally known as a Mills Act or Historical Property Contract, is executed between the local government and the property owner for a minimum ten-year term. Contracts are automatically renewed each year and are transferred to new owners when the property is sold. Property owners agree to restore, maintain, and protect the property in accordance with specific historic preservation standards and conditions identified in the contract. Periodic inspections by city or county officials ensure proper maintenance of the property. Local authorities may impose penalties for breach of contract or failure to protect the historic property. The contract is binding to all owners during the contract period.

---

***Q: How does the Mills Act benefit Owners of Historical Properties?***

A: Owners of historic buildings *may* qualify for property tax relief if they pledge to rehabilitate and maintain the historical and architectural character of their properties for at least a ten-year period. The Mills Act program is especially beneficial for recent buyers of historic properties and for current owners of historic buildings who have made major improvements to their properties.

Mills Act participants *may* realize substantial property tax savings of between 40% and 60% each year for newly improved or purchased older properties because valuations of Mills Act properties are determined by the Income Approach to Value rather than by the standard Market Approach to Value. The income approach, divided by a capitalization rate, determines the assessed value of the property. In general, the income of an owner-occupied property is based on comparable rents for similar properties in the area, while the income amount on a commercial property is based on actual rent received. Because rental values vary from area to area, actual property savings vary from county to county. In addition, as County Assessors

are required to assess all properties annually, Mills Act properties may realize slight increases in property taxes each year.

---

***Q: What is a Qualified Historic Property?***

A: A qualified historic property is a property listed on any federal, state, county, or city register, including the National Register of Historic Places, California Register of Historical Resources, California Historical Landmarks, State Points of Historical Interest, and locally designated landmarks. Owner-occupied family residences and income-producing commercial properties may qualify for the Mills Act program, subject to local regulations.

---

***Q: What is OHP's role in the Mills Act program?***

A: OHP provides Mills Act information to local governments and uses information provided by local governments to maintain a list of communities participating in the Mills Act program as well as copies of Mills Act ordinances, resolutions, and contracts that have been adopted. OHP does not participate in the contract negotiations, is not a signatory to the contract and has no authority over the administration of the Mills Act program.

---

***Q: Where can I get more information?***

A: Contact your local government for answers to specific questions about the program in your community. Additional information is available from the Board of Equalization and California Government Code, Article 12, Sections 50280 - 50290.