

# Mills Act Program

## Overview

# What is the Mills Act?

- 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.
- Applies to all taxable properties
- Leading financial incentive program for the preservation of historic properties in California

# Why Consider the Mills Act Program?

- Beneficial tool for counties/cities and property owners to maintain, preserve, restore historic properties
- Property owners benefit from property tax incentives (reduced property tax liability)
- Counties/cities benefit from revitalization of neighborhoods that otherwise could be rundown or marked for redevelopment

## Other Jurisdictions Participating

- Gilroy
- Campbell
- San Jose
- Santa Clara County
- Benicia
- City of Los Angeles
- City of San Diego
- Redwood City
- .....*Many more*

## How Does it Work?

- County/city may enter into 10 year contract with property owner. In exchange, property owner agrees to restore and maintain the historic property as agreed upon in the contract
- Property must be listed on a local, state or national register of historic places
- Property must be privately owned
- Contracts extend every year unless owner or jurisdiction elects to cancel in writing

# Program Benefits

- Property tax based on income potential of property rather than sales price or transfer value
- Based on highest and best use
- Savings provides additional incentive and assists in offsetting the cost of substantial rehabilitation, restoration, and/or maintenance in conformance with the Secretary of the Interior's Standards



# Program Requirements

- Contract runs for minimum 10-year term, renewed annually
- Pre-approval and follow up inspections to be conducted by city/county (minimum inspections every 5 years)
- Contract runs with the land, and is transferred to new owners if property is sold
- Property must be continually maintained in accordance with the Secretary of the Interior's Standards

# Real World Example

- Benicia:
- Purchased house 1997 for \$217,000 (*remember those days?*)
- Taxes were \$2500 before Mills Act Contract
- Current taxes: \$668
- 26% +/- reduction

*Mills Act reduction won't pay for all improvements, but provides an incentive for the retention and maintenance of historic properties*



# What Is Fiscal Impact to Local Government?

- Difficult to determine
- Number of contracts can be limited
- Cap can be placed on maximum loss of revenue
- Cost to administer the program, conduct inspections
- Anecdotal evident- cost is approximately .1% of general fund revenue (cities)

# Examples

## Santa Clara County:

- 296 active contracts in 2016
- 7 new contracts in 2016
  - Lowest reduction given 0%
  - Largest reduction given: 92%
  - Average reduction: 56%

## City of LA:

- 716 Contracts 1997-2013
- Revenue loss capped at \$2 million (.01% of property tax revenue)
- Current annual revenue loss: \$979,956

# Application Process Would Include (Example)

- Mills Act Application
- Historical Property Contract
- Rehabilitation/restoration plan
- Maintenance and rehabilitation standards and conditions
- Exemption form
- Tax adjustment worksheet
- Pre-approval inspection
- Approval by Board of Supervisors

The image features an abstract background with numerous thin, vertical, slightly wavy lines in shades of blue and grey. These lines are set against a light, off-white background. A solid, dark blue horizontal bar spans the width of the image, positioned in the lower half. The word "Questions?" is written in white, sans-serif font on this bar.

Questions?

# Steps to Implement Mills Act

- Recommendation from Historic Resources Commission to Board of Supervisors to implement a Mills Act program
- Direction to staff from Board of Supervisors to develop policies and ordinances for the implementation of the program
- Develop Mills Act regulations
- Develop application process and materials
- Determine cap on revenue loss for County
- Public outreach and public input
- Board of Supervisors approval of Mills Act program