INTRODUCTION

LAMBERT GIESSINGER, PRESERVATION ARCHITECT
HISTORICAL PROPERTY CONTRACTS MANAGER
City of Los Angeles | Office of Historic Resources

ROBERT CHATTEL, PRESIDENT
Chattel, Inc. | Historic Preservation Consultants
WORKSHOP OVERVIEW

OBJECTIVES

- Establish expectations of applicants.
- Improve property owner engagement and knowledge of program.
- Provide information for successful applications.
Welcome!

Ken Bernstein, Principal City Planner
City of Los Angeles | Office of Historic Resources
MILLS ACT
PROGRAM OVERVIEW

LAMBERT GIESSINGER
City of Los Angeles | Office of Historic Resources
OVERVIEW

- California’s leading financial incentive program for historic preservation.

- Contract between the City and property owner that allows for potential reduction in property taxes.

- Applies to all types of taxable properties: single-family, multi-family, commercial, and industrial.

- Provides incentive for restoring, rehabilitating, and maintaining eligible properties to promote appreciation of the City’s architecture, history, and culture.

- A competitive program for eligible historic properties--not an entitlement.

Los Angeles Public Library, 1929
OVERVIEW

• Property tax based on income potential of the property rather than most recent sales price or transfer value.

• Property tax based on highest and best property use prior to Proposition 13.

• Expectation is tax savings used to offset cost of substantial scope of rehabilitation, restoration, and maintenance work in conformance with Secretary of the Interior’s Standards (Secretary’s Standards).

• Cost of work should exceed potential savings.
SECRETARY OF THE INTERIOR’S STANDARDS

- Preservation
- Rehabilitation
- Restoration
- Reconstruction
Rehabilitation is the act or process of making possible a compatible use for a property through repair, alterations, and additions while preserving those portions or features which convey its historical, cultural, or architectural values.

**Emphasis:**

- **Retain and repair** existing historic materials
- **Avoid removal** or alteration of distinctive materials and features
- Avoid changes that create a **false sense of historic development**
- Perform chemical treatments using **gentlest possible means**
- New additions will be **contemporary, compatible, and reversible**

Avoid “gutting,” “remodeling,” and “sandblasting.”
ELIGIBILITY

QUALIFYING PROPERTIES

• City-designated Historic-Cultural Monuments (HCMs)

• Contributing properties to Historic Preservation Overlay Zones (HPOZs)

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VALUATION LIMITS

• Tax assessed value of $1,500,000 for single-family properties

• Tax assessed value of $3,000,000 for all other properties, including multi-family, commercial and industrial properties
Exemptions to Valuation Limits are granted by the Cultural Heritage Commission if:

- HCM or HPOZ contributor is of exceptional significance
- Property has excessive and/or unusual maintenance requirements and is otherwise in danger of demolition
- Revenue loss to City will not exceed $2 million annually for entire program (all contracts)
- Exemptions require preparation of a Historic Structure Report (HSR)

Properties located in Greater Downtown Area and Hollywood Boulevard National Register District are exempt from Valuation Limits
Senator Mills introduced SB 357, signed by Governor Reagan on December 29, 1972.

“The purpose of my bill is to provide an incentive to restoring and maintaining points of historical interest in California.”

“This state abounds with priceless treasures of our dynamic history. All too often we have seen invaluable links with our past fall to the bulldozer’s blade as developers greedily devoured our heritage in the name of progress.”

“My legislation will provide an incentive to preserve historically significant landmarks so that future generations will be able to appreciate California’s cultural diversity.

-Senator James Mills, February 1977
April 15, 1994 City Council Motion:

- Retain older, affordable housing stock
- Retain residential structures of “real” historical significance
- Means to incentivize property owners to preserve historic dwelling structures

1996 Los Angeles Administrative Code Division 19, Chapter 14 created with amendments, Ordinance 171,416
2012 Updates

- State statute is amended to require the City, County, or Assessor to inspect Mills Act properties every 5 years.
- City Council increases lost revenue cap to $2 million.

Regulatory Setting

- LAAC Division 19, Chapter 14
- California Government Code, Article 12, Sections 50280-50290
- California Revenue and Taxation Code, Article 1.9, Sections 439-439.4

Approximately 75% are single-family dwellings.

The City has agreed to lose up to $2 million of revenue under the Mills Act.

The City’s share of the 1% General Levy tax collected by the County is slightly under 11%.

The Mills Act program is responsible for calculating the lost revenue annually.

The amount is currently $1,332,405.
Property owners enter into Mills Act contracts with the City:

- Contract runs for a minimum term of 10 years and is renewed annually for the minimum term.
- Contract runs with the land and is transferred to new owners when a property is sold.
- Property must be maintained in accordance with the Secretary’s Standards and California Historical Building Code.
**Contract Term**

- The Mills Act Program is under the authority of the Cultural Heritage Commission (CHC).

- CHC and the Office of Historic Resources review and approve alterations to properties.

- Contract covers entire property:
  - Interior and exterior of buildings
  - Landscaping and grounds
  - Systems

- Failure to rehabilitate the property may cause cancellation of Contract and penalty equaling 12.5% of the fair market value.
PERIODIC INSPECTIONS

- In addition to pre-approval inspections, the City conducts periodic inspections at least every five years.
- The anticipated fee is $415 per year to be collected quinquennially ($2,075).
- Periodic inspections monitor progress of implementing work described in Contract.
- After inspection, a list of deficient, non-compliant items will be sent to owner, who will have 30 days to draft a preservation plan to correct deficient items.
- Property owners are encouraged to self-inspect and update the City on progress of implementing work.
For HOA controlled properties, only HOA may submit application, not individual unit owners.

All owners must agree to participate.

In most cases, HOA must vote to authorize Mills Act Application and CC&Rs must be amended.

Under one Contract covering all units, tax savings will be granted to individual unit owners by Assessor.

Tax savings will vary based on income potential and base year value of each unit.

Given potential inequity in property tax savings for each owner, HOAs are advised to establish means of tracking savings through a special fund.
APPLICATION

OVERVIEW AND EVALUATION

MELISSA JONES, PLANNING ASSISTANT
City of Los Angeles | Office of Historic Resources

NELS YOUNGBORG, SENIOR ASSOCIATE
Chattel, Inc. | Historic Preservation Consultants
<table>
<thead>
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<th>Step</th>
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<td>Pre-contract inspection period</td>
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<tr>
<td>#7</td>
<td>Review of pre-approval report and submission of Contract Execution Fee</td>
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<td>#8</td>
<td>City approval process</td>
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<td>#9</td>
<td>County recording deadline</td>
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<td>#10</td>
<td>Assessor’s reappraisal period</td>
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<td>#11</td>
<td>Reassessed property tax bill</td>
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*It takes approximately 17 months from the application due date before a reduction appears on your property tax bill.*

**JANUARY 10** – Annual Mills Act workshop.

**MARCH 2** – Part 1 of the application and fee due by 5:00pm at OHR.

**MARCH 16** – Staff eligibility determination letters

**MAY 1-2** – Part 2 of the application due by in-person appointment.

**JUNE-SEPTEMBER** – Pre-approval inspections of properties.

**OCTOBER 16-17** – In-person appointments to review final inspection reports and applications, and submit Contract Execution fee.

**DECEMBER** – Record Contract.
**PART 1: APPLICATION OVERVIEW**

**DUE MARCH 2, 2018**

(Physical and digital submission; one-sided pages, not stapled)

- Historical Property Contract Application Form
- Priority Consideration Criteria Form
- Photographic Documentation
- Permit Records
- Report from qualified structural engineer, if applicable
- Attachment “E,” if applicable
- Non-Refundable Application Fee
Ownership and property information.

Include valid e-mail since most communication will be electronic.

Property and local designation information is available on ZIMAS (zimas.lacity.org).

If the property is within an HPOZ, the Historic Property Name may be “Contributor” or a more specialized name.

Signatures may be wet, digital, scanned or copied for this form.
APPLICATION PART 1

PRIORITY CONSIDERATION CRITERIA

The following criteria are used to rank applications. Please check the appropriate criteria as they apply to your property and attach a separate document, not to exceed two typewritten pages, that explains how your property meets the stated Priority Consideration Criteria. Only properties qualifying in three of the five categories are given priority consideration.

• (A) Necessity
  The residential, commercial, or industrial project will require financial incentive in addition to any mortgage financing, private capital, or public loans, to help ensure the preservation of the structure. (Is the structure in danger of deterioration or in need of substantial rehabilitation?)

• (B) Uniqueness
  The project is a unique example of a residential, commercial, or industrial building. (What are the unique aspects of your property?)

• (C) Investment
  The residential, commercial, or industrial project will result in additional private investment in the building other than for routine maintenance that may include seismic retrofitting, subsurface repair, or rehabilitation work.

• (D) Affordability (Multi-Family/Commercial buildings only)
  The residential or mixed-use project will result in the preservation or addition of safe and affordable dwelling units for low and moderate income households. (Eligible property must conform to current United States Department of Housing and Urban Development (HUD) criteria for low-income housing.)

• (E) Employment (Commercial buildings only)
  The commercial or industrial project will primarily supply goods or services to residents of low and moderate income areas or provides employment of low and moderate income persons.

• Must successfully provide proof that the application meets at least three of the five following criteria:
  1. Necessity
  2. Uniqueness
  3. Investment
  4. Affordability
  5. Employment

• Proof of these criteria must be provided in narrative form on a separate sheet of paper, not to exceed two typewritten pages.
APPLICATION PART 1

PRIORITY CONSIDERATION CRITERIA

(A) Necessity

The residential, commercial or industrial project will require financial incentive in addition to any mortgage financing, private capital or public loans, to help insure the preservation of the structure. (Is the structure in danger of deterioration or in need of substantial rehabilitation?)

- Is a **substantial** scope of rehabilitation and restoration work necessary? Why?
- Will proposed work preserve significant historic character-defining features?
- Are there distinctive features and finishes that are particularly prone to deterioration?
- Has the property experienced deferred maintenance by previous owners and consequentially requires additional work?
APPLICATION PART 1

PRIORITY CONSIDERATION CRITERIA

(B) Uniqueness
The project is a unique example of a residential, commercial or industrial building. (What are the unique aspects of your property?)

- Does the property represent or exemplify an important or rare architectural style, property type, or pattern of development?
- Was it designed by an important architect?
- What are the exterior and interior character-defining features that distinguish the property?
- Is the property associated with important people or events?
(C) Investment

The residential, commercial or industrial project will result in additional private investment in the building other than for routine maintenance that may include seismic retrofitting, substantial repair or rehabilitation work. List the dollar amount that has been or will be invested and how it was invested.

- Does the scope of work include tasks above and beyond routine maintenance, such as seismic retrofit, electrical system replacement, and window or roof rehabilitation, that justifies the financial benefit of the Mills Act Program?
- Is recently completed work by the current owner consistent with the Secretary’s Standards and historic character of the property?
(D) **Affordability** *(Multi-Family/Commercial buildings only)*

The residential or mixed-use project will result in the preservation or addition of safe and affordable dwelling units for low and moderate income households. *(Eligible properties must conform to current United States Department of Housing and Urban Development (HUD) criteria for low-income housing).*

- Does the project create or preserve affordable housing?
(E) **Employment** (Commercial buildings only)

The commercial or industrial project will primarily supply goods or services to residents of low and moderate income areas or provides employment of low and moderate income persons.

- Does the project serve residents in low and moderate income areas?
- Will the rehabilitation project itself or anticipated future uses of the property provide employment opportunities to people with low and moderate incomes?
PHOTOGRAPHIC DOCUMENTATION

- All exterior elevations.
- Images that depict the need for substantial rehabilitation.
- All photos labeled with the property address, subject or room name, point of view, and date of photograph. For example, the top photo would be labeled: 1234 Main Ave., east elevation, view west, 4/19/2017
- At least one photo should be an 8 x 10 image of the street facing elevation of the primary structure on the property. Make sure that the structure fills the frame.
- Please limit photos to 20 images.
Permit Records

- Submit copies of all permits for the property.
- Recent permit records are available through ZIMAS/ Jurisdictional/ Building Permit Info/ View. [http://zimas.lacity.org/](http://zimas.lacity.org/)
- Historical building permit records are available online from Los Angeles Department of Building and Safety. [http://www.ladbs.org/services/check-status/online-building-records](http://www.ladbs.org/services/check-status/online-building-records)
- Permit records can be requested from the Los Angeles Department of Building and Safety. [https://www.ladbs.org/docs/default-source/forms/administrative/research-request-form-ad-form-01.pdf?sfvrsn=15](https://www.ladbs.org/docs/default-source/forms/administrative/research-request-form-ad-form-01.pdf?sfvrsn=15)
APPLICATION PART 1

QUALIFIED STRUCTURAL ENGINEER REPORT

Submit a report or inspection letter/memo from a qualified structural engineer if structural or foundation work will be proposed on the 10-year Rehabilitation/Restoration/Maintenance Plan.

- Structural engineer must have experience working on historic buildings.
- The report or inspection letter/memo should include recommendations on necessary retrofitting.
“Attachment E” is a separate document that applicants will create that lists all properties owned within the City of Los Angeles, other than the one described in the application.

If the owner of the property applying for the Mills Act does not own any other property in Los Angeles, then they do not need to submit “Attachment E.”

The City will check any delinquent taxes or code violations on these properties that may disqualify the applicant.
• Application fees are:
  1. $250 for Single-Family Dwellings ($650, anticipated adoption early to mid-2018)
  2. $1,142 for Multi-Family Dwellings, Commercial or Industrial properties ($650, anticipated adoption early to mid-2018)

• All checks are payable to “City of Los Angeles” and must be dated when submitted.
APPLICATION PART 1

STAFF REVIEW

- Office of Historic Resources will review Part 1 applications based on:
  - Completeness of Application
  - Necessity of Work Required vs. Completed Work
    - Was work completed by previous or current owner?
  - Rehabilitation vs. Remodel
    - Does work involve or enhance any historic materials or character-defining features?
  - Substantial Rehabilitation vs. Maintenance
    - Does work proposed include roof, exterior wall finishes, fenestration, foundation, and/or systems upgrades?
PART 1 STAFF DETERMINATION LETTER

SENT BY MARCH 16, 2018

- Part 1 applicants will be notified of their eligibility
- If property determined ineligible, the owner may appeal to the Cultural Heritage Commission
- Fee for appeal is $473
- Appeal requests and appeal fees must be submitted in person by 5:00 pm on March 26, 2018
PART 2: APPLICATION OVERVIEW

FOR SUCCESSFUL PART 1 APPLICANTS
DUE MAY 1-2, 2018
(In-person application review)

• Historical Property Contract
• Notary Acknowledgement Form
• Rehabilitation/Restoration/ Maintenance Plan
• Maintenance and Rehabilitation Standards and Conditions
• Tax Adjustment Worksheet
• Full Photographic Documentation
• Site Plan
• Tax Bill and Grant Deed
• Exemption application & fee, if applicable
• Historic Structure Report, if applicable
APPLICATION PART 2

HISTORICAL PROPERTY CONTRACT

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:
Los Angeles Department of City Planning
Historical Property Contracts Program
301 North Spring Street, Room 659
Los Angeles, California 90012

[Free recording requested pursuant to Government Code Section 6509]

HISTORICAL PROPERTY CONTRACT
BY AND BETWEEN THE CITY OF LOS ANGELES,
A MUNICIPAL CORPORATION, AND

_______________________________

[PRINT NAME OF EACH OWNER AS LISTED ON TITLE]

FOR THE PRESERVATION AND BENEFIT OF THE
HISTORIC-CULTURAL MONUMENT OR
CONTRIBUTING STRUCTURE PROPERTY LOCATED AT

_______________________________

[ADDRESS]

THIS AGREEMENT is made and entered into this ______ day of ______, 2018, by and
between the CITY OF LOS ANGELES, a municipal corporation (hereinafter referred to as the "City") and
_______________________________ (hereinafter referred to as the "Owner").

WITNESSETH:

(i) California Government Code Sections 50290, et seq., authorize cities to enter into contracts with
the owners of qualified historical properties to provide for the use, maintenance and restoration
of such historical properties so as to retain their characteristics as properties of historical
significance.

(ii) Owner possesses fee title in and to that certain real property, together with associated structures
and improvements thereof, commonly known as the ____________________________, Los Angeles,
California __________________ (hereinafter such property shall be referred to as the "Property"), and
recorded with the Los Angeles County Recorder with the following legal description:

Tract(s) _______________________.

Mills Act Workshop
It is critical that owner name is written exactly the same on Notary Acknowledgement Form and Historical Property Contract. Notary stamp must be legible.
Select Rehabilitation/Restoration for recently completed and proposed future short-term and long-term projects, like bolting residence to foundation, or rehabilitating terra cotta tile roof.

Select Maintenance for recurring maintenance, like surveying conditions of elastomeric decks or cleaning gutter and downspout systems.

Succinctly identify Building Feature, Cost, and Year of recently completed or proposed task. Select Completed if task was completed in the last couple years.

Select Proposed if task is proposed for the future.

In Description of Work, succinctly describe task addressing associated Building Feature.

Survey conditions; seal and repair as necessary.

123 Calle Angelino

Use this form to propose all preservation work necessary to rehabilitate the property. In this plan, include all of the expected maintenance, restoration and replacement of historic features on the property, not modernization or construction of new elements. The plan is meant to specifically capture your property's condition and establish a history of work completed over time.

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<td>Description</td>
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<td>Elastomeric decks</td>
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<td>(round to nearest dollar)</td>
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</table>

Survey conditions; seal and repair as necessary.
APPLICATION PART 2

REHABILITATION/RESTORATION/MAINTENANCE PLAN

FOUNDERATION/STRUCTURE

- Engage structural engineer with historic preservation experience to inspect and evaluate foundation and make recommendations with an implementation schedule for future work.

- Tasks may include foundation bolting or construction of concrete shear walls and moment frames.

- Prioritize implementation of proposed structural work so that it occurs within first five years of Contract.
APPLICATION PART 2

REHABILITATION/RESTORATION/MAINTENANCE PLAN

EXTERIOR (CLADDING, PORCHES, BALCONIES)

- Retain and repair early wood siding or stucco to the greatest extent feasible. Where deterioration necessitates replacement, replace in-kind to match adjacent.

- Investigate condition of mortar at brick veneer/walls; repoint as necessary.

- Engage a materials conservator to consult on rehabilitation of masonry and architectural terra-cotta.

- Avoid sandblasting!
**Roof**

- Investigate and address locations of leaks.
- Ensure continuous waterproof layer; maintain flashing.
- Maintain asphalt shingles; replace as necessary.
- When possible, maintain wood shake, replacing up to 10% annually, as necessary.
- Salvage and reuse early terra cotta tile to the greatest extent feasible. Where needed, new tile shall match existing as closely as possible. Concentrate early tile at primary elevations facing the street or use early tile as ridge (downward arching) elements and new tile as valley (upward arching) elements.
Rehabilitation/Restoration/Maintenance Plan

**Chimney**

- Engage structural engineer with historic preservation experience to inspect and evaluate chimney and make recommendations with an implementation schedule for future work.
- Retain and repair distinctive materials like clinker brick or stonework.
- Prioritize implementation of proposed structural work at chimney so that it occurs within first five years of Contract.
Windows/Doors

- For early wood and steel sash windows, retain and repair wood/steel elements to the greatest extent feasible. For areas where deterioration necessitates replacement, replace wood/steel elements in-kind.

- Maintain leaded glass windows; add strengthening bars to mitigate settlement.

- Remove incompatible jalousie and aluminum or vinyl sliding windows when these are not character-defining features. Use extant historic windows as inspiration for replacement window design.

- When installing new wood sash windows, avoid dual glazing, as muntins are generally thicker than what is appropriate.
Note muntins on contemporary dual glazed window are thicker than on historic window.
INTERIOR (FLOORING, DOORS, FIREPLACE, DECORATIVE FEATURES)

- Retain and repair historic fabric (wood flooring, tile, plaster, decorative features) to the greatest extent feasible. Where necessitated by deterioration, replace finishes and features in-kind.
- Avoid sandblasting!
- Consult with conservator on conservation of murals.
- Retain and maintain alterations that have taken on significance over time.
SYSTEMS (MECHANICAL, ELECTRICAL, PLUMBING)

- Complete comprehensive inspection of all plumbing systems to determine and address cause of water leakage.
- When replacing systems, penetrations in interior walls should be avoided or minimized to the greatest extent feasible. Where necessary, penetrations should be patched seamlessly to exactly match adjacent material.
Rehabilitation/Restoration/Maintenance Plan

Site (Hardscape, Landscape, Ancillary Buildings, Retaining Walls)

- Rehabilitate and maintain ancillary buildings.
- Existing concrete should be retained to the greatest extent feasible and replaced in-kind if necessary.
- Develop a comprehensive landscape plan to address existing conditions, proposed changes, retaining walls and drainage.
- Sensitively remove vines clinging to buildings.
- Develop a no-plant zone around structures.
- Engage arborist to evaluate historic trees.
COMMERCIAL/MULTI-FAMILY PROPERTIES

- Historic signage must be preserved or rehabilitated.
- The sidewalk and sidewalk vaults will be maintained and rehabilitated by the property owner.
- Tenant improvements must conform the Secretary of the Interior’s Standards.
- Occupied roof space must be designed to allow foot traffic and ensure the roofing material is not damaged.
- Window mounted air-conditioning units are not allowed.
**UNACCEPTABLE TASKS**

- Do not include tasks that do not address rehabilitation, restoration, and maintenance of building features.
- Should future owners be required to implement these tasks?

**COMMONLY DELETED TASKS DURING APPLICATION REVIEW**

- Install swimming pool/spa
- Expand closet
- DWP bill
- Gas bill
- Gardener

- Insurance
- Burglar alarm
- Maid service
- Handyman
- Additions
APPLICATION PART 2

MAINT. AND REHAB. STANDARDS & CONDITIONS

- It must be printed and submitted with your Part 2 application.

SECRETARY OF THE INTERIOR’S STANDARDS FOR REHABILITATION

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a deteriorative feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
6. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
7. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
8. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property.
9. New work shall be different from the old and will be compatible with the historic materials, features, size, scale, and proportion, and need not match them.
10. New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

PROPERTY MAINTENANCE

- All buildings, structures, yards and other improvements shall be maintained in a superior manner. All current building and zoning codes will be enforced. The following conditions are prohibited:
  a. Dilapidated buildings or features such as fences, roofs, doors, walls and windows.
  b. Abandoned or discarded objects, equipment or materials such as automobile, automobile parts, furniture, appliances, containers, lumber or similar items stored outside but within property lines.
  c. stagnant water or open excavations.
  d. Any device, decoration or structure, which is unsightly by reason of its height, condition or location.
  e. Peeling exterior paint or unrepaired unsanitary graffiti.
  f. Overgrown landscaping, exposed soil, or areas within yards or grounds and broken landscape features which could cause injury.
  g. Other substandard conditions as determined by the Cultural Heritage Commission, the Director of Planning, or the City’s Office of Historic Resources.

CONDITIONS

This Historical Property Contract provides the potential for property tax reduction in exchange for agreement to rehabilitate and maintain an historic building. Existing conditions not in conformance with the Secretary of the Interior Standards may be required to be removed and the original conditions re established as part of this contract.
APPLICATION PART 2

EXEMPTION REQUIREMENTS

EXEMPTION APPLICATION FORM

HISTORIC STRUCTURE REPORT

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Mills Act Workshop

Program

Application

Inspection

Valuation

Questions
• Provides an estimate for the expected property tax outcome for the first year in the Mills Act program.
• Is not a guarantee of tax savings.
• Will require information regarding property type and estimated rental income for property.
• More information on this topic later in the presentation.
Break
PRE-APPROVAL INSPECTION

ROBERT CHATTTEL
Chattel, Inc. | Historic Preservation Consultants
**INSPECTION PERIOD**

- June – September 2018
- Inspections clustered geographically
- Property owner attendance is mandatory
INSPECTIONS

- Length: 45 minutes – 1 hour
- Format: owner-led tour of property; question and answer
- Access: exterior, interior, crawl space/basement, landscape, garage, additional dwelling units, perimeter fence
- View: recently completed, in-progress, and proposed future work
CONDITIONS OF APPROVAL

COMMON CONDITIONS

- Engage structural engineer.
- Prioritize implementation of structural and waterproofing tasks.
- Replace incompatible windows.
- Remove vines clinging to building. While not encouraged, if replanting of vines is pursued, a plan for ongoing maintenance should be implemented. This may involve constructing a trellis or green screen.
- Remove foundation plantings requiring substantial water close to the residence exterior. If new plants are added, they shall be set back from the residence exterior. A less water intense landscape is encouraged.
DENIAL RECOMMENDATION

COMMON REASONS FOR DENIAL

• Extensive removal of historic fabric.

• Completed work does not conform with Secretary’s Standards and would not have been approved by OHR if proposed after Contract execution.

• Construction of incompatible additions.

• Necessity is questionable; work does not extend beyond routine maintenance or lacks historic preservation intent.

• Possible resolution: reapply when conditions are satisfied in a manner acceptable to OHR.
The Mills Act Historical Property Contract Program allows qualifying owners to receive a potential property tax reduction and use the savings to help rehabilitate, restore, and maintain their buildings.
VALUATION AND SAVINGS

- Older base years will usually not benefit from the Mills Act valuation.

- 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.
The Assessor is required to review all Mills Act parcels annually. They are valued by three different methods:

**A: Trended Base Value (Prop 13)**
Purchase price trended to roll being prepared. New construction is added on to the trended base value.

**B: Estimated Current Fair Market Value**
Unrestricted value

**C: Income Approach to Value (Mills Act Value)**
All sources of income (potential rent, movie rentals, etc.), minus expenses, with capitalization rate applied.
**Income approach is sources of all revenue**

Less 3% vacancy  
equals

**Effective Gross Annual Income**

Minus 20% for annual expenses  
(does not include property taxes and mortgage expense)  
equals

**NET OPERATING INCOME**
What makes up the cap rate?

SBE INTEREST COMPONENT
+ RISK COMPONENT (SFR/CONDO = 4%, NON-SFR = 2%) + IMP TO BASE VALUE % X BLDG AMORIZATION COMPONENT + TAX RATE (TRA) COMPONENT
NET OPERATING INCOME divided by CAP RATE

= 
THE INCOME APPROACH VALUE
(MILLS ACT VALUE)
The Assessor chooses the lowest of the three values:

A: TRENDED BASE VALUE (PROP 13)
B: ESTIMATED CURRENT FAIR MARKET VALUE
C: INCOME APPROACH TO VALUE (MILLS ACT VALUE)

The lowest of the three values becomes the Enrolled Value that the parcel receives for the tax year.
The new assessment will be reflected on the subsequent property tax bill issued in October, with the first installment delinquent if not received by December 10.

There are no retroactive provisions.
QUESTION AND ANSWER SESSION