



## Mills Act Program Application Guide



Thank you for your interest in the City of Long Beach Mills Act Property Tax Abatement Program (Mills Act Program). This application guide is intended to provide an overview and eligibility requirements of the Mills Act Program. Please read through the entirety of the application guide and required application forms prior to considering your level of interest in the Mills Act Program.

The purpose of the Mills Act Program is to encourage the designation and protection of historic properties. The City of Long Beach Mills Act Program was established in 1993, under the authority of State legislation, known as the “Mills Act,” which was enacted in 1972. The Program is a financial incentive through tax abatement for property owners undertaking, or planning to undertake restoration, rehabilitation or maintenance of a designated historic property. Eligibility requirements are established through Federal, State and local (City of Long Beach) jurisdiction, including, but not limited to; [California Government Code Section 50280-50290](#), [California Revenue and Taxation Code, Article 1.9, Sections 439-439.4](#), and the [Secretary of the Interior’s Standards for Rehabilitation](#).

## **Overview**

The Mills Act Program is an incentive to protect and maintain Historic Properties. The availability of the Mills Act Program, Schedule, Valuation and Mills Act Application fees are determined on an annual basis. To be considered for the Mills Act Program applicants must attend the workshop(s) and submit a complete application along with the Pre-Application Fee by the deadline. City Staff will work closely with applicants to review and inspect proposed projects. Staff will recommend applications to the Cultural Heritage Commission for further review and consideration. The Cultural Heritage Commission will make further recommendations to City Council for review and approval. Selected applications will be approved by City Council and contracts will be awarded.

Participating property owners will enter into a formal agreement with the City for a minimum 10-year term. Contracts are automatically renewed each year for a new 10-year term 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. The City conducts an inspection of the property's interior and exterior prior to executing a new contract and every five years thereafter to ensure proper maintenance of the property. A breach of contract by the property owner can result in cancellation of the contract and a penalty equal to 12.5 percent of the property's fair market value. The City reserves the right to adjust the award of contracts by property type based upon the quantity and quality of applications submitted. An exceptional property can be a building that is designed and/or associated with a well-known architect, a property that represents a high level of cultural significance in underrepresented communities, or a building that is at high risk of demolition.

## **Potential Property Tax Savings**

Entering into a Mills Act contract results in a property tax reassessment by the County Assessor using the income-capitalization method, which may result in an approximately 30 to 50 percent reduction in property tax. The property owner has the potential to receive tax relief because their property taxes will be reassessed by the County Assessor using a prescribed income capitalization method instead of sales data. The capitalization method determines a fair rental base rate for the property by comparing it to three similar rental properties, when such data is available. Once a rental rate is established for the property, the total year's potential rental income is determined and eligible expenses (e.g. maintenance costs) are deducted to establish the base assessment rate, which is often less than recent sales data for the property. All calculations are conducted by the County Assessor after the Contracts are signed. There is no guarantee of tax savings under the Mills Act contract and the amount of property taxes under the Program is unknown until after the Contracts are signed.

Owners of properties with comparatively low property taxes, such as those benefiting from Proposition 13 limits on assessed value change over time, will not likely benefit from a Mills Act Contract because the assessed value under the Mills Act will likely be higher than the existing base-year value of the property. Generally, owners who have purchased their properties within the last 10 years are most likely to benefit from entering into a Mills Act Contract. Owners, however, are guaranteed that the Mills Act cannot trigger a tax increase and possession of a Mills Act contract may increase the resale value of the property.

## **Limitations of Eligibility Requirements**

Properties which have already been rehabilitated, and do not need additional work, are not eligible. Properties must have no outstanding code violations and/or Orders to Comply issued by Long Beach Community Development, and no delinquent property taxes. Properties owned by high-level City officials, as defined in California Government Code Section 1090, are ineligible for contracts.

## **Historic Designation**

If your property is not located within a historic district and is not designated as a historic landmark, you may submit a Landmark Nomination Application concurrent with your Mills Act application. Properties must be designated as City of Long Beach historic landmarks or contributing structures within Historic Landmark Districts to be eligible for the Mills Act Program. Unique or important historic structures that are in particularly poor condition and in need of significant restoration regardless of location may be given priority consideration in the application process.

## **Special Requirements for Condominiums**

Condominiums or Home Owners Association (HOA) controlled properties are eligible for consideration if ALL property owners consent to the application and contract (if awarded).

Applications for such properties must also include the following additional documents:

- One Mills Act Contract Application form for the building's exterior and common spaces, to be completed by the HOA's authorized agent(s).
- One Mills Act Contract Application form for EACH individual unit, to be completed by the respective property owner(s)
- Copy of the HOA Covenants, Conditions & Restrictions (CC&Rs)
- Matrix of Condominium Ownership Information

## **Property Valuation**

Properties must not be exempt from property taxation and must have an assessed value that does not exceed the limits indicated in the Schedule and Valuation. The Schedule and Valuation is determined on an annual basis. The most recent property tax bill for the property must be submitted with the Mills Act application so that these valuation limits can be verified.

## **Detailed Workplan and Schedule**

The Mills Act contract application must include a detailed 10-year rehabilitation plan for the property. Properties which have already been rehabilitated, and do not need additional work, are not eligible. Instructions for preparing a detailed workplan and schedule must be submitted with the application along with photographs and a site plan of the property. Additional instructions, examples of work, the required forms and information can be found on the Mills Act website.

## **Selection Criteria**

Applicants must attend required workshops, submit a complete Mills Application and all required documentation and the Pre-Application Fee by the deadline to be considered eligible. City staff will review all submitted applications for eligibility and completeness. Ineligible applications will not be considered. Staff may request additional or missing information from incomplete applications or ask that the application be completed and resubmitted next year. Staff will use the priority consideration criteria established by the City of Long Beach Cultural Heritage Committee in October 2014 and amendments in 2018 to recommend properties for receipt of a Mills Act contract. Not all applications will be selected for further consideration.

## Priority Consideration Criteria

Some projects may receive priority consideration. If you are interested in receiving priority consideration, you must complete the Priority Consideration Worksheet and include the required documentation with your Mills Act Application. Priority consideration does not ensure that an application will be selected for further consideration or contract award. Some characteristics of a property that will receive priority consideration include, but are not limited to the following:

- Unique or important historic structures that are in particularly poor condition and in need of significant restoration regardless of location. If this criterion applies to you, please describe the significant restoration needed on the Priority Consideration Criteria Worksheet and submit with your application.
- Potential new landmark properties not within designated historic districts will be given priority consideration.
- Applications that include a local (Long Beach) labor or materials component in their work plan will be given priority.

## Maximum Number of Contracts Awarded per Year

The number of contracts awarded per year is limited by property type and may not exceed the numbers indicated below.

Property Type	Mills Act Contracts per Year
Single Family Residential (1 dwelling unit)	Maximum 12
Duplex or Triplex Residential (2 or 3 dwelling units)	Maximum 3
Multifamily Residential or Mixed Residential/Commercial (4 or more dwelling units)	Maximum 4
Non-Residential (Commercial, Industrial, or Institutional)	Maximum 1
(All Property Types – exceptional properties, culturally significant or properties at risk of demolition)	Maximum 2

## Contract Terms

The Mills Act Contract is a formal agreement between the property owner(s) and the City.

### Duration of Contract

The Mills Act Contract is for a minimum term of 10 years. Unless a notice of non-renewal is given by the property owner or the City in the manner described below, the contract automatically renews each year on its anniversary date. The Contract runs (essentially in perpetuity) with the land and subsequent owners are bound by the terms and conditions of the contract. The seller of a Mills Act property must disclose this fact to potential buyers. While the contract does renew after 10 years, a new work plan demonstrating continued rehabilitation and preservation of the property is required prior to renewal of the contract.

## **Termination of Contract**

The owner may terminate the contract by notifying the City in writing at least ninety days prior to the annual renewal date. The City may terminate the contract by notifying the owner in writing at least sixty days prior to the renewal date. Except in cases of default and special circumstances, the contract cannot be terminated during the initial 10-year term.

## **Alterations or Additions**

All work on the property must conform to the Secretary of the Interior's Standards for Rehabilitation and the California Historical Building Code. As is required of any Historic Landmark or Historic District property in the City, work on the property will require a Certificate of Appropriateness from the Planning Bureau and any associated permits from the Building and Safety Division.

## **Inspections and Monitoring**

The City is required to inspect the interior and exterior of the property prior to entering in the Contract, and every five years thereafter, to determine the owner's compliance with the Contract. Conditions not conforming to the Secretary of the Interior's Standards for Rehabilitation may be required to be brought into compliance. In addition to the required periodic inspections, the City may also request property owners to self-inspect and provide an update regarding progress made on the Contract's work plan.

## **Breach of Contract**

If the property owner is found to be in breach of contract, the City may cancel the contract, or bring any action in court necessary to enforce the contract. If the contract is cancelled for breach of its conditions, the County Auditor will collect from the property owner a cancellation fee of 12.5 percent of the current Fair Market Value of the property as determined by the County Assessor.

## **Selected & Approved Applications**

New contracts are recorded with the County Registrar/Recorder on or before end of the calendar year of the year in which they are executed. Reassessments are typically conducted by the County Assessor by June 30 of the year following the contract recording. The new assessment will be reflected on the subsequent property tax bill issued in early October. For example, properties with contracts executed and recorded in December can expect their potential property tax savings to be reflected on their October property tax bill based on the County Assessor schedule. Property taxes are reassessed annually, and the tax bill that property owners receive may vary from year to year.

## **Application Fees**

Applicable fees are based on each unique application and determined on an annual basis. The Pre-Application fee is standard for each project and payment is required at the time of Application submittal. The subsequent Mills Act Application Fee is based on the type of proposed project. A proposed project already designated as a historic landmark, a combination application (where the proposed project includes the Landmark Nomination application) and a proposed condominium application each have a different fee schedule. The subsequent Mills Act Application Fee is applied if the application is selected for award.

## **Pre-Application Fee**

The pre-application fee is determined annually. Applicants seeking to apply must submit the pre-application fee, application and all supporting documentation by the annual deadline. This fee covers the reviewing of the Mills Act application, including the pre-contract inspection. This fee must be submitted to the Community Development cashier at the time of formal application submittal in the form of a credit card, or check made payable to "City of Long Beach."

## **Mills Act Application Fee**

If your property is selected to be awarded a Mills Act contract, you will be required to submit the Mills Act Application fee. This fee covers the cost of the public hearings, formal execution of the contract and recording of the contract with the Los Angeles County Recorder's Office. Fees are dependent upon type of application and determined on an annual basis. The Mills Act Application fee for designated landmark properties or contributing properties located in historic districts and the Combination Fee for properties filing the Mills Act and Landmark application are determined on an annual basis based on City of Long Beach fee schedule and County of Los Angeles annual property valuation.

## **Electronic Submittal**

All materials should be submitted electronically. Documents will be transferred via secure City of Long Beach methods and over the counter USBs will be handled on a case-by-case basis.

## **Mills Act Application Package Checklist**

Use the checklist as a cover sheet for your Application Package to ensure your submittal is complete. Contact the Planning Bureau and consult the website for additional information and assistance in completing your application.

## **Mills Act Application**

The Mills Act Application must be signed by the current property owner(s). The name(s) must match the Grant Deed provided with the application. A paper copy of this form with a wet signature is required. The Mills Act Application must be submitted with all required documentation and each application is unique for that property. Please consult the website and contact the Planning Bureau for assistance.

## **Landmark Nomination Certificate of Appropriateness Application (Landmark Application)**

If the subject property is not already a City of Long Beach historic landmark then a Landmark Application is required. This form and any attachments should clearly demonstrate how the property is: associated with events that have made a significant contribution to the broad patterns of the City's history or cultural heritage; or associated with the lives of persons important to the City's history; or embodies the distinctive characteristics of a type, period, region or method of construction or represents the work of a master or possesses high artistic values; or has yielded or has the potential to yield important information to the prehistory or history of the City.

## **Detailed Workplan and Schedule**

A detailed work plan, consistent with the Secretary of the Interior's Standards for Rehabilitation is required for the property. Use the Detailed Workplan and Schedule to create a list and detailed description of all work to be completed in the first ten years of the contract. Use the guidance and instructions on that form, consult the website and contact the Planning Bureau for assistance. Prioritize the schedule of work based on the guidance provided.

## **Photographs**

Photographs are used to evaluate the current condition of the property, the relevance of the proposed rehabilitation plan as well as for use in commission and other presentations for the Mills Act programs. Photographs of each proposed activity must be included in the Detailed Workplan and Schedule. Photographs should include:

- Building exteriors
- At least one overall view of the property as viewed from the street.
- At least one overall view of the front, rear, and sides of all buildings
- A closer view of each exterior historic feature
- Building interiors (for Multifamily, Mixed-Use, or Non-Residential Properties only)
- At least one overall view of each common or publicly accessible interior area, if any
- A closer view of each interior historic feature in any common or publicly accessible interior areas
- Label each printed photograph with the building address, subject of the photo, the direction of view, and the date the photo was taken

## **Site Plan**

Submit one 8 ½" x 11" site plan, drawn to scale, which indicates the locations of all buildings on the property, abutting street names, a north arrow, and building and site dimensions.

## **Property Tax Bill**

Submit the most recent property tax bill for the property. In order to be eligible for consideration, the property must not be exempt from property taxation, must not be delinquent in paying property tax, and must meet the valuation limits described on page 3 of this guide.

## **Grant Deed**

Submit the current Grant Deed for the property. The property owner name(s) listed on the deed must be the same as the individual(s) who signed the Application Form.

## **Pre-Contract Property Inspections**

Eligible and complete applications will be scheduled for a pre-contract inspection of the property to verify the condition based on the information provided in the application. Pre-contract inspections will be scheduled on a case by case scenario.

## **Public Hearings**

### **Cultural Heritage Commission Recommendation Hearing**

After all applications have been reviewed and site inspections completed, the Planning Bureau Staff will prepare a recommendation report to the Cultural Heritage Commission regarding which applications should be offered a Mills Act contract. The staff recommendation report will be reviewed and discussed by the Cultural Heritage Commission at a regularly scheduled and noticed hearing, and the Commission will make its recommendation to the City Council.

### **City Council Hearing**

The City Council will review and approve (or deny) the contracts based on the Cultural Heritage Commission recommendation at a regularly noticed hearing.

## **Contract Execution and Recordation**

After approval by the City Council, the property owner must execute the contract and return it to the City. Staff will coordinate the execution of the contract by the City. The contract is recorded by the City with the County Registrar/Recorder's office on or before, December 31<sup>st</sup> at the close of the annual application cycle. The County Registrar/Recorder will send the City a recorded contract and the City sends a copy of the property owner. The Community Development Department, Planning Bureau will maintain a copy of all Mills Act contracts on file. A copy of the recorded contract is delivered to the Los Angeles County Assessor's office by the City staff. The Los Angeles County Assessor will re-assess the property tax. The new assessment will be reflected in the subsequent property tax bill issued.

To request this information in an alternative format or to request a reasonable accommodation, please contact the Community Development Department at [longbeach.gov/lbcd](http://longbeach.gov/lbcd) and 562.570.3807. A minimum of three business days is requested to ensure availability; attempts will be made to accommodate requests with shorter notice.