



City of Long Beach Mills Act Program Pre-Application Workshop

January 20, 2024

Planning Staff

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What is it?

- State legislation enacted in 1972
- City of Long Beach adopted program in 1993
- The Mills Act provides a financial incentive, in the form of property tax relief, in exchange for property owners' commitment to undertaking historic building restoration, rehabilitation or maintenance of a designated historic property pursuant to the terms of a Mills Act contract with the City.

MILLS ACT PROGRAM

Purpose of Mills Act Program

Encourage the designation and protection of historic properties

How it works

- Property owners enter into a contract with City committing to rehabilitate and maintain the historic property
- Property owner is responsible for completing approved building restoration work plan
- City is responsible for ensuring property owner is in compliance
- County Assessor adjusts assessed value which may result in reduction of property taxes
- Contract is for 10-years, automatically renews each year, and runs with property (passes on to future owners)
- If the property owner or City terminates contract, the remainder of the 10-year term must be fulfilled
- Penalty for non-compliance with contract terms is 12.5% of the property's current market value, as determined by the County Assessor

PROPERTY TAXES AND MILLS ACT

Property values reassessed by the LA County Assessor using a prescribed income capitalization method instead of sales data

- All calculations conducted by the County Assessor *after* the contract is recorded
- No guarantee of tax savings:
 - Exact amount is unknown until the tax year in question
 - Amount may vary from year to year
 - **IN NO CASE HOWEVER WILL THE MILLS ACT CAUSE YOUR PROPERTY TAXES TO INCREASE**

Goals for City

Provide a public benefit by preserving the individual historic properties that contribute to the City's overall community character

Goals for Property Owner

Improve condition of historic property

Access to potential tax savings that may help off-set the cost of historic property rehabilitation and maintenance

Contract itself may be potential selling point as future owners also have access to potential tax savings

Who is likely to benefit?

- Generally, recent owners who have purchased their properties within the last few years are most likely to benefit
- Long-time owners will not likely benefit, because assessed value under the Mills Act will likely be higher than the existing base-year value of the property
- Owner may realize a potential premium when reselling a property if the potential for tax savings is a selling point for a future buyer

VALUATION LIMITS

Property Type	Valuation Limit
Single Family Residential (1 dwelling unit)	Valuation less than \$1,613,100
Duplex or Triplex Residential (2 or 3 dwelling units)	Valuation less than \$967,930 per dwelling unit.
Multifamily Residential or Mixed Residential/Commercial (4 or more dwelling units)	No valuation limit.
Non-Residential (Commercial, Industrial, or Institutional)	Valuation less than \$4,173,700
(All Property Types – exceptional properties, culturally significant, or properties at risk of demolition)	No valuation limit – 2 contracts may be awarded.

CONTRACT LIMITS

CHC set the following guidelines for the 2024 application period:

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

Property must:

- Must be a historic landmark building, contributing building in historic district or become a landmark
- Not be exempt from property taxation
- Not be delinquent in paying property tax
- Meet the valuation limits

Priority consideration will be given to:

- Unique or important historic structures that are in particularly poor condition and in need of significant restoration
- Potential landmark properties not within designated landmark districts
- Applications that include local (Long Beach) labor or materials component in the Work Plan

Combination Mills Act / Landmark Application are available

- Properties will be evaluated for both Mills Act and Landmark eligibility. Only properties consistent with both programs will be recommended for contracts.
- The age of a structure does not necessarily guarantee it is eligible as a landmark.
- The fact a home is within a historic district also does not guarantee that it is eligible.
- To be eligible for landmark designation a property must:
 - Be associated with events that have made a significant contribution to the broad patterns of the City's history; or
 - Be associated with the lives of persons significant in the City's past; or
 - Be associated with the distinctive characteristics of a type, period or method of construction, or it represents the work of a Master or it possesses high artistic value.

CONTRACT AWARD NOT GUARANTEED

- City may receive more applications than able to issue contracts for, due to annual cap on new contracts
- Important to prepare a high-quality workplan, and thorough application:
 - Good candidates include properties with reversible modifications or with conditions that would greatly benefit from rehabilitation (versus a property where rehabilitation is already complete, no outstanding work needed)
 - Good work plan prioritizes essential systems (i.e. seismic, foundation, roof, etc.), exterior work visible from public right of way, and reversing past inappropriate changes

APPLICATION AND GUIDE

City of Long Beach MILLS ACT

Property Tax Incentive Program
2024 Application Guide



For property owners undertaking restoration, rehabilitation or maintenance of a designated historic property



Application Guide

- Available at:
<http://www.longbeach.gov/mills-act/>
- Includes program explanation and directions for applying

Application Package Check-Off List

Mills Act Pre-Application Fee
\$361.80



APPLICATION PACKAGE CHECK-OFF LIST

Read the Application Guide before completing your application.
Use this Check-Off List as a cover sheet for the items below.

Requirements for All Properties EXCEPT Condominiums:

- The property owner(s) must submit the following:
- Mills Act Contract Application Form
 - Priority Consideration Criteria Worksheet
 - Rehabilitation/Restoration/Maintenance Plan
 - Photographs (see Application Guide page 10)
 - Site Plan (see Application Guide page 10)
 - Most recent property tax bill
 - Grant Deed (owner name must match application form)
 - Mills Act Pre-Application Fee (see Application Guide page 11)

Requirements for Condominiums/Homeowners Association (HOA) Controlled Properties:

- The authorized agent(s) of the HOA must submit the following for the building's commonly held spaces:
- Mills Act Contract Application Form (one for building's exterior/common spaces)
 - HOA Covenants, Conditions & Restrictions (CC&Rs)
 - Matrix of Condominium Ownership Information
 - Priority Consideration Criteria Worksheet
 - Rehabilitation/Restoration/Maintenance Plan
 - Photographs (see Application Guide page 10)
 - Site Plan (see Application Guide page 10)
 - Most recent property tax bill (if applicable)
 - Grant Deed (if applicable)
 - Mills Act Pre-Application Fee (see Application Guide page 11)

- ALL individual unit owners must submit the following for their private property:
- Mills Act Contract Application Form (one for each for individual unit)
 - Most recent property tax bill
 - Grant Deed (owner name must match application form)

Include all of the above in one combined submittal.

To request this information in an alternative format or to request a reasonable accommodation, please contact the Community Development Department at 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.

HOA CONTROLLED PROPERTIES - CONDOMINIUMS

ALL property owners must consent to the application, also submit:

- 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 Form
- Grant deeds for all units in the building

APPLICATION DOCUMENTS REQUIRED

- **Application** – Included in 2024 Mills Act Guide
- **Property Tax Bill** – sent by LA County Tax Collector to property owners in October of each year
- **Grant Deed** – Owner name must match application form
- **Work Plan** – 10-Year Plan From 2025 – 2035

REHABILITATION/RESTORATION/MAINTENANCE PLAN

Consistency with Secretary of the Interior's Standards - Standards for Rehabilitation

The Secretary of the Interior's Standards for the Treatment of Historic Properties address four treatments: preservation, **rehabilitation**, restoration, and reconstruction.

- See Appendix of Application Guide
- <https://www.nps.gov/orgs/1739/secretary-standards-treatment-historic-properties.htm>



REHABILITATION/RESTORATION/MAINTENANCE PLAN



Priority Restoration Work:

- Visible from the public right-of-way
- Corrects any critical systems or structural deficiencies
- Reverses inappropriate alterations
- Preserves lift of the historic features of the property
- Work Plan is a 10-Year Plan Going from 2025 – 2035

REHABILITATION/RESTORATION/MAINTENANCE PLAN



Work items NOT eligible:

- Work inconsistent with the Standards
- Garage Conversions to ADU
- Addition or remodel work, such as solar panels, pools, built in BBQs, interior remodels
- Work that does not restore or rehabilitate

IMPORTANT DATES

Second Application Workshop

Saturday, Feb. 10, 2024, 10 a.m. to noon

Virtual Meeting *****Please RSVP*****

**The deadline to submit the completed Mills Act application package is
3 p.m., Friday, March 1, 2024.**

Pre-Contract Inspections - late March and April 2024

Cultural Heritage Commission - June/July 2024

City Council - July/August/September 2024

Contract Recordation - December 2024

County Assessor reassesses property by June 30, 2025

New property value reflected on tax bill issued October 2025

Los Angeles County Office of the Assessor

**Tedd Chubb
Appraiser
Los Angeles County Office of the Assessor**

ASSESSMENT VALUATION

Assessor is required to assess a property in the manner specified in Sections 439-439.4 of the Revenue & Taxation Code, once its owner secures a historical property contract. It is effective on the Lien Date following the date the contract is signed and recorded.

Assessor is not involved in the process leading to the contract itself or any procedures for initiating such contracts.

WHY CONSIDER A MILLS ACT CONTRACT?

1. Potential Tax Savings for Current Property Owner due to Lowered Assessed Value
2. Possible Incentive for Future Buyers

POTENTIAL TAX SAVINGS

- Assessor reviews parcels with Mills Act contracts annually, comparing three valuation methods:

1) Trended Base Value (Prop 13)

Market value as of the purchase date trended to roll being prepared. New construction is added on to the trended base value.

2) Market Approach

Comparable sales used are non-Mills Act parcels

3) Income Approach

Considers all sources of income (potential rent, filming, etc.)

- The lowest value of the three methods is what will become the assessed value for the tax year in question

- Owners may realize property tax savings for recently improved or purchased older properties because the Income Approach to Value may be used rather than the standard Market Approach.
- The assessed values may increase each year because County Assessors are required to assess all Mills Act properties annually.
- 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 properties who have made major improvements to their properties.

POSSIBLE INCENTIVE FOR FUTURE BUYERS

- A future buyer may be willing to pay a little more (a premium) for a property that has a Mills Act Contract in place:
- Buyer knows that the purchase price will not be valued at full value
- The new buyer will assume the tax benefits accorded under the Mills Act contract at the lien date
- In addition, the buyer will not receive a supplemental bill

1.) TRENDED BASE YEAR VALUE

- This is the original Prop. 13 base year value trended (multiplied) by as much as 2% annually.
- The original Prop. 13 base value is usually the same as the purchase price of the property.
- Base values may be increased by new construction events (additions) or partial interest transfers.
- In summary: the trended base year value is the original base year value, including any new construction, trended to the current year.

2.) THE MARKET APPROACH

- Considers the sales of comparable properties.
- Adjustments are made for dissimilar features.
- Assessor arrives at a fair market value for the property as of January 1.

3.) THE INCOME APPROACH

- The Income Approach, using a prescribed capitalization rate, usually determines the assessed value of the Mills Act property.
 - Market Rents as of January 1 for similar properties in the area are used to determine the potential income for Mills Act properties.
- NET OPERATING INCOME divided by CAP RATE
= THE INCOME APPROACH VALUE

DETERMINING NET OPERATING INCOME

Annual Potential Property Income

(i.e. rental, filming, etc.)

minus

Annual Operating Expenses

(does not include property taxes and mortgage expense)

equals

Net Operating Income

Which is then divided by the capitalization rate

DETERMINING THE CAP RATE

1) State Board of Equalization INTEREST COMPONENT

(Determined Annually by the BOE, for 2022 = 2.75%)

+

2) State Board of Equalization RISK COMPONENT for historical property

(Fixed, Owner Occupied Single Family Dwellings = 4%,

Other Historical Properties = 2%)

+

3) VALUE RATIO (Building/Base) X BLDG AMORTIZATION COMPONENT (Determined by Assessor)

+

4) TAX RATE (TRA) COMPONENT

(Fluctuates, 1% General Levy plus voted indebtedness, direct assessments)

=

CAP RATE

EXAMPLE

GROSS INCOME							
							Year: 2022
Sub Part #	Year Built	Yr. Built	Imp Desc.	Imp SqFt	Mo. Econ Rent	Actual Mo. Rent	Annual Rent
0101	1929	1929	SFD	1740	3300		39600
Total Sched. Econ. Gross Income							39600
Less Vacancy & Collection Loss					5%	=	(1980)
Effective Gross Annual Income =							37620
EXPENSES							
Total Annual Expenses (Does Not Include Property Taxes)					15%		(5643)
Net Income							31977
CAPITALIZATION RATE - SUMMATION METHOD							
SBE Interest Component							2.75%
Risk Component							4.00%
Amortization Component							= 1.63%
Tax Rate (TRA) Component							1.191089%
Total Capitalization Rate (4 Components)							9.5661%
<u>Net Income</u>					\$	31977	
Cap. Rate =					9.5661%	=	334274
Capitalized Property Value							Rnd \$334000

Owner Occupied Single Family Dwelling

Assessment Year		Year: 2022	
TRENDED BASE YEAR VALUE (UNRESTRICTED)			
Date	Value	8/8/2008	575,000
Trended Land Val	Trended Imp Val	242,691	455,052
Unrestricted Base Year Value			697,743
SALES DATA - MARKET VALUE			
Subject Indicated Market Value:			837,000
RENEWAL VALUE			
When valuing enforceably restricted historical property, R&T Code S			
Unrestricted Base Year Value			697,743
Unrestricted Market Value			837,000
Capitalized Property Value			334,000
FINAL VALUE			334,000

REASSESSMENTS

- Reassessments are generally conducted by June 30th of the year following the contract recording.
- The Assessor chooses the lowest of the three values (trended base, market or income).
- All Mills Act owners will receive an annual letter from the Assessor.
- The new assessment will be reflected on the subsequent property tax bill issued in October, with the first installment due by Dec 10th.
- There are no retroactive provisions

JEFFREY PRANG
Assessor

OFFICE OF THE ASSESSOR
COUNTY OF LOS ANGELES
SOUTH DISTRICT OFFICE
1401 EAST WILLOW STREET
SIGNAL HILL, CALIFORNIA 90755-3543
assessor.lacounty.gov
(562) 256-1701

ASSESSOR
Los Angeles
County
Valuing People
and Property

6/18/2015

Mr. & Mrs. Taxpayer
1300 Oak Ave.
Los Angeles

Assessor's Identification Number: 6201-011-XXX
Property Location: 1300 Oak Ave., Los Angeles

Dear Property Owner:

MILLS ACT NOTICE OF ASSESSED VALUE CHANGE

Your restricted historical property qualifies for assessment under the Mills Act. The Assessor is required to review the assessed values annually. By law, the Assessor must enroll the lowest among A, B, or C below. The valuation of your property has been determined as follows:

Annual Review as of January 1, 2015

A	Proposition 13 Base Year Value (Trended)	B	Estimated Current Fair Market Value	C	Mills Act Appraised Value	Enrolled Value
Total	\$ 600,027	Total	\$ 710,000	Total	\$ 278,000	Total \$ 278,000

If you disagree with the enrolled value, you may file an appeal with the Assessment Appeals Board. The appeal must be filed between July 2 and November 30 or within 60 days of receipt of this notice, whichever is later. Assessment appeal applications may be obtained from the Assessment Appeals Board or from the public counter at any Assessor's office. You may also request information and forms by telephone at 213.974.1471, by mail, online, or in person. The Assessment Appeals Board is located in Room B-4, Kenneth Hahn Hall of Administration, 500 W. Temple Street, Los Angeles, CA 90012-2770 and online at <http://bos.lacounty.gov/Services/AssessmentAppeals.aspx>

To read the law guiding the Assessor on the valuation of restricted historical property, see Revenue and Taxation (R&T) Code Sections 52, 110, and 439 through 439.4. The R&T Code is available online at www.boe.ca.gov/lawguides/property/current/plg/rt/revenue-and-taxation-code-property-taxation.html

If you have any questions, please contact Mr. Appraiser by telephone at 562-256-1701 or email at mappraiser@assessor.lacounty.gov. Also, you may visit the Assessor's District Office in Signal Hill at 1401 E. Willow St. between 7:30 A.M. and 5:00 P.M., Monday through Friday.

Sincerely,

Principal Appraiser
Region 14, South District Office

c: City of Los Angeles
Attn: Historical Contracts Manager

"Valuing People and Property"

AS-33 (Rev. 04/04)

VALUING NEW CONSTRUCTION

- New additions will be valued as new construction, and may not be entitled to the alternative Mills Act valuation
- As is required of any Historic Landmark or Historic District property in the City of Long Beach, work on Mills Act properties requires a Certificate of Appropriateness from the Planning Bureau and any associated permits from the Building and Safety Division

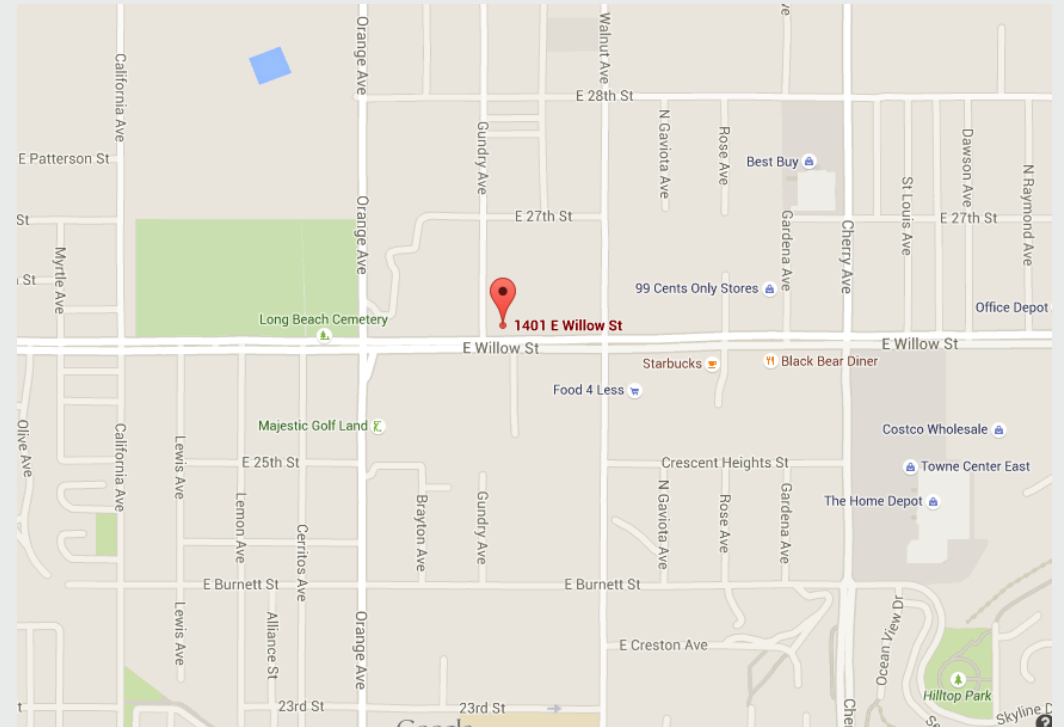
Los Angeles County Assessor

1401 E. Willow St.

Signal Hill, CA 90755

(562) 256-1701

southdistrict@assessor.lacounty.gov





Thank you

Q&A

Gina Casillas, Planner

**Community Development Department
Planning Bureau**

Contact: (562) 570-6194

millsact@longbeach.gov