

Mills Act/Historic Preservation FAQ

What is the Mills Act Program?

The Mills Act is an economic incentive program in California for the restoration and preservation of qualified historic buildings by property owners. Enacted by state legislation in 1972, the Mills Act legislation grants participating cities and counties the authority to enter into contracts with owners of qualified historic properties who actively participate in the rehabilitation, restoration, preservation, and maintenance of their historic properties. The Mills Act permits property tax relief to offset these costs. Mills Act contracts are for an initial term of 10 years. A contract automatically renews each year on its anniversary date and a new 10-year agreement becomes effective, creating a "rolling" contract term that is always equal to the initial contract term. The City's Mills Act Ordinance was adopted in February 2012 and revised in 2020 as part of the Historic Preservation Ordinance.

How does the property tax relief work?

After a property owner enters into a contract, the county assessor will annually determine the value of Mills Act properties based upon a prescribed capitalization rate as provided for in Revenue and Taxation Code section 439.2 (b) or (c). This is the restricted value. The county assessor then compares this restricted value to the current market value and the factored base year value (also known as the "Proposition 13" value). Allowed expenses for rehabilitation and maintenance are linked to the Mills Act valuation calculation. The lowest of the three values is then enrolled. Once your contract has been recorded, your property will be assessed on the lien date (January 1) of the next calendar year in which your contract was recorded. You should see the tax benefits beginning the ensuing fiscal year.

What is a qualified historic property?

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. The restricted value can be considerably lower than the other values creating a tax savings for the property owner. Since all properties are assessed annually, Mills Act properties may undergo increases or decreases in property taxes each year as market conditions change. For more information, please see the State Board of Equalization Guidelines provided for use in assessing properties under the Mills Act. www.boe.ca.gov/proptaxes/pdf/lta05035.pdf

How do buildings qualify for the Mills Act? / Does my property qualify for the Mills Act Program?

In order to qualify, the structure must be a designated historic building. The designation can be at the local, state, or national level. For designated properties in the City see the Official Register, attached.

How can I get my property registered and/or find out if my property qualifies for the Mills Act Program?

The process for designating additional properties to be added to the Official Register is outlined in the City's Historic Preservation Ordinance, see La Cañada Flintridge Municipal Code 11.90.040. As a general rule, to qualify as historic, a building must be at least 50 years old and be a good example of a particular architectural style or be associated with a person or event of local, statewide, or national historic importance. Please note: while the eligibility for the Mills Act Program is not limited to a particular property valuation, staff cannot process any application that results in more than a \$3,000 loss of property-tax revenue (per year) to the City. Consult with staff before you apply if you anticipate being in that range.

If my property is on a historic register, do I automatically qualify for the reduced property taxes?

No, you must apply for the Mills Act program and enter into a contract with the City of La Cañada Flintridge and that contract has to be signed and recorded before the county assessor can annually apply the restricted valuation method. Note: There are eligibility limitations for higher value properties, see discussion above.

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?

Mills Act contracts are for 10 years initially with automatic yearly renewal, and the contract stays 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. You should contact the City to determine the rights and obligations a Mills Act contract creates.

I am planning to buy a property under a Mills Act contract for \$1,600,000 that is currently assessed for \$990,000. Will I receive a supplemental bill for the change in ownership?

No. Even though the county assessor is required to establish a new base year value for property upon a change of ownership, supplemental assessments are not enrolled for properties under the Mills Act contract. Establishment of the new base year value merely enables the county assessor to perform a three-way value comparison and to calculate the assessed values if the Mills Act contract enters non-renewal status.

Under a Mills Act contract, will I have to open my home for inspection by city or county officials?

Under state legislation enacted on September 7, 2011, the City must inspect the property prior to entering into a Mills Act contract with a property owner, and conduct interior and exterior inspections every 5 years thereafter to determine the owner's continued compliance with the contract.

I want to add on a family room to my home which is under a Mills Contract. How will this affect my assessed value?

Since the new construction would not qualify as historical the market value of new construction (room addition) will be added to the restricted value of the property to arrive at a new assessed value.

I just purchased a property that has been under a Mills Act contract for many years. I'm thinking of not renewing the contract. What do I need to do?

You must serve written notice of non-renewal of the contract at least 90 days prior to the anniversary renewal date, otherwise one year will automatically be added to the term of the contract (if the city decides not to renew, they need only provide a 60-day notice). The existing contract will remain in effect for the balance of the period remaining since the original execution or the last renewal of the contract. The first year of non-renewal will have nine remaining years.

Will I still receive property tax benefits once I provide notice of non-renewal?

You may still receive tax benefits; however, the maximum tax benefits will be reduced each year as the historical property assessed value gradually approaches the factored base year value (Proposition 13) as the remaining term under the contract decreases.

What are the consequences if I decided to cancel my Mills Act contract?

You would be required to pay a cancellation fee equal to 12.5 percent of the current fair market value of the property (not your restricted value). Your property will then be assessed at the lower of the factored base year value or current market value for the ensuing lien date. Alternatively, your local legislative body may take court action to enforce the contract, such as requiring specific performance or an injunction.

Can the planning department cancel my contract because they say my property has deteriorated and no longer meets the standards of a historical property?

Yes. This can be considered a breach of contract and the municipality can cancel your contract. You will also be penalized with a 12.5 percent cancellation fee. Alternatively, you may be able to make arrangements with your local agency to continue with the restoration work.

If extensive rehabilitation happened 2.5 years ago, would the property still qualify for the program?

No, work completed prior to the application will not be considered to qualify for the program. The purpose of this is to reinforce that the Mills Act is an incentive program to encourage future rehabilitation work to happen. If an owner was able to successfully complete their project without financial subsidy, there is no established need for granting a Mills Act contract.

Rehabilitation/Restoration/Maintenance Plan

Are we obligated to complete everything on the Rehab Plan? The estimated savings isn't even close to covering the entire cost!

Yes. The Mills Act will not necessarily pay for the entire rehabilitation of any property. It is meant to offset costs enough to incentivize the work to happen. The Rehabilitation Plan is meant to help establish and prioritize rehabilitation needs for the property.

Can we move around the order of our rehab plan after our Mills Act Contract has been recorded?

Yes, work with the City to ensure that important items are dealt with first.

I don't know how much certain projects may cost. Can I write "TBD" on the Rehab Plan?

No, you must provide an estimate for each cost. Quotes from professionals are not required but the City may request additional documentation if questions arise. The dollar amounts are meant to reflect the level of investment the owner is committing to under the contract.

I still have questions about the Mills Act. Where can I get additional information?

Contact Antonio Gardea, Deputy Director, at 818-790-8881 X309 or agardea@lcf.ca.gov