

City of Long Beach

# MILLS ACT

Property Tax Incentive Program  
Frequently Asked Questions  
Full Guide



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

## **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. The Mills Act, named for San Diegan James Mills, a former State Senator, provides an important monetary incentive designed to encourage the preservation, restoration of maintenance, and designated 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 1993.

## **What are the owners' requirements?**

In exchange for the property tax relief realized under Mills Act contracts, property owners must agree to maintain and preserve their properties for at least 10 years in accordance with specific historic preservation standards and conditions. Subject to the discretion of the local government, the contract may provide for the restoration or rehabilitation of properties according to the Secretary of the Interior's Standards for Rehabilitation. This program would not affect owners who wished to make interior improvements or remodel their homes.

## **How does the property tax relief work?**

After a property owner enters into a contract, the Los Angeles 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 Los Angeles 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. Property assessments are completed by the Los Angeles County Assessor's office, not the City of Long Beach.

## **How does the Assessor determine Assessed Value?**

The Mills Act reduces the owner's property tax bill by creating an alternative method for determining the assessed value of the qualified historic property. The property is assessed according to the "income" method. The assessed value is determined by calculating the projected income or theoretical rental value, less certain expenses, divided by a "capitalization rate". The property tax savings can be significant for some properties. When a property is owner-occupied, the determination of "income" is based on what the

property could reasonably be expected to yield if rented. The income projection is based on comparable rents for similar properties in the area. The expenses to be deducted from income include those necessary for the maintenance and operation of the property. Typical expenses include: insurance, utilities and repairs. Expenses that are excluded include: debt service, property taxes and deflation and interest on funds invested. The actual permitted number of deductions for expenses is determined by the Los Angeles County Assessor's Office and is based on a different formula for each individual property. During the term of the Mills Act contract, the assessed value of the property is recalculated each year based on changes in the factors used in the calculation. If the property appreciates significantly in value and is then sold, the tax savings will be increased because the Mills Act contract is automatically passed on to the new owner. Property assessments are completed by the Los Angeles County Assessor's office, not the City of Long Beach.

**Will I see a substantial reduction in property taxes?**

Possible reduction in property taxes — average of 30% to 50% for new property owners. Property owners who have recently purchased the property are most likely to see higher tax reduction.

**Is the property tax-assessment linked to the restoration work I plan to do?**

Yes. Allowed expenses for rehabilitation and maintenance are linked to the Mills Act valuation calculation. The Los Angeles County Assessor may request supplemental information.

**I have owned my house for 50 years and have substantial rehabilitation plans, Will I receive any benefit from the Mills Act program?**

The Los Angeles County Assessor's office looks at three values each year under a Mills Act Contract: Base Year/Proposition 13, Current Fair Market, and Mills Act/Income Approach. The lowest of the three is used for the property tax bill. Note that Special District assessments are not reduced under the Mills Act, only the 1% General Levy Tax. In this case, the lowest value would be the Base Year/Proposition 13 value which is what the taxes are based on now, and there would not be any tax reduction under a Mills Act contract.

**Since I have owned my property for many years and already have a very low assessment, is it worthwhile to apply for the Mills Act?**

Some owners who would receive no property tax benefit still apply for the Mills Act. It can be a selling point to a potential buyer because the property would not be reappraised at its full market value upon sale if the property were already under a historical contract. However, those mills act application would not typically be awarded based on City criteria.

## **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.

### **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 and local designations by the City of Long Beach.

### **What properties are not ineligible?**

Properties with outstanding code violations issued by the Planning Bureau, Code Enforcement Bureau or the Building Bureau are not eligible to apply for the Mills Act Program. All code violations must be corrected before an application is accepted. Properties with delinquent taxes are also not eligible to apply. The person/entity submitting the application must retain ownership through contract recording otherwise the contract is nullified by the City. Properties exempt from property taxation, are also not eligible. Properties not in designated historic district, designated as a historic landmark or otherwise not considered a qualified historic property are ineligible.

### **Availability of Program**

The Mills Act application period is opened only once a year. The program implemented by the City Council limits the total number of new Mills Act contracts per tax year.

### **Will I be refunded if denied?**

Application fees are non-refundable.

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

All properties must be inspected prior to entering a Mills Act contract, and the objective is to review exterior features but in some cases it is necessary to inspect the interior when it affects the building exterior. In such case, the Planning Bureau would provide the owner advanced notice.

### **How is the Mills Act contract enforced?**

Under California state law, municipalities are required to conduct compliance inspections every 5 years. If an owner is found in breach of contract a letter is sent by the Long Beach Community Development Department to correct the violation. Building and Safety may also send the owner an Order-To-Comply. If violations are not corrected in a timely manner, the Commission may recommend that the City Council cancel the contract. The City Council is the deciding body if a contract is cancelled. The City Attorney advises on enforcement of the contract. Property owners must also provide submit reports of information to indicated work completed under the contract.

### **How long does it take to get a Contract?**

The contracts are approved and recorded by the end of each calendar year. Reassessments start after January 1 of the year following the contract recordation. You should see the Mills Act Valuation notice as part of the Fall property tax bill.

### **If I apply for a Mills Act Historic Property Contract, is the City obligated to enter into the contract?**

No. The City will evaluate each individual contract application alongside a set of priority criteria and determine which applications have the best restoration plan and are most likely to yield the greatest public benefit.

### **Once my property is listed on a historic register are there any binding restrictions that will affect my property?**

Yes, once that property is designated on a Federal, State, or Long Beach register, it is subject to the rules and regulations of the corresponding agency. Future exterior alterations are subject to obtaining a Certificate of Appropriateness for compliance with City requirements, U.S Secretary of the Interior's Standards for Rehabilitation, and the Historic Building Code. In effect, the owner must protect, maintain, and rehabilitate the property into perpetuity.

### **We want to start work on our proposed rehabilitation workplan while our Mills Act application is still pending approval. Is this allowed? How should I proceed?**

Its encouraged that owners wait. Completion of items on an owner's workplan is only credited after the Mills Act Contract has been recorded

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

The awarding of a Mills Act contract is dependent on the restoration plan proposed in the application submitted. Past restoration work is not credited to the current owner. If past work is a substantial modification to the building that damages the historic character, it may disqualify the application unless the property owner includes reversal of the modification in the restoration workplan.

**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 Historic Preservation Planner at the City of Long Beach to rearrange the schedule of completion for workplan items.

**I don't know which contractors we'll use. Can I write "TBD" on the Local/Hire?**

Yes. To the extent possible, its encouraged that work completed by contractors located in Long Beach. The local hire is a factor the Planning Bureau considers in recommending approval of applications

**If we want to rehab our kitchen, what should we be aware of in terms of adherence to the Mills Act?**

The Mills Act Program will only preserve exterior features.

**I want to restore the landscape. Should I include this on my Rehab Plan?**

Yes, if the landscape was a character defining feature and is documented to be historically significant for the property.

**The back of the property is not visible. Are there any different considerations for reviewing work on this part of my house?**

This would need to be reviewed on a case-by-case basis. There may be fewer historic features on the rear of a property, however, all elevations are treated the same for preservation.

### **How is the installation of solar panels viewed by the Mills Act?**

Solar panels can be visually intrusive and detract from the historical appearance of a property as viewed from the public right-of-way. Solar panels are best placed on areas not visible from the street and in a way that does not cause adverse impacts to historic elements.

### **Would adding insulation to a home and other energy conservation projects worthy to write in our Rehab Plan?**

Yes. In many cases, performing an energy audit can assist in identifying areas that need to be addressed. Too often, people are sold on the idea of replacing windows instead of insulating walls and roofs that represent greater uninsulated areas of the building.

### **Our home is surrounded by a non-historic fence. Will we be required to remove it?**

Perhaps. This would need to be reviewed on a case-by-case basis. Unpermitted or over-height fences should be legalized or should be removed.

### **If we want to do a project that is not on the Rehab Plan, is that permitted?**

In many cases, yes. However, ideally, the critical infrastructure and rehabilitation tasks should be completed first. Consult with the Preservation Planner.

### **After we get the Mills Act, can we add to the property? How is that assessed by the Assessor?**

Yes. The design of the addition would need to conform to the Secretary of the Interior's Standards for Rehabilitation. The County Assessor's office uses a blended approach to valuation; new construction receives less property tax reduction. Properties with significant new construction may not benefit from tax savings. It is advisable to discuss any proposed new construction on the property with the County Assessor's office before applying. 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.

### **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 sold. 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.

### **What provisions are required if ownership changes?**

None, the contract runs with the land/property and automatically transfers to new owner. It is important that a seller of a Mills Act Contract property fully discloses the document to prospective buyers and identifies work completed and remaining and the timeframe in which outstanding items need to be completed. Buyers should also ensure they are aware of and in agreement with their obligations under the contract.

### **If we commit to work in a specific year, but don't do it, is that a breach of contract?**

Potentially, yes. The contract outlines the owner's obligations. If a schedule of completion needs to be adjusted, it is best to work with the Planning Bureau to establish a revised schedule under the contract. We do not typically re-record a contract if there are minor changes in the sequence of work proposed.

### **Is there a fee for inspections?**

For properties that are up-to-date and in compliance with contract terms, there is no fee. Properties that are out of compliance, are subject to an inspection fee based on the annual fee schedule approved by the City Council.

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

If a property decides to cancel their contract within the first 10 years of the contract, the owner 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, the City may take court action to enforce the contract, such as requiring specific performance or an injunction.

### **Can the City 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. The owner will also be penalized with a 12.5 percent cancellation fee. Alternatively, you may be able to plan with you the City Community Development department to continue with the restoration work.



**Long Beach Community Development**

411 W. Ocean Blvd., 3<sup>rd</sup> Floor  
Long Beach, CA 90802

Visit us at [longbeach.gov/lbcd](https://longbeach.gov/lbcd)  
Email us at [lbcd@longbeach.gov](mailto:lbcd@longbeach.gov)



To request this information in an alternative format or to request a reasonable accommodation, please contact the Community Development Department at [longbeach.gov/lbcd](https://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.