

BENEFITS OF HISTORIC DESIGNATION

Historic landmark classification is an indication that the building is exceptional because its architecture and history are unique. The designation indicates both quality and significance, factors that frequently translate into value in the real estate market.

In some cases, zoning regulations allow more flexibility with regard to historic properties. Nonconforming uses and reduced parking requirements may be permitted to allow more productive use of historic buildings. Residences designated as landmarks may be eligible for limited commercial uses.

With regard to building regulations, the State Historical Building Code is used. It allows alternatives that preserve original materials and design features as long as safety intentions of the regular code are met. Use of this code often reduces rehabilitation costs.

Historic structures may be eligible for a property tax reduction known as the Mills Act Historical Property Contracts. This agreement, based on preservation restrictions, helps owners fund the cost of repairs and rehabilitation.

MILLS ACT HISTORICAL PROPERTY CONTRACT PROGRAM

Do you own a great historic building in Los Angeles? Is your home a significant historic resource or a contributing structure in a designated Historic Preservation Overlay Zone? Are you interested in incentives that can help you restore and maintain your building? The City of Los Angeles can help! The Mills Act Historical Property Contract Program allows qualifying owners to receive a potential property tax reduction of 50% or more and use the savings to help maintain or rehabilitate their buildings.

How it works...

The Historical Property Contract Program takes advantage of state-enabling legislation known as the Mills Act. This State law enables the Los Angeles City Council to enter into contracts with owners of qualifying historic properties in which the owners agree to preserve, maintain, and possibly rehabilitate their historic resource under the Secretary of the Interior's Standards for Rehabilitation. The program is administered by the City's Cultural Affairs Department in cooperation with the Los Angeles County Assessor and the State Office of Historic Preservation.

The initial contract is ten years long. The contract automatically renews each year on its anniversary date creating a new ten-year agreement unless there is a notice of non-renewal. Either the property owner or the City may elect not to renew for any reason. The effect of non-renewal is to terminate the contract at the end of the current ten-year term. The owner may also petition the City to initiate an immediate cancellation. If cancelled, a penalty equal to 12½% is imposed on the full current market value of the property.

Who is eligible...

To qualify for the Historical Property Contract Program, a building must either be designated as a City of Los Angeles Historic-Cultural Monument or a contributing structure in one of the Historic Preservation Overlay Zones (HPOZ):

Eligibility is limited to single-family homes with a current property tax assessment of \$500,000 or less, and commercial properties with a current property tax assessment of \$1.5 million or less.

Processing timelines...

In order for the City to process an application, the application must be received on or before July. Incomplete or inaccurate applications will not be accepted. If the application is approved by City Council and recorded prior to December 31, the County Assessor is then directed to reassess the property under the Mills Act. Reassessments are conducted by June 30 in the year following the year of application. This reassessment, will be reflected on fiscal year tax bills issued in October for first installments due in December. There are no retroactive provisions.

Costs...

The City charges a non-refundable application fee of \$25.00 and a non-refundable contract execution fee of \$268.00

How to obtain an application... :

You may request an application and hear update announcements at any time by calling: THE MILLS ACT APPLICATION HOTLINE: (213) 473-7726.

For more information contact:

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Historical Property Contracts Program

Cultural Affairs Department

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MILL ACT FREQUENTLY ASKED QUESTIONS

WHAT IS THE MILLS ACT?

The Mills Act is State-sponsored legislation that grants local government the ability to directly participate in an historic preservation program. More importantly, it's an economic incentive program designed to provide private property owners an opportunity to actively participate in the restoration of their properties while receiving property tax relief.

WHEN WAS THE MILLS ACT ADOPTED?

The Mills Act (also known as Historic Property Contracts) was enacted by the State of California in 1976.

WHAT IS THE IMPACT OF AN HISTORICAL PROPERTY CONTRACT?

It provides for a potential 50% reduction in property taxes on qualified historic properties in exchange for the owner's agreement to maintain and preserve the property in accordance with standards established by the U.S. Secretary of the Interior (the Secretary of the Interior's Standards for Rehabilitation).

DOES THE CITY OF LOS ANGELES PARTICIPATE IN THIS PROGRAM?

Yes. In 1996, The City of Los Angeles took advantage of this State Law and enacted the Historical Property Contracts Program by Ordinance 171,413. The Historical Property Contracts Program is administered by the Cultural Affairs Department in cooperation with the Los Angeles County Assessor and the State Office of Historic Preservation.

HOW DOES A PROPERTY QUALIFY FOR AN HISTORICAL PROPERTY CONTRACT?

Eligible properties include those either designated as City of Los Angeles Historic-Cultural Monuments or contributing structures within one of fifteen Historic Preservation Overlay Zones.

ARE THERE ANY LIMITATIONS IMPOSED ON QUALIFIED HISTORIC PROPERTIES?

Yes. Eligibility is limited to single-family homes with a current property tax assessment of \$500,000 or less and commercial/multi-family properties with a current property tax assessment of \$1.5 million or less. Three areas including the Downtown Historic Core, the Greater Downtown Los Angeles Area under the Downtown Adaptive Reuse, Live/Work Ordinance, and the Hollywood Historic District are exempt from these current assessment limits. However, the Cultural Affairs Commission may, at its discretion, grant assessment limitation exemptions in certain exceptional circumstances.

IF I OWN AN HISTORIC PROPERTY, AM I OBLIGATED TO PARTICIPATE IN THE HISTORICAL PROPERTY CONTRACTS PROGRAM?

No. Participation in the Historical Property Contract Program is voluntary. It is intended for property owners who either have a strong commitment to preservation or who can be motivated by economic incentive.

WHAT ARE THE TERMS OF AN HISTORICAL PROPERTY CONTRACT?

The owner agrees to preserve and rehabilitate the property to conform to the Secretary of the Interior's Standards for Rehabilitation. The contract extends for an initial term of ten years. It will automatically renew each year on its anniversary date creating a new ten-year agreement unless notice of non-renewal is provided by the property owner. In such case, the contract will terminate at the end of the current 10-year term. For example, if notice is provided nine years after the agreement is signed, it will cease to be effective 10 years hence (or year 19 of the contract).

HOW ARE MY PROPERTY TAXES REDUCED?

The Historical Property Contract Assessment reduces general levy property taxes by allowing the Assessor to evaluate a property based on its ability to generate income. This methodology is commonly known as the "Income Approach" to value and is different from the regular method of assessment known as the "Market Approach."

In the Income Approach, after a contract has been executed, the Assessor values the property according to the capitalization of income, whereby the property's potential income is divided by a pre-determined capitalization rate to determine the new assessed property value. The Income Approach can potentially reduce the Market Approach assessment by as much as 50%. In the Market Approach, the assessor uses sales comparisons of similar properties that were appropriately adjusted for differences between comparable properties and the subject property.

WHAT TYPES OF PROPERTIES ARE LIKELY TO BENEFIT?

The Historical Property Contract Program provides the potential for property tax reduction. It is not a guarantee. Generally, the properties that are most likely to receive an approximate 50% reduction are those properties that have sold after 1989. Properties purchased between 1979 and 1988 may only realize a 5% to 25% reduction. Properties purchased before 1978 are not likely to receive a reduction. This is because of Proposition 13. These properties, under the taxation and revenue code, are already determined to be at baseline threshold levels.

WHAT HAPPENS IF I WANT TO SELL MY CONTRACTED PROPERTY?

Although the contract is initially made between the property owner and the City, the contract remains with the property even after it is sold. This can, in many cases, dramatically enhance the marketability of the historic property, because the property is not re-assessed at its new market value enabling the new owners to enjoy the pre-existing reduced tax rate.

IS THERE A POSSIBILITY OF PENALTY ON A CONTRACTED PROPERTY?

Yes. Penalties are imposed for breach of contract. The penalty for breach by the property owner is 12½% of the current fair-market property value.

AM I REQUIRED TO OPEN MY PROPERTY TO THE PUBLIC?

No. The Historical Property Contract Program does not require you to make concessions for outside agencies to have access to your property. Your only contractual obligation is to permit the Historic Property Contracts Division to conduct a periodic inspection to monitor compliance.

HOW DO I GET AN APPLICATION?

You may request an application at any time by calling (213) 473-7726. Applications are generally sent out between the months of January and June every year. The deadline for filing an application with the City is generally scheduled during the first week of July. No extensions are granted.

ARE THERE ANY COSTS ASSOCIATED WITH THIS PROGRAM?

Yes. There is a non-refundable application fee of \$25.00 and a \$243.00 contract execution fee.

IF I APPLY FOR AN HISTORICAL PROPERTY CONTRACT, WHEN MAY I EXPECT TO SEE A REDUCTION IN MY PROPERTY TAXES?

It takes approximately 16 months from the application due date to see a potential reduction appear on your property tax bill.