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## Office of Historic Preservation

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### Mills Act Property Tax Abatement Program Architectural Review and Incentives

#### READ THIS FIRST!

**PLEASE NOTE:** OHP does not administer the Mills Act. OHP is not a signatory to Mills Act contracts.

Mills Act contracts are between the property owner and the local government granting the tax abatement. Each jurisdiction individually determines the criteria and requirements for participation. For answers to specific questions, contact the city or county official listed in [Local Government Mills Act Contacts](#).

OHP provides the following for informational purposes only; contact the local government if you have further questions.

#### Purpose of the Mills Act Program

Economic incentives foster the preservation of residential neighborhoods and the revitalization of downtown commercial districts. The Mills Act is the single most important economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners.

Enacted in 1972, the Mills Act legislation grants participating local governments (cities and counties) the authority to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of their historic properties while receiving property tax relief.

#### Benefits to Local Governments

The Mills Act allows local governments to design preservation programs to accommodate specific community needs and priorities for rehabilitating entire neighborhoods, encouraging seismic safety programs, contributing to affordable housing, promoting heritage tourism, or fostering pride of ownership. Local governments have adopted the Mills Act because they recognize the economic benefits of conserving resources and reinvestment as well as the important role historic preservation can play in revitalizing older areas, creating cultural tourism, building civic pride, and retaining the sense of place and continuity with the community's past.

A formal agreement, generally known as a Mills Act or Historical Property Contract, is executed between the local government and the property owner for a minimum ten-year term. Contracts are automatically renewed each year 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. Periodic inspections by city or county officials ensure proper maintenance of the property. Local authorities may impose penalties for breach of contract or failure to protect the historic property. The contract is binding to all owners during the contract period.

#### Benefits to Owners

Owners of historic buildings may qualify for property tax relief if they pledge to rehabilitate and maintain the historical and architectural character of their properties for at least a ten-year period. The Mills Act program is especially beneficial for recent buyers of historic properties and for current owners of historic buildings who have made major improvements to their properties.

Mills Act participants may realize substantial property tax savings of between

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Participants:**  
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Taxation Code,  
Sections 439 -

**OHP Program**  
Lucinda Woodv  
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40% and 60% each year for newly improved or purchased older properties because valuations of Mills Act properties are determined by the Income Approach to Value rather than by the standard Market Approach to Value. The income approach, divided by a capitalization rate, determines the assessed value of the property. In general, the income of an owner-occupied property is based on comparable rents for similar properties in the area, while the income amount on a commercial property is based on actual rent received. Because rental values vary from area to area, actual property savings vary from county to county. In addition, as County Assessors are required to assess all properties annually, Mills Act properties may realize slight increases in property taxes each year.

**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. Owner-occupied family residences and income-producing commercial properties may qualify for the Mills Act program, subject to local regulations.

**OHP's Role**

OHP provides technical assistance and guidance to local governments and property owners. OHP maintains a current list of communities participating in the Mills Act program and copies of Mills Act ordinances, resolutions, and contracts that have been adopted. OHP does not participate in the contract negotiations and is not a signatory to the contract.

**NOTE:** The above information and the sections of the California State Codes which pertain to the Mills Act are available as Technical Assistance Bulletin #12.

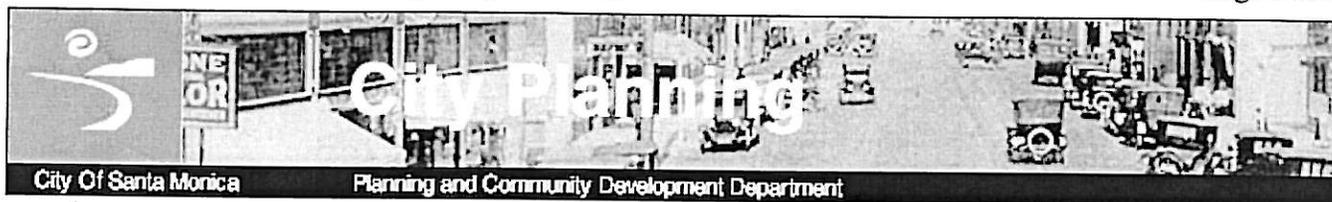
For additional information, contact the planning department of the city or county within which the historic property is located or Lucinda Woodward at OHP.

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## The Mills Act

### WHAT IS THE MILLS ACT?

The Mills Act is a California State law that enables cities to enter into property owners of qualified historic structures. The owner of any building a designated local landmark or a contributing building in a designated may file a Mills Act Contract Application. Once approved, a Mills Act contract requires the owner to file with the County Tax Assessor's office to determine the value of the historic property upon its current income, rather than the Proposition 13 formula general exchange for this reduction in property taxes, the contract requires the owner to undertake specific restoration tasks, if necessary, and to properly maintain the historic structure. The proposed restoration and maintenance items are work plan that is submitted by the applicant and, if approved, becomes a contract as an exhibit.

Mills Act contracts can provide tax benefits for both owner-occupied and income-producing properties. In the case of owner-occupied property, the income is based on comparable rents for similar property in the area or, if no comparable information is available, the income that it could reasonably be expected to generate. For income producing property, the income amount is based on rent actually received and on typical rents received for similar property in similar use.

In 1991, the City of Santa Monica revised the Landmarks Ordinance to allow the city to enter into Mills Act Contracts with the owners of designated Landmark Structures of Merit and contributors to designated Historic Districts. Currently, the City has approved contracts with owners of 37 historic properties.

### CONTRACT TERM

Mills Act contracts are for a ten-year term and are renewed automatically at the contract's anniversary. As a result, unless either the property owner submits a notice of non-renewal, the owner is always ten years away from termination. The effect of a non-renewal notice is contract termination at the end of the current ten-year term. The owner may also petition the City for immediate cancellation. If cancelled, a penalty equal to 12 1/2 percent of assessed market value is imposed. The City may also cancel the contract for breach of the contract conditions. The rights and obligations to the contract are binding upon successive property owners during the contract term. Mills Act contracts can take place at any time, new valuations will not be effective any given year.

### APPLICATION & PROCESSING

[Click here for a Mills Act application](#)

[Click here for the Financial Analysis attachment](#)

**DEADLINE:** Applications must be received by July 1st in order to be recorded for reassessment in the following year's tax bill. Tax assess retroactively revised. Applications are available at the Planning Division must be submitted at the Planning Counter (City Hall, 1685 Main Street).

The application is reviewed by staff and then presented to the Landmark for their recommendation. It is then taken to the City Council for the approval. Once City Council approves the contract, notarized signature property owner and City officials are obtained, and the City submits the document to the Los Angeles County Recorder to be recorded. The City will then forward a copy of the document to the Los Angeles County Tax Assessor, who will bill the property owner's tax payment.

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# MILLS ACT AGREEMENT POLICY

## PURPOSE

It is the policy of the City of Gilroy to foster and encourage the preservation, maintenance, rehabilitation, and restoration of historic properties. The City recognizes that the reduction in property taxes provided by the Mills Act will act as a monetary incentive to acquire, maintain, and restore historic property.

The minimum requirements for a Mills Act agreement shall include:

1. A minimum contract term of ten (10) years, which will be automatically renewed on an annual basis. This contract will be recorded against title to the property, and shall run with the land.
2. The owner shall maintain the historic property in accordance with the Secretary of the Interior's Standards for Rehabilitation (attached).
3. The owner must allow reasonable periodic examination of the historic site, if a request is made and by prior appointment, by representatives of the City, County Assessor, State Department of Parks and Recreation, and State Board of Equalization.
4. The City may cancel the agreement following a duly noticed public hearing if it is determined that the owner breached any mandatory conditions of the contract.
5. The owner shall pay legal fees and staff costs related to the preparation and maintenance of a Mills Act contract.
6. The owner must not obstruct the public's ability to view the exterior of the structure from the public right-of-way (e.g. by placing trees, bushes and fences in a location which obscures the view of the exterior of the structure).
7. The owner shall submit a ten-year plan of proposed improvements to the property. This plan shall be revised every five years, and each revision shall document improvements that have been completed.
8. Improvements made to properties in Mills Act contracts shall include infrastructure and structural improvements, and building maintenance, rather than interior cosmetic improvements.
9. Noncompliance with the provisions of a Mills Act contract will result in either legal action against the owner, or contract cancellation. If the contract is cancelled, the owner must pay a penalty of 12½ percent of the market value of the property at the time of cancellation.
10. To be eligible for a Mills Act contract, a property must be designated with a 3, 4 or 5 on the City's Historic Preservation Study.