

City of Santa Barbara Planning Division

Mills Act Application

Thank you for your interest in the City of Santa Barbara's Mills Act Program. In order for your property to be considered for a contract you must have a designated historic resource listed on any city, county, state or federal register. City designations are: Landmark, Structure of Merit, and contributor to a designated Historic District or Landmark District.

The City of Santa Barbara accepts seven (8) Mills Act contracts per year – six residential and two commercial, or up to seven residential if no commercial applications are submitted. Applications will be accepted during the month of June and must be submitted with a non-refundable application fee of \$42. Incomplete applications will not be considered. The seven (8) contracts will be randomly selected for the program. Once accepted, a contract initiation fee of \$450 will be due. All contracts are reviewed by the Historic Landmarks Commission and referred to the City Council for approval.

A ten-year rehabilitation plan is required as part of the application and will be re-evaluated every five (5) years or as needed. Upon acceptance to the program your property will be subject to an initial inspection by Cultural Heritage staff to assist you in finalizing the rehabilitation plan and to photo document the current condition of the property. You will be required to submit annual reports on completed project(s), along with copies of receipts and building permits where applicable. City staff will conduct annual property inspections to ensure that proposed work has been completed and meets all applicable City standards.

This packet is designed to assist you in completing the Mills Act Application. The application packet is also available on line at www.SantaBarabraCa.gov. If you have any questions please contact Jake Jacobus, Associate Planner/Urban Historian at (805) 564-5470.

This packet includes:

- Mills Act Fact Sheet
- Application Checklist
- Application
- Financial Analysis Information
- Ten-year Rehabilitation Plan Form
- Potential Project List
- Property Owner Annual Report
- Property Inspection Information
- Secretary of the Interior's Standards for the Treatment of Historic Properties
- City Mills Act Contract (sample)
- State Mills Act Legislation

Mills Act Fact Sheet

- The Mills Act (a state sponsored legislation enacted in 1972) is a self-directed, economic incentive program for owners of historic buildings that are listed in the National Register of Historic Places or on a state, county, or city official register. Although it is applicable to any income producing property, it is the single most important economic incentive program available in California for private property owners of qualified historic buildings. A Mills Act program must be developed according to two California State Codes: California Government Code, Article 12, Sections 50280-50290 and California Revenue and Taxation Code, Article 1.9, Sections 439-439.4.
- Under the program, property owners receive a significant reduction in local property taxes in exchange for their promise to actively participate in restoring, rehabilitating, repairing and preserving their properties. Participants enter into a perpetual 10-year contract with the City.
- Contracts are automatically renewed each year and are transferred to new owners when the property is sold.
- City, county, or state officials may periodically inspect properties to ensure proper maintenance.
- Penalties may be imposed for breach of contract or failure to maintain the historic property.
- The county assessor's office re-assesses property taxes based on a capitalization of income formula rather than on market value. Mills Act participants may realize a property tax savings of approximately 50% each year depending on property value, net operating income, and other variables.

• Mills Act Application Checklist

- Completed Application Form
- Tax Savings Calculation
- Ten year plan for property improvements
- Grant Deed with legal description of property
- \$42 Non-Refundable Application Fee

City of Santa Barbara Mills Act Application

Property Information

Property Address _____

APN: _____

Owner _____

Owner Address _____

Owner Telephone Number: Daytime _____ Evening _____

Use of Property _____

Eligibility for Program:

- | | |
|--|---|
| <input type="checkbox"/> City Landmark | <input type="checkbox"/> City Structure of Merit |
| <input type="checkbox"/> County Landmark | <input type="checkbox"/> California Register |
| <input type="checkbox"/> State Landmark | <input type="checkbox"/> State Point of Historical Interest |
| <input type="checkbox"/> National Register | <input type="checkbox"/> National Historic Landmark |
| <input type="checkbox"/> Contributor to a Designated Historic District | |
| <input type="checkbox"/> Contributor to a Designated Landmark District | |

Name of District _____

Date of Designation _____

Historical Property Tax Adjustment Worksheet Guide

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. ***This form is a guideline only. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation.***

Single-family Dwelling
Current Assessed Value = \$100,000
Estimated Monthly Rent = \$800

A. Determine Annual Income and Annual Operating Expenses

\$800 per month income minus approximately \$100 per month expenses for maintenance, repairs, insurance, utilities, and gardener equals a net income of \$700 per month. Multiply by 12 months to for an annual net income of \$8,400. (Mortgage payments and property taxes are not considered expenses.)

B. Determine Capitalization Rate

Add the following together to determine the Capitalization Rate:

The Interest Component is determined by the Federal Housing Finance Board and is based on conventional mortgages. While this component will vary from year to year, the State Board of Equalization has set this at 6.75% for 2007.

The Historical Property Risk Component of 4% (as prescribed in Sec. 439.2 of the State Revenue and Tax Code) applies to owner-occupied single-family dwellings. A 2% risk component applies to all other properties.

The Property Tax Component (Post-Prop. 13) of .01 times the assessment ratio of 100% (1%).

The Amortization Component is a percentage equal to the reciprocal of the remaining life of the structure and is set at the discretion of the County Assessor for each individual property. **In this example the remaining life of a wood frame building is typically 20 years.** The amortization component is calculated thus: $100\% \times 1/20 = 5\%$. Use 5% for your calculation.

Now add the following:

$6.75\% + 4.0\% + 1.0\% + 5.0\% = 16.75\%$ Capitalization Rate (Single-family dwelling)

C. Calculate New Assessed Value and Estimated Tax Reduction

The new assessed value is determined by dividing the annual net income (\$8,400) by the capitalization rate .1675 (16.75%) to arrive at the new assessed value of \$50,149.

Lastly, determine the amount of taxes to be paid by taking .01 (1%) of the assessed value \$52,500. Compare with current property tax rate for land and improvements only (be sure to voter indebtedness, direct assessments, tax rate areas and special districts items on your tax bill):

Before the Mills Act: 1% of original assessed valuation of \$100,000 ($\$100,000 \times .01 = \$1,000$).

After the Mills Act: Mills Act property tax: 1% of new assessed value of \$50,149 is \$501.

Annual property taxes have been reduced by \$499 ($\$1,000 - \501), a 50% property tax reduction.

**The Mills Act applies ONLY to general levy property taxes. Be sure to DEUCT the portions of your tax bill that include sewer assessment, bond issues, etc. when calculating what portion of your property tax will be reduced by the Mills Act.

** Single-family applicants may find that a realtor can assist in determining a monthly rental figure.

STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY

ANNUAL PROPRETY INCOME	CURRENT
1. Monthly Rental Income	
2. Annual Rental Income	

EXPLANATION
Even if property is owner-occupied, an estimated monthly rental income is needed as a basis for this formula.
Multiply line 1 with line 2.

STEP 2: CALCULATE ANNUAL OPERATING EXPENSES

ANNUAL OPERATING EXPRESS	CURRENT
3. Insurance	
4. Utilities	
5. Maintenance	
6. Management	
7. Other Operating Expenses	
8. TOTAL EXPENSES	

EXPLANATION
Fire, Liability, etc.
Water, Gas, Electric
Maintenance includes: Painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs.
Security, services, etc. Provide breakdown on separate sheet.
Add lines 3 through 7.

STEP 3: DETERMINE ANNUAL NET INCOME

NET OPERATING INCOME	CURRENT
9. Net Total	

EXPLANATION
Line 2 minus line 8.

STEP 4: DETERMINE CAPITALIZATION RATE

CAPITALIZATION	CURRENT
10. Interest Component	6.75%
11. Historic property Risk Component	
12. Property Tax Component	1%
13. Amortization Component (Reciprocal of life of property)	
14. TOTAL = CAPITALIZATION RATE	

EXPLANATION
As determined by the State Board of Equalization for 2008
Single-family home =4% All other property =2%
.01 times the assessment ratio of 100%
If the life of the improvement is 20 years, use $100\% \times 1/20 = 5\%$.
Add lines 10 through 13.

STEP 5: CALCULATE NEW ASSESSED VALUE

NEW ASSESSED VALUE	CURRENT
15. Mills Act Assessed Value	

EXPLANATION
Line 9 divided by line 14 Example: Line 9 divided by .1575 (15.75%)

STEP 6: DETERMINE ESTIMATED TAX REDUCTION

NEW TAX ASSESSMENT	CURRENT
16. Current Tax	
17. Tax under Mills Act	
18. Estimated Tax Reduction	

EXPLANATION
General tax levy only – do not include voted indebtedness or other direct assessments
Line 15 multiplied by .01
Line 16 minus 17

Mills Act Financial Analysis Form

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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1. Monthly Rental Income
2. Annual Rental Income

Annual Expenses	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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3. Insurance
4. Utilities
5. Maintenance
6. Management
7. Other Operating Expenses
8. TOTAL EXPENSES

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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9. Net Operating Income

Capitalization Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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10. Interest Component
11. Historic Property Risk Component
12. Property Tax Component
13. Amortization Component
14. TOTAL = CAPITALIZATION RATE

New Assessed Value	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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15. Mills Act Assessed Value

New Tax Assessment	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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16. Current Tax
17. Tax under Mills Act
18. ESTIMATED TAX REDUCTION

MILLS ACT FINANCIAL ANALYSIS FORM (part 1)

	YEARS				
	CURRENT	ONE	TWO	THREE	FOUR
INCOME					
1. Monthly Rental Income	_____	_____	_____	_____	_____
2. Annual Rental Income	_____	_____	_____	_____	_____
ANNUAL EXPENSES					
3. Insurance	_____	_____	_____	_____	_____
4. Utilities	_____	_____	_____	_____	_____
5. Maintenance / Repairs	_____	_____	_____	_____	_____
6. Management	_____	_____	_____	_____	_____
7. Other	_____	_____	_____	_____	_____
8. Total	_____	_____	_____	_____	_____
NET OPERATING INCOME					
9. Net Operating Income	_____	_____	_____	_____	_____
CAPITALIZATION RATE					
10. Interest Component	_____	_____	_____	_____	_____
11. Historical Property Risk Component	_____	_____	_____	_____	_____
12. Amortization Component	_____	_____	_____	_____	_____
13. Property Tax Component	_____	_____	_____	_____	_____
14. Capitalization Rate	_____	_____	_____	_____	_____
TAXES					
15. Mills Act Assessment Value	_____	_____	_____	_____	_____
16. Mills Act Taxes	_____	_____	_____	_____	_____
17. Current Taxes	_____	_____	_____	_____	_____
18. Tax Savings	_____	_____	_____	_____	_____

MILLS ACT FINANCIAL ANALYSIS FORM (part 2)

	YEARS				
	FIVE	SIX	SEVEN	EIGHT	NINE
INCOME					
1. Monthly Rental Income	_____	_____	_____	_____	_____
2. Annual Rental Income	_____	_____	_____	_____	_____
ANNUAL EXPENSES					
3. Insurance	_____	_____	_____	_____	_____
4. Utilities	_____	_____	_____	_____	_____
5. Maintenance / Repairs	_____	_____	_____	_____	_____
6. Management	_____	_____	_____	_____	_____
7. Other	_____	_____	_____	_____	_____
8. Total	_____	_____	_____	_____	_____
NET OPERATING INCOME					
9. Net Operating Income	_____	_____	_____	_____	_____
CAPITALIZATION RATE					
10. Interest Component	_____	_____	_____	_____	_____
11. Historical Property Risk Component	_____	_____	_____	_____	_____
12. Amortization Component	_____	_____	_____	_____	_____
13. Property Tax Component	_____	_____	_____	_____	_____
14. Capitalization Rate	_____	_____	_____	_____	_____
TAXES					
15. Mills Act Assessment Value	_____	_____	_____	_____	_____
16. Mills Act Taxes	_____	_____	_____	_____	_____
17. Current Taxes	_____	_____	_____	_____	_____
18. Tax Savings	_____	_____	_____	_____	_____

MILLS ACT FINANCIAL ANALYSIS FORM (part 3)

	TEN	Not required	YEARS Not required	Not required	Not required
INCOME					
1. Monthly Rental Income	_____	_____	_____	_____	_____
2. Annual Rental Income	_____	_____	_____	_____	_____
ANNUAL EXPENSES					
3. Insurance	_____	_____	_____	_____	_____
4. Utilities	_____	_____	_____	_____	_____
5. Maintenance / Repairs	_____	_____	_____	_____	_____
6. Management	_____	_____	_____	_____	_____
7. Other	_____	_____	_____	_____	_____
8. Total	_____	_____	_____	_____	_____
NET OPERATING INCOME					
9. Net Operating Income	_____	_____	_____	_____	_____
CAPITALIZATION RATE					
10. Interest Component	_____	_____	_____	_____	_____
11. Historical Property Risk Component	_____	_____	_____	_____	_____
12. Amortization Component	_____	_____	_____	_____	_____
13. Property Tax Component	_____	_____	_____	_____	_____
14. Capitalization Rate	_____	_____	_____	_____	_____
TAXES					
15. Mills Act Assessment Value	_____	_____	_____	_____	_____
16. Mills Act Taxes	_____	_____	_____	_____	_____
17. Current Taxes	_____	_____	_____	_____	_____
18. Tax Savings	_____	_____	_____	_____	_____

MILLS ACT PROGRAM TEN-YEAR REHABILITATION PLAN
City of Santa Barbara

Year	Proposed Project*	Estimated Cost
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		
Year 6		
Year 7		
Year 8		
Year 9		
Year 10		

To be attached to the Historic Property Preservation Agreement (Mills Act Contract) as Exhibit D.

*See attached for list of potential projects. Use additional sheets if necessary.

Projects may be interior or exterior, but must utilize all of your tax savings. All projects that affect the exterior of the residence are subject to Cultural Heritage Board/Staff review and approval before work begins. Work must meet all City requirements and the *Secretary of the Interior's Standards for the Treatment of Historic Properties* (see attached).

Retain copies of all receipts and permits for submittal with the required annual reports.

MILLS ACT PROGRAM – LIST OF POTENTIAL PROJECTS

Projects may include but are not limited to:

- Access Modifications – Exterior
- Access Modifications – Interior
- Accessory Structure Repair or Replace
- Annual Maintenance & Repairs
- Appliance Vent
- Architectural – Remove Non-historic Feature & Restore to Original
- Architectural Trim – Repair
- Architectural Trim – Replace
- Architectural Trim – Install New
- Balcony/ Decks – New Railings
- Balcony/ Decks – Repair or Replace
- Basement – Access – Repair or Replace to Code
- Basement – New or Rebuild
- Cabinets – New Built-in Bathroom
- Cabinets – New Built-in Kitchen
- Cabinets – New Built-in Other
- Carpentry – Remove window & reframe shower including Siding/Caulking
- Chimney – Inspect and Clean
- Chimney – New
- Chimney – Rebuild or Repair
- Code Repair Item
- Column – Replace or Rebuild
- Corbels/ Structural Brackets Replace or Repair
- Door – Repair or Replace Screen Door
- Door – Hardware
- Door – New Basement Hatch Cover and Base
- Door – Repair
- Door – Replacement
- Drain for Deck – Install & or Repair
- Drainage Protection or Correction
- Dry-Rot Remove, Repair and or Replace
- Electrical – Rewire or Install New Outlets
- Electrical – Complete Rewire and Service Upgrade
- Electrical – Ground & Service Entry
- Electrical – Install New Circuits
- Electrical – Lighting Fixtures
- Electrical – New Service Lines to Garage
- Electrical – Security Lighting and Alarm
- Electrical – New Outlets
- Fence – Repair or New
- Flashing
- Floor Furnace – Remove or Restore floor
- Flooring – Carpet
- Flooring – Repair

Flooring –Repair Wood Floors
Flooring – Replacement
Foundation – Bolting and Seismic Work
Foundation – New
Foundation – Repair
Gable or Attic – Re-screening
Garage Door
Gutters & Downspouts
House Relocation
HVAC – Complete New System
HVAC – Maintenance & Replacement/Plumbing Service & Painting
Insulation – Walls – Blown-in
Insulation – Attic
Interior Trim – Refinish
Kitchen – New Counters
Masonry – New
Masonry – Repair or Replace Tile Hearth
Masonry – Repair or Repoint
Masonry – Repoint Brick
Mechanical – Air Conditioning
Mechanical – Heating Unit
Mechanical – Ventilation – New Kitchen/Bath Fan & Duct Work
Mechanical – Venting & Duct
Mechanical – Venting & Duct Work
Minor Painting and Exterior Repairs
Painting – Exterior
Painting – Interior
Painting – Removal of Lead Based Paint
Painting – Exterior Trim
Patio – Repair
Plastering – Remove, Replace, or Refinish
Plumbing – DWV, Drain, Waste & Vent
Plumbing – Fixtures
Plumbing – Install new supply lines
Plumbing – Install Sump Pump & Discharge Drain
Plumbing – Minor Repairs
Plumbing – New Supply
Plumbing – Service Lines
Plumbing – Sewer
Plumbing Repairs
Porch - Ceiling replacement
Porch – Rebuild or Replace
Porch – Repair
Porch – Repoint Brick
Porch Railing – Repair or Replace to Code
Porches – Resurface
Remove Substandard Construction (Tin Shed)
Repair Eaves and/or Overhangs

Repair Exterior Stucco
Repair Garage
Replace Garage
Replace Non-Historic Feature
Roof- Minor Repair
Roof- Reroof
Roof- Strip and Install New
Security Lighting and Alarm System
Seismic Retrofitting – Other than Foundation
Siding – Remove Asbestos Siding & Restore
Siding – Repair
Skylights – Replace
Stair – Repair
Stair – Replacement
Stonework
Stoop – Repair
Stoop – Replacement
Structural – New Framing or Repairs
Structural Bracing
Structural Modifications
Structural Repairs – Roof and/or Ceiling Joists
Termite Treatment
Termite Treatment and Repair
Tile – Replace, Repair or Repoint
Utility Enclosure – New
Ventilation – Attic Fan
Waterproofing
Weatherproofing
Window – Screens or Hardware
Windows – Repair
Windows – Replacement in kind

Maintenance and Rehabilitation Standards and Conditions

Secretary of the Interior's Standards for Rehabilitation

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.
10. New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Property Maintenance

All buildings, structures, yards and other improvements shall be maintained in a superior manner. All current building and zoning codes will be enforced. The following conditions are prohibited:

- a. Dilapidated buildings or features such as fences, roofs, doors, walls and windows.
- b. Abandoned or discarded objects, equipment or materials such as automobiles, automobile parts, furniture, appliances, containers, lumber or similar items stored outside but within property lines.
- c. Stagnant water or open excavations.
- d. Any device, decoration or structure, which is unsightly by reason of its height, condition or location.
- e. Peeling exterior paint or unremoved/uncovered graffiti.
- f. Overgrown landscaping, exposed bald areas within yards or grounds and broken hardscape features which could cause injury.
- g. Other substandard conditions as cited by the Cultural Heritage Commission, the Director of Planning, or the City's Historical Property Contracts Manager.

Conditions

This Historical Property Contract provides the potential for property tax reduction in exchange for agreement to rehabilitate and maintain an historic building. Existing conditions not in conformance with the Secretary of the Interior's Standards, may be required to be removed and the original conditions remedied as part of this contract.

**MILLS ACT PROGRAM
PROPERTY OWNER ANNUAL REPORT**

Property Address: _____ Date _____

What were your tax savings this year? _____

What projects did you complete? _____

What was the cost of the project(s)? _____

Based on the results of this project would you like to revise your Ten-Year Plan? _____

If so, how? _____

Comments/ Suggestions: _____

(Attached additional sheets if necessary)

Name _____ Signature _____

IMPORTANT: Attach copies of Receipts and Permits to this form for documentation.

Return form by June 30th to:

Jake Jacobus,
Associate Planner/Urban Historian
City of Santa Barbara
630 garden Street, 2nd Floor
Santa Barbara, CA 93101

MILLS ACT PROGRAM PROPERTY INSPECTION INFORMATION

Initial Inspection:

If you are selected to participate in the Mills Act, City Planning staff will complete an initial inspection of your property to help finalize your Ten-Year Rehabilitation Plan and to photo document the current condition of the property. Photographs will be attached to the Historic Property Preservation Agreement (Mills Act Contract) as Exhibit C. The inspection will be scheduled at a time that is convenient for you and will include a walk-through of the residence and any accessory buildings as well as a general inspection of the property.

Yearly Inspection:

City Planning staff will inspect your property annually (during the month of January, following submittal of your Annual Report) to ensure that work has been completed in accordance with the Ten-Year Rehabilitation Plan and all City requirements. Exterior work that is easily visible from the street may be inspected without an appointment. Interior work will require an inspection appointment. Photographs will be taken as part of the inspection for inclusion in you file.

Mills Act – Questions and Answers:

1. **Q: What is the Mills Act?**
A: The Mills Act is a state act providing property tax abatement to owners of historic properties. The purpose of the Act is to encourage rehabilitation, as well as ownership of historic properties, by providing a financial incentive through property tax reduction. The Act uses an alternative equation to calculate property taxes, with the requirement that the savings be spent on qualified improvements to the historic property.
2. **Q: Who can apply for the Mills Act?**
A: Owners of designated historic properties can apply for the Mills Act. Designated historic properties include those individually listed as Landmarks or Structures of Merit, as well as contributors to an Historic District or a Neighborhood Conservation Area.
3. **Q: How can I apply for the Mills Act?**
A: The Mills Act Applications are extensive and require calculations and research that will likely require assistance from a professional accountant. Previous examples are also available on request. Applications are available by: 1) Picking up a copy up at the Planning Counter at City Hall on the 3rd floor, or 2) Contacting the Historic Preservation Staff at 951-826-5371 or email at planinfo@SantaBarbaraca.gov and requesting a copy via the US Mail, or 3) Downloading a Mills Act Application off of the 'Historic Preservation' portion of the planning website at <http://www.SantaBarbaraca.gov/planning/historic.htm> under 'Mills Act'. Complete applications can be dropped off at the Planning Counter on the 1st Floor or via US mail at the following address: Planning Division, Historic Preservation, 630 Garden Street, Santa Barbara, CA 93101
4. **Q: How many Mills Act Applications are accepted annually?**
A: The City accepts 8 Mills Act contracts per year – six residential and two commercial, or up to eight residential if no commercial applications are submitted. If more applications than the allotted amount are received, the Mills Act contract recipients will be determined by a lottery system of the complete applications.
5. **Q: When are the Mills Act Applications due?**
A: Mills Act Applications are accepted during the month of June and must be received by the last business day in June.
6. **Q: What is the application fee?**
A: The application fee for Mills Act Contracts is \$42 at the time of application submission. Once the Mills Act application is approved by City Council an initiation fee of \$572 will be due.
7. **Q: How much will I save on my property taxes?**
A: The Mills Act uses an alternative equation to calculate the property taxes. This alternative equation can save property owners, especially those who have recently purchased property, up to 50% on the property tax bill. If the property has been owned for more than 10 years, the County Assessor does not recommend applying for the Mills Act as the savings will be negligible.
8. **Q: When will I start to receive my savings on my tax bill?**
A: Savings will appear on the tax bill for the fiscal year (July 1st to June 30th) following the calendar year it is recorded with the County and finalized. For Example, Mills Act participants from the 2005 year received the first tax bill savings on the fall of 2006 tax coupon, which is typical.
9. **Q: When do I start saving receipts from qualified property improvements?**
A: Start saving receipts for qualified improvements during the fiscal year (July 1st to June 30th) following the approval with the City. For example, Mills Acts approved in 2006 will start saving receipts from qualified improvements for the fiscal year July, 2007- June, 2008.
10. **Q: Can I spend all of my 10 year savings in one fiscal year for one big improvement project?**
A: No, the 10 year savings cannot be spent on one big project. The proposed tax savings must be spent on the historic property on an annual fiscal year (July 1st to June 30th) basis.
11. **Q: Is the Mills Act transferable if I sell my property?**
A: Yes, Mills Act contracts are transferred to new property owners when the property is sold.

12. **Q:** Does my property get reassessed if I sell my property, thus changing the monetary value of my savings?
A: Yes, Mills Act contracts are reevaluated on an annual basis with the County Tax Assessor for tax savings. One of the factors the Assessor uses in determining the Mills Act tax bill is the current assessment value of the historic property. Were the property value to change, the tax savings could also see a change.
13. **Q:** During what time frame do the property improvements need to occur?
A: Qualified improvements need to take place during the fiscal year (July 1st to June 30th) following the approval, and subsequent fiscal years thereafter for 10 years. For example, Mills Act contracts approved in 2006 will start completing qualified improvements during the fiscal year July, 2007- June, 2008.
14. **Q:** What property improvements are eligible?
A: Most improvements are eligible for the Mills Act, as the intention is to encourage property owners to continue to provide maintenance for the historic properties. The improvements need to be a permanent part of the property and/or property. For example:
- A new outdoor seasonal gazebo would not qualify, but a permanent gazebo that is attached to a foundation would qualify.
 - New furniture would not qualify, but new built-in cabinetry or shelving would qualify.
15. **Q:** Can I count the cost of labor for the improvements made to my property?
A: Yes, the cost of labor can be included in the total cost of improvements to the property, as long as the labor has been completed by a qualified individual that can produce a verifiable receipt for the labor. Property owners cannot include the cost for the owner's personal labor. For Example:
- If a property owner were to have the outside of the historic property painted by a painting company, the full cost of the bill could be counted as a qualified improvement.
 - If a property owner were to paint the property utilizing the property owner's own labor to apply the paint, the only costs that could count as an improvement are the cost of paint and paint prepping materials used to complete this qualified task.
16. **Q:** How do the property inspections work?
A: Members from the Planning Division's Historic Preservation staff will visit the historic property once a year, one initial visit and annually on subsequent years near the end of the fiscal (July 1st to June 30th) year to verify the projects that have been completed. These appointments will be scheduled in advance.
17. **Q:** Can I change things on my submitted "10 Year Rehabilitation plan" for work on my property?
A: Yes, previous submissions on the "10 Year Rehabilitation plan" can be changed. Although Historic Preservation Staff ask for the Rehabilitation plan up front, changes are allowed on an annual basis. These changes must be submitted to the Historic Preservation staff in the Planning Division in writing prior to completion of the proposed qualified task.
18. **Q:** How long is my Mills Act Contract good for?
A: Participants enter into a perpetual 10 year contract with the City. Mills Act contracts are automatically renewed each fiscal year (July 1st to June 30th). The contract is renewable at the City's discretion for subsequent years after the 10 year contract is complete.
19. **Q:** Who approves the contract I have with the City for my Mills Act Property?
A: The City Council approves the Mills Act contract before the end of the application's calendar year.
20. **Q:** What happens if I do not fulfill my obligation to the Mills Act?
A: The Mills Act is a privilege given to those who have willingly applied and been accepted through the extensive application process. The Mills Act is an incentive for those who own historic properties by providing financial assistance through tax savings. However, the Mills Act is also a legal contract and is enforceable by law. Penalties may incur if owners do not fulfill the obligation required by the contract to spend the tax savings on the repair and maintenance of the historic property.



City of Santa Barbara

MILLS ACT INFORMATION

FREQUENTLY ASKED QUESTIONS (FAQ'S)

What is the Mills Act?

The Mills Act is property tax reduction for designated historic properties. The tax savings can be used to help maintain that historic property.

Why is it called the Mills Act?

The legislation is named for the author of the legislation -- historian, statesman, and writer Jim Mills. State Senator Mills is well known for being an advocate of mass transportation, for creating the current San Diego Trolley system, and for his many years as chairman of the board of the San Diego Metropolitan Transit Development Board (MTDB).

Why would the City of Santa Barbara bring the Mills Act here?

The City of Santa Barbara encourages preservation of historically significant properties. By giving back a percentage of tax money, it creates incentive to restore older properties. A Mills Act contract reduces the amount of property tax collected by the city, but the city doesn't miss very much money. That's because for every dollar of property tax collected, about 85 cents or so goes directly to the County of Santa Barbara. It is the County Assessor's Office that calculates the tax savings for Mills Act contracts. It is well known, that restoring historic buildings is good for everybody's property values. The homeowner wins, Santa Barbara wins, and the neighborhood wins.

Do other local cities have the Mills Act?

Yes. The Mills Act has been very successful in the other cities in California. Currently, there are about approximately over 5,000 buildings in California that are under a Mills Act contract.

Will any old building qualify for the Mills Act?

No. In order to qualify, the structure must be a locally designated historic building and listed on a Federal, state or local register. In Santa Barbara, based on local selection criteria only certain residential properties could qualify for the Mills Act.

How do I get my home locally designated if it was not designated in the past?

The City of Santa Barbara conducts surveys of properties, identifies and places these properties on inventory list of potential historic properties. Many buildings that were not previously surveyed or listed may still qualify for City Landmark or Structure of Merit status. In addition a group of properties may also qualify for historic district status. 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 historic importance.

The Historic Landmarks Commission (HLC) initiates these types of historic designations. The City has created a process in which the HLC or property owners could nominate their buildings for local historic designation. For more information, contact the City's Urban Historian.

I would like to benefit from the Mills Act, but I've heard that historic designation would place restrictions on my building. Is this true?

Yes and no. Historic designation is a means of helping preserve your building for the future, so preserving your building must be one of your goals. In theory, we should all be stewards of our property and should seek to be true to the building's original architectural style. By seeking or accepting historic designation, you are acknowledging your role and responsibility in keeping this structure as authentic as possible a contributing member to Santa Barbara historic neighborhoods. The City would

In Santa Barbara, there are existing architectural review controls already in place that require some level of design review if exterior alterations are proposed on properties on buildings over 50 years of age. For example, if your building is granted historic status, then this means you would not replace wood windows with aluminum ones, cover original wood with stucco or vinyl siding, or put an addition on the building that is visible from the sidewalk in front of your home. In fact, if any of these unsympathetic "improvements" were done to your building, and your building does qualify as historic, you could use your tax savings under the Mills Act to undo the damage done by previous owners.

By getting your building historically designated, you are helping preserve Santa Barbara's architectural legacy and adding your name to the ranks of those who care about where we live.

If I apply for the Mills Act, what am I committing to doing?

The Mills Act is a 10-year, "endlessly renewable," legally binding contract with the City of Santa Barbara. After your building is historically designated, you would fill out a Mills Act application and submit it to the city with a minor fee. When your Mills Act application is approved, you will be sent a contract to sign and have notarized. By signing this document, you are agreeing, in principle, that in return for the tax savings you are going to preserve your building.

Your Mills Act contract, if you are in good standing and not in violation of the ordinance, is endless renewable: it will always have 10 more years on it, unless for some reason you wished to cancel the contract. (You won't want to cancel. See related question below.)

Can the City of Santa Barbara cancel the contract on me? If so, would I have to pay back the tax savings?

The City may only cancel the contract for non-compliance issues. If cancellation is desired, annual property tax increases gradually at 10% per year for 10 years to bring the property up to current assessment. The contract will be as legally binding on the City of Santa Barbara as it will be on you. There will be no need to pay back the tax savings because of the City canceling a contract.

How much money can I expect to save with the Mills Act?

Tax savings can be big often up to 60 percent. However, there are some properties in the city of San Diego that are benefiting from a savings of almost 90 percent. The County Assessor's Office determines the tax savings by applying a complex formula to the current amount of taxes being paid to determine the new amount.

When would I see the tax savings with the Mills Act?

The application cycle for Santa Barbara has not yet been determined. In other cities, however, an owner would apply any time during the year, with usually an autumn cut-off date, in order for the tax savings to be reflected in the April tax bill.

Do I have to open my home to the public if I have a Mills Act contract?

No, you never have to open your home to the public. Occasionally, local preservation groups conduct tours of historic properties but it usually involves historic property homeowners who have offered to open their homes for the tours.

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

Often there is language as part of the ordinance that would allow for an inspection by city officials, but an inspection would usually only be requested if the City suspected that an owner was violating the Mills Act contract. In other cities in California with the Mills Act, a yearly drive-by inspection is usually all that the Planning Division does to be sure that the building under contract is being cared for.

What happens if I sell my historic building before I have the Mills Act for 10 years?

The new owner assumes the benefits of the Mills Act contract. Properties with this type of tax abatement agreement with a set Mills Act contract may be considered more desirable in comparison to other similar properties.

Can I ever cancel my Mills Act contract?

The Mills Act contract agreements are voluntary. If for some reason you do want to cancel, you can give written notice that you want to cancel, and in 10 years your contract would be void. If you wanted to cancel sooner, you would have to repay your tax savings and possibly submit a fine

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