



City of Long Beach Mills Act Program Pre-Application Workshop

January 25, 2025

INTRODUCTION

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MILLS ACT PROGRAM

What is it?

- State legislation enacted in 1972
- City of Long Beach adopted program in 1993
- The Mills Act provides a financial incentive, in the form of property tax relief, in exchange for property owners' commitment to undertaking historic building restoration, rehabilitation or maintenance of a designated historic property pursuant to the terms of a Mills Act contract with the City.

MILLS ACT PROGRAM

Purpose of Mills Act Program

Encourage the designation and protection of historic properties

How it works

- Property owners enter into a contract with City committing to rehabilitate and maintain the historic property
- Property owner is responsible for completing approved building restoration work plan
- City is responsible for ensuring property owner is in compliance
- County Assessor adjusts assessed value which may result in reduction of property taxes
- Contract is for 10-years, automatically renews each year, and runs with property (passes on to future owners)
- If the property owner or City terminates contract, the remainder of the 10-year term must be fulfilled
- Penalty for non-compliance with contract terms is 12.5% of the property's current market value, as determined by the County Assessor

PROPERTY TAXES AND MILLS ACT

Property values reassessed by the LA County Assessor using a prescribed income capitalization method instead of sales data

- All calculations conducted by the County Assessor *after* the contract is recorded
- No guarantee of tax savings:
 - Exact amount is unknown until the tax year in question
 - Amount may vary from year to year
 - IN NO CASE WILL THE MILLS ACT CONTRACT CAUSE YOUR PROPERTY TAXES TO INCREASE

GOALS

Goals for City

Provide a public benefit by preserving the individual historic properties that contribute to the City's overall community character

Goals for Property Owner

- Improve condition of historic property
- Access to potential tax savings that may help off-set the cost of historic property rehabilitation and maintenance
- Contract itself may be potential selling point as future owners also have access to potential tax savings

POTENTIAL BENEFIT

Who is likely to benefit?

- Generally, recent owners who have purchased their properties within the last few years are most likely to benefit
- Long-time owners will not likely benefit, because assessed value under the Mills Act will likely be higher than the existing base-year value of the property
- Owner may realize a potential premium when reselling a property if the potential for tax savings is a selling point for a future buyer

VALUATION LIMITS

2025 Mills Act Valuation

Property Type	Valuation Limit
Single Family Residential (1 dwelling unit)	Valuation less than \$1,665,435
Duplex or Triplex Residential (2 or 3 dwelling units)	Valuation less than \$999,390 per dwelling unit.
Multifamily Residential or Mixed Residential/Commercial (4 or more dwelling units)	No valuation limit.
Non-Residential (Commercial, Industrial, or Institutional)	Valuation less than \$4,310,320
(All Property Types – exceptional properties, culturally significant, or properties at risk of demolition)	No valuation limit – 2 contracts may be awarded.

CONTRACT LIMITS

The Cultural Heritage Commission sets the following guidelines for the 2025 application period:

Property Type	Mills Act Contracts per Year
Single Family Residential (1 dwelling unit)	Maximum 12
Duplex or Triplex Residential (2 or 3 dwelling units)	Maximum 3
Multifamily Residential or Mixed Residential/Commercial (4 or more dwelling units)	Maximum 4
Non-Residential (Commercial, Industrial, or Institutional)	Maximum 1
(All Property Types – exceptional properties, culturally significant or properties at risk of demolition)	Maximum 2

ELIGIBILITY

Property must:

- Must be a historic landmark building, contributing building in historic district or become a landmark
- Not be exempt from property taxation
- Not be delinquent in paying property tax
- Meet the valuation limits as shown on the previous slides

Priority consideration will be given to:

- Unique or important historic structures that are in particularly poor condition and in need of significant restoration
- Potential landmark properties not within designated landmark districts
- Applications that include local (Long Beach) labor or materials component in the Work Plan

NEW LANDMARKS

Combination Mills Act / Landmark Application are available

- Properties will be evaluated for both Mills Act and Landmark eligibility. Only properties consistent with both programs will be recommended for contracts.
- The age of a structure does not necessarily guarantee it is eligible as a landmark.
- The fact a home is within a historic district also does not guarantee that it is eligible.
- To be eligible for landmark designation a property must:
 - Be associated with events that have made a significant contribution to the broad patterns of the City's history; or
 - Be associated with the lives of persons significant in the City's past; or
 - Be associated with the distinctive characteristics of a type, period or method of construction, or it represents the work of a Master or it possesses high artistic value.

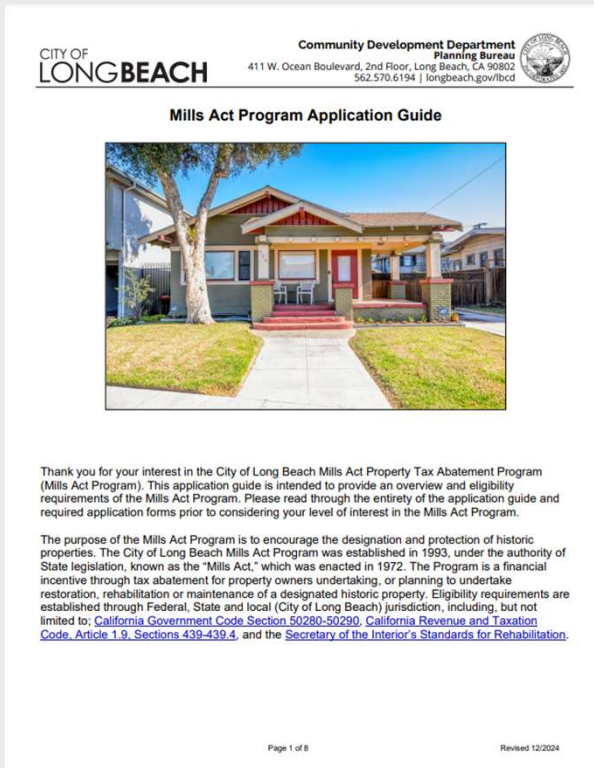
CONTRACT AWARD NOT GUARANTEED

City may receive more applications than able to issue contracts for, due to annual cap on new contracts

Important to prepare a high-quality workplan, and thorough application:

- Good candidates include properties with reversible modifications or with conditions that would greatly benefit from rehabilitation (versus a property where rehabilitation is already complete, no outstanding work needed)
- Good work plan prioritizes essential systems (i.e. seismic, foundation, roof, etc.), exterior work visible from public right of way, and reversing past inappropriate changes

APPLICATION AND GUIDE



Application Guide

- Available at:
<http://www.longbeach.gov/mills-act/>
- Includes program explanation and directions for applying

Application Package Check-Off List

Mills Act Application Checklist
Read the Application Guide before completing your application.
Use this Checklist as a cover sheet for the items below.

All applicants shall submit the following with the signed Mills Act Contract Application :

- ☐ Mills Act Contract Application
- ☐ Detailed Workplan and Schedule
- ☐ Photographs
- ☐ Site Plan
- ☐ Most recent property tax bill
- ☐ Grant Deed (owner name must match application form)
- ☐ Mills Act Pre-Application Fee

Additional Forms that may be required:

- ☐ Priority Consideration Criteria Worksheet
- ☐ Certificate of Appropriateness Landmark Designation Application

Condominium buildings must have 100% owner participation to be eligible for consideration. Additional requirements for Condominiums:
The authorized agent(s) of the HOA must submit the following for the building's commonly held spaces:

- ☐ HOA Covenants, Conditions & Restrictions (CC&Rs)
- ☐ Matrix of Condominium Ownership Information

Applicants must submit all applicable forms along with the Pre-Application Fee by the applicable deadline to be considered for the Mills Act Program

To request this information in an alternative format or to request a reasonable accommodation, please contact the Community Development Department at longbeach.gov/bcd 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.

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HOA CONTROLLED PROPERTIES - CONDOMINIUMS

ALL property owners must consent to the application, also submit:

- One Mills Act Contract Application form for the building's exterior and common spaces, to be completed by the HOA's authorized agent(s)
- One Mills Act Contract Application form for EACH individual unit, to be completed by the respective property owner(s)
- Copy of the HOA Covenants, Conditions & Restrictions (CC&Rs)
- Matrix of Condominium Ownership Information Form
- Grant deeds for all units in the building

APPLICATION DOCUMENTS REQUIRED

- **Application** – Included in 2024 Mills Act Guide
- **Property Tax Bill** – sent by LA County Tax Collector to property owners in October of each year
- **Grant Deed** – Owner name must match application form
- **Work Plan** – 10-Year Plan From 2026 – 2036

REHABILITATION/RESTORATION/MAINTENANCE PLAN

Consistency with Secretary of the Interior's Standards - Standards for Rehabilitation

The Secretary of the Interior's Standards for the Treatment of Historic Properties address four treatments: preservation, **rehabilitation**, restoration, and reconstruction.

- See Appendix of Application Guide
- <https://www.nps.gov/orgs/1739/secretary-standards-treatment-historic-properties.htm>



REHABILITATION/RESTORATION/MAINTENANCE PLAN



Priority Restoration Work:

- Visible from the public right-of-way
- Corrects any critical systems or structural deficiencies
- Reverses inappropriate alterations
- Preserves lift of the historic features of the property
- Work Plan is a 10-Year Plan Going from 2025 – 2035

REHABILITATION/RESTORATION/MAINTENANCE PLAN



Work items NOT eligible:

- Work inconsistent with the Standards
- Garage Conversions to ADU
- Addition or remodel work, such as solar panels, pools, built in BBQs, interior remodels
- Work that does not restore or rehabilitate

MILLS ACT PROGRAM FEES

Pre-Application fee – \$545.00

Collected at application submittal in March

Mills Act Application – \$2,936.46

Collected after Cultural Heritage Commission recommends the contract forward to the City Council

Mills Act / Landmark Combination fee - \$4,298.96

Collected after Cultural Heritage Commission recommends the contract and landmark request forward to the City Council

Recording Fee for Individual Condominium Owners \$81.00

Collected after Cultural Heritage Commission recommends the contract forward to the City Council

IMPORTANT DATES

Second Application Workshop

Saturday, Feb. 22, 2025, 10 a.m. to noon
Virtual Meeting Only *****Please RSVP*****

**The deadline to submit the completed Mills Act application package is
3 p.m., Friday, March 14, 2025.**

Pre-Contract Inspections - April 2025

Cultural Heritage Commission - July 2025

City Council - August/September 2025

Contract Recordation - December 2025

County Assessor reassesses property by June 30, 2026

New property value reflected on tax bill issued October 2026

Los Angeles County Office of the Assessor

**Tedd Chubb
Appraiser
Los Angeles County Office of the Assessor**

ASSESSMENT VALUATION

Assessor is required to assess a property in the manner specified in Sections 439-439.4 of the Revenue & Taxation Code, once its owner secures a historical property contract. It is effective on the Lien Date following the date the contract is signed and recorded.

Assessor is not involved in the process leading to the contract itself or any procedures for initiating such contracts.

WHY CONSIDER A MILLS ACT CONTRACT?

1. Potential Tax Savings for Current Property Owner due to Lowered Assessed Value
2. Possible Incentive for Future Buyers

POTENTIAL TAX SAVINGS

- Assessor reviews parcels with Mills Act contracts annually, comparing three valuation methods:

1) Trended Base Value (Prop 13)

Market value as of the purchase date trended to roll being prepared. New construction is added on to the trended base value.

2) Market Approach

Comparable sales used are non-Mills Act parcels

3) Income Approach

Considers all sources of income (potential rent, filming, etc.)

- The lowest value of the three methods is what will become the assessed value for the tax year in question
- Owners may realize property tax savings for recently improved or purchased older properties because the Income Approach to Value may be used rather than the standard Market Approach.
- The assessed values may increase each year because County Assessors are required to assess all Mills Act properties annually.
- Older base years will usually not benefit from the Mills Act valuation.
- The Mills Act program is especially beneficial for recent buyers of historic properties and for current owners of historic properties who have made major improvements to their properties.

POSSIBLE INCENTIVE FOR FUTURE BUYERS

- A future buyer may be willing to pay a little more (a premium) for a property that has a Mills Act Contract in place:
- Buyer knows that the purchase price will not be valued at full value
- The new buyer will assume the tax benefits accorded under the Mills Act contract at the lien date
- In addition, the buyer will not receive a supplemental bill

1.) TRENDDED BASE YEAR VALUE

- This is the original Prop. 13 base year value trended (multiplied) by as much as 2% annually.
- The original Prop. 13 base value is usually the same as the purchase price of the property.
- Base values may be increased by new construction events (additions) or partial interest transfers.
- In summary: the trended base year value is the original base year value, including any new construction, trended to the current year.

2.) THE MARKET APPROACH

- Considers the sales of comparable properties.
- Adjustments are made for dissimilar features.
- Assessor arrives at a fair market value for the property as of January 1.

3.) THE INCOME APPROACH

- The Income Approach, using a prescribed capitalization rate, usually determines the assessed value of the Mills Act property.
 - Market Rents as of January 1 for similar properties in the area are used to determine the potential income for Mills Act properties.
- NET OPERATING INCOME divided by CAP RATE
= THE INCOME APPROACH VALUE

DETERMINING NET OPERATING INCOME

Annual Potential Property Income

(i.e. rental, filming, etc.)

minus

Annual Operating Expenses

(does not include property taxes and mortgage expense)

equals

Net Operating Income

Which is then divided by the capitalization rate

DETERMINING THE CAP RATE

1) State Board of Equalization INTEREST COMPONENT
(Determined Annually by the BOE, for 2025 = 6.25%)

+

2) State Board of Equalization RISK COMPONENT for historical property
(Fixed, Owner Occupied Single Family Dwellings = 4%,
Other Historical Properties = 2%)

+

3) VALUE RATIO (Building/Base) X BLDG AMORTIZATION COMPONENT (Determined by Assessor)

+

4) TAX RATE (TRA) COMPONENT
(Fluctuates, 1% General Levy plus voted indebtedness, direct assessments)

=

CAP RATE

EXAMPLE

Assessment Year					ROLL 2024		
Sub Part #	Year Built	Eff. Year	Imp Desc.	Imp SqFt	Mo. Econ Rent	Actual Mo. Rent	Annual Rent
1	1927	1927	sfr	1080	4500		54000
							0
							0
							0
Total Sched. Econ. Gross Income							54000
Less Vacancy & Collection Loss					3%	=	(1620)
Effective Gross Annual Income =							52380
Total Annual Expenses							
(Does Not Include Property Taxes					15%		(7857)
Net Income (NIBR&T)					SFR		44523
SBE Interest Component							7.25%
Risk Component					00-No		2.00%
Imp to Base Value %	X	Bldg. Amortization 1/REL			20%	X	2.500%
= Amortization Component							= 0.49%
Tax Rate (TRA) Component					24		1.0970%
Total Capitalization Rate (4 Component)							10.8351%
Net Income					\$ 44523		410914
Cap. Rate =					10.8351%	=	410914
Total Capitalized Property Value					RND		\$411,000

Owner Occupied Single Family Dwelling

Purchase Date:	11/28/2018	Sale Price:	1,050,000
Land Val:	845,000	Imp Val:	205,000


Prior Yr Land Val	Prior Yr Imp Val	906,009	219,800
NCC Date	NCC Cost		
CPI Factor			1.020000
Trended Land Val	Trended Imp Val	924,129	224,196
New Year Total Value			1,148,325
New TXFR Date	Sale Price		
Unrestricted Base Year Value			1,148,325


Unrestricted Base Year Value	1,148,325
Unrestricted Market Value	1,495,000
Capitalized Value	411,000
FINAL VALUE	411,000

627 S. Broadway		
7508-009-004		4/20/2023
1444000	1048	1378
707 Garnet St.		
7506-004-002		9/29/2023
1350000	885	1525
755 Avenue A		
7509-013-020		9/20/2023
1850000	882	2098
1384	/SqFt	1,495,000

REASSESSMENTS

- Reassessments are generally conducted by June 30th of the year following the contract recording.
- The Assessor chooses the lowest of the three values (trended base, market or income).
- All Mills Act owners will receive an annual letter from the Assessor.
- The new assessment will be reflected on the subsequent property tax bill issued in October, with the first installment due by Dec 10th.
- There are no retroactive provisions

 **OFFICE OF THE ASSESSOR**
COUNTY OF LOS ANGELES
SOUTH DISTRICT OFFICE
1401 EAST WILLOW STREET
SIGNAL HILL, CALIFORNIA 90755-3543
REVENUE SECURITY DIV.
(800) 256-1701

 **ASSESSOR**
Los Angeles
County
Valuing People
and Property

6/18/2015

Mr. & Mrs. Taxpayer
1300 Oak Ave.
Los Angeles

Assessor's Identification Number: 6201-011-XXX
Property Location: 1300 Oak Ave., Los Angeles

Dear Property Owner:

MILLS ACT NOTICE OF ASSESSED VALUE CHANGE

Your restricted historical property qualifies for assessment under the Mills Act. The Assessor is required to review the assessed values annually. By law, the Assessor must enroll the lowest among A, B, or C below. The valuation of your property has been determined as follows:

Annual Review as of January 1, 2015

A	Proposition 13 Base Year Value (Trended)	B	Estimated Current Fair Market Value	C	Mills Act Appraised Value	Enrolled Value	
Total	\$ 600,027	Total	\$ 710,000	Total	\$ 278,000	Total	\$ 278,000

If you disagree with the enrolled value, you may file an appeal with the Assessment Appeals Board. The appeal must be filed between July 2 and November 30 or within 60 days of receipt of this notice, whichever is later. Assessment appeal applications may be obtained from the Assessment Appeals Board or from the public counter at any Assessor's office. You may also request information and forms by telephone at 213.974.1471, by mail, online, or in person. The Assessment Appeals Board is located in Room B-4, Kenneth Hahn Hall of Administration, 500 W. Temple Street, Los Angeles, CA 90012-2770 and online at <http://bos.lacounty.gov/Services/AssessmentAppeals.aspx>.

To read the law guiding the Assessor on the valuation of restricted historical property, see Revenue and Taxation (R&T) Code Sections 52, 110, and 439 through 439.4. The R&T Code is available online at www.bos.ca.gov/lawguides/property/current/tq/tq-revenue-and-taxation-code-property-taxation.html.

If you have any questions, please contact Mr. Appraiser by telephone at 562-256-1701 or email at mappraiser@assessor.lacounty.gov. Also, you may visit the Assessor's District Office in Signal Hill at 1401 E. Willow St. between 7:30 A.M. and 5:00 P.M., Monday through Friday.

Sincerely,

Principal Appraiser
Region 14, South District Office

c: City of Los Angeles
Attn: Historical Contracts Manager

"Valuing People and Property"

AS-33 (Rev. 04/04)

VALUING NEW CONSTRUCTION

- New additions will be valued as new construction, and may not be entitled to the alternative Mills Act valuation
- As is required of any Historic Landmark or Historic District property in the City of Long Beach, work on Mills Act properties requires a Certificate of Appropriateness from the Planning Bureau and any associated permits from the Building and Safety Division

LOS ANGELES COUNTY ASSESSOR

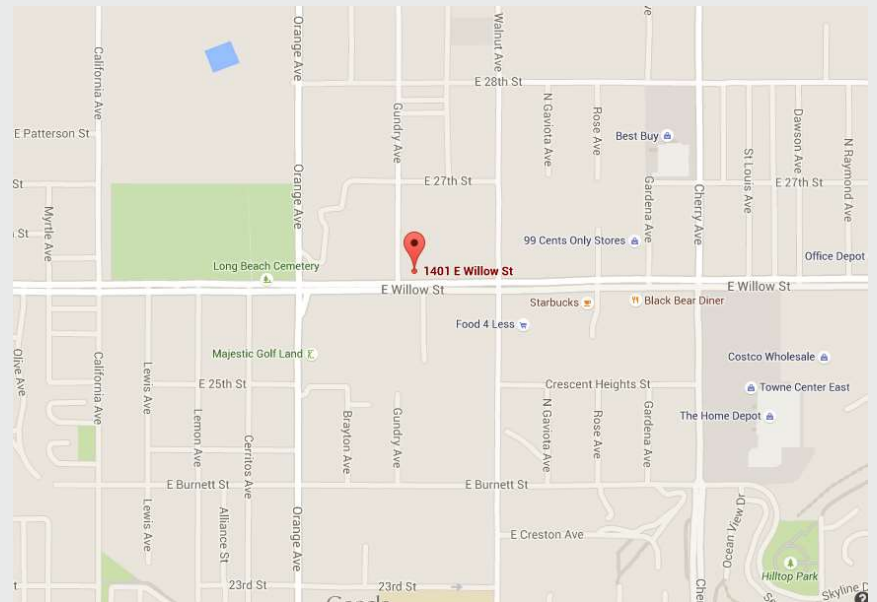
Los Angeles County Assessor

1401 E. Willow St.

Signal Hill, CA 90755

(562) 256-1701

southdistrict@assessor.lacounty.gov





Thank you

Q&A

Gina Casillas, Project Administrator
Community Development Department
Planning Bureau
Contact: (562) 570-6194
millsact@longbeach.gov