



## The Mills Act

Community & Economic  
Development Department

Cultural Heritage Board  
Agenda Item: 3  
April 17, 2019

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### WHAT IS THE MILLS ACT PROGRAM?

- 1972 - State Senator James Mills authorized the "Mills Act" in response to the plight of the historic Hotel Del Coronado
- A local property tax incentive program
- Encourages restoration, rehabilitation and preservation of privately owned properties
- Implemented by Riverside City Council in 2004



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## HOW DOES THE MILLS ACT BENEFIT OWNERS OF HISTORICAL PROPERTIES?

- Property tax savings - between 40% and 60% each year
- Mills Act properties may realize slight increases in property tax saving each year
- Beneficial for owners of historic properties who are planning major improvements to their properties



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## HOW THE MILLS ACT GENERALLY WORKS



- City enters into a contract with the owner of a property to restore, rehabilitate, or maintain their property in exchange for property tax savings
- Properties must be privately owned & subject to property tax
- Contracts run with the title on the property
- Contracts are for a minimum of 10 years & extend 1 year annually- unless either party chooses not to renew
- The County Assessor calculates the Mills Act tax reassessment annually



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## CITY OF RIVERSIDE PROGRAM ELIGIBILITY



- Eligibility is not discretionary
- Property must be located in the City of Riverside
- The property must be individually designated or a district contributor



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## APPLICATION PROCESS



- Average 7 per year – 5 residential and 2 commercial
- Maximum of 10 per year per – City Resolution 22139 in 2010
  - Written Application must include:
    - Calculations of Estimated Annual Savings
    - Ten year plan for property improvements
    - Application fee \$404
    - Contract Initiation Fee \$3274 - Post dated to December 1
      - Recoups cost of program administration
      - Set in City Council approved fee schedule
- Due the last business day in June



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- Eligible projects – attached to the property
- Projects completed between July 1st & June 30th
- Equal to average savings
- Certificate of Appropriateness – when required

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- Submitted annual to projects completed
- Required documentation of work
- Itemized list of work completed, and one of the follow:
  - Receipts
  - Photographs (before and after)
  - Copy of building permit
- Due the Last Business Day in July



**Community & Economic  
Development Department  
Planning Division**

3700 Main Street, 3<sup>rd</sup> floor • Riverside, CA 92502  
951.824.5371 • fax 951.824.5981  
[riversideca.gov/planning](http://riversideca.gov/planning)



## MILLS ACT ANNUAL REPORT

**CONTACT INFORMATION**

Property Owner: \_\_\_\_\_

MIR's Act Property Address: \_\_\_\_\_

Mailing Address (if different): \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Daytime Telephone: \_\_\_\_\_ E-Mail Address: \_\_\_\_\_

**REPORTING INFORMATION**

Annual Report for the year of: \_\_\_\_\_

What were your tax savings this year? \_\_\_\_\_

(Please attach copies of your tax statement for the applicable year.)

What was the total cost of the project(s)? \_\_\_\_\_

What was (were) your project(s)? Please describe each project contributing to your required expenditure. Include the cost of each project (add additional sheets as necessary):

Would you like to revise your Ten-Year Plan? \_\_\_\_\_ (If yes, attach a revised Ten-Year Plan)

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## INSPECTIONS



- Initial Inspection at Application Time
- Rotating bases every five years (typically during February & March)
- Interior and exterior inspections
- Community and Economic Development Staff preform the inspection



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## CURRENT STATUS

14 Years of the Program

68 Contracts Awarded  
- Average 4.7 per year, most 9 (2010)

79% Compliance rate

Approximately \$1.2 M in Property Tax Savings

Approximately \$2.9M in total Re-investment into Historic Properties




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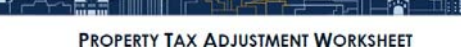
## RECENT PROGRAM REVISION

- Application:
  - Revised in 2018
  - Financial Analysis Worksheet simplified
  - Could amend application period (June) when Title 20 is updated



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## PROPERTY TAX ADJUSTMENT WORKSHEET

Instruction Guide Follows

Used for estimated saving to aid in filing out Ten-Year Rehabilitation Plan

<b>INCOME</b>	
<b>Monthly Rental Income</b>	Even if property is owner-occupied, an estimated monthly rental income is needed as a basis for this formula. Remember to include all potential sources of income (i.e. filming, advertising, photo-shoots, etc.).
<b>Annual Rental Income</b>	Multiply Monthly Rental Income by 12
<b>ANNUAL EXPENSES</b>	
<b>Insurance</b>	Fire, Liability, etc.
<b>Utilities</b>	Water, Gas, Electric, Utilities may only be listed and deducted as permitted in a traditional landlord-tenant relationship, i.e. net lease vs. gross lease.
<b>Maintenance and Repairs<sup>1</sup></b>	Includes: painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs.
<b>Management<sup>2</sup></b>	Standard fee (usually 5% of rent)
<b>Other Operating Expenses</b>	Security services, etc. May also include special district assessments and special taxes; however, general levy property taxes are not allowed expenditures. Provide breakdown on separate sheet.
<b>TOTAL ANNUAL ALLOWED EXPENDITURES<sup>3</sup></b>	Add total expenses. Total expenses typically equal approximately 28% of annual rental income.
<b>NET OPERATING INCOME</b>	
<b>Net Operating Income</b>	Annual rental income minus total expenses.



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## RECENT PROGRAM REVISION

- Annual reporting:
  - Revised program implementation in 2019
  - No longer require dollar for dollar reinvestment annually (life of contract)
  - Receipts no longer required, choose supporting documents (more user friendly)

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Would you like to revise your Ten-Year Plan? \_\_\_\_\_ (If yes, attach a revised Ten-Year Plan)



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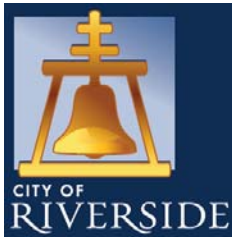
## COMPLIANCE

- Compliance options:
  - Non-renewal – tax savings slowly decreases for the remainder of contract
  - Cancellation – 12.5% fine
- Current efforts:
  - Compliance letters sent on January 30, 2019
  - Past annual reports were required by March 15, 2019
  - Notice of Non-renewal will be sent at least 60 days prior to renewal
  - Protest of Non-renewal required with 15 days of receipt



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