HISTORIC PRESERVATION MILLS ACT PROGRAM APPLICATION & INFORMATION

City of Redding
777 Cypress Avenue
Redding CA 96001
Telephone:
(530) 225-4020
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BACKGROUND

In 1972, the state of California enacted the Mills Act, an economic incentive program to encourage the preservation of historic buildings. State codes related to the Mills Act include California Government Code, Article 12, Sections 50280—50290 and California Revenue and Taxation Code, Article 1.9, Sections 439 – 439.4.

The Mills Act grants local governments the authority to establish, administer, and implement Mills Act Historic Preservation Tax Abatement Programs (Mills Act programs). Cities and counties with Mills Act programs are able 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. Each local government establishes its own criteria for evaluating applications and determines how many contracts will be allowed within its jurisdiction.

GENERAL PROVISIONS

1. The property must be privately owned; not exempt from property taxation; and either listed in the National Register of Historic Places, the California Register of Historical Resources, or Redding's Local Register of Historic Properties.

2. The contract must require that the property owner preserve the property and, when necessary, restore and rehabilitate the property throughout the term of the contract. Improvements shall include infrastructure and structural improvements, building maintenance, and *exterior* cosmetic improvements.

3. The term of the contract shall be a minimum of ten years. One year will automatically be added to the initial term of the contract each year on the contract anniversary date, unless a city or property owner files a notice of nonrenewal 60 or 90 days prior to the anniversary, respectively. If a notice of nonrenewal is duly filed, the existing contract shall remain in effect for the balance of the period remaining since the execution or last renewal of the contract.

4. No later than 20 days after a city enters into a contract, the clerk of the legislative body must record a copy of the contract with the county recorder.

5. The property owner must provide written notice of the contract to the State Office of Historic Preservation within six months of entering into the contract.

6. All work must comply with the rules and regulations of the State Office of Historic Preservation of the Department of Parks and Recreation, the United States Secretary of the Interior's Standards for Rehabilitation, and the State Historic Building Code.

7. The contract must allow for periodic interior and exterior inspections by the tax assessor, State Department of Parks and Recreation, and the State Board of Equalization to determine the property owner's compliance with the contract.

8. The contract must be binding upon successive property owners for the term of the contract. Successive property owners have the same rights and obligations under the contract as the owner who entered the contract.

9. During the term of the contract, the County Assessor is responsible for establishing the value of the property.

10. A cancellation fee of 12.5 percent of the full market value of the property must be assessed upon the property owner if the contract is canceled for breach of the provisions of the contract or if the property is altered or allowed to deteriorate so that it is no longer considered a significant historic structure.

PERMIT PROCESS

Step 1 - Preapplication Discussion with Staff

Staff is available to discuss your project with you before you apply for the program. This will provide you an opportunity to discuss the program, the historic status of your property, application requirements, and the approval process before you spend time and money on preparing the required application materials. It would be helpful to provide photographs of the property, as well as any information you may have regarding the age of the structure, original owner, etc., for these discussions.

Step 2 – Filing of Application

To file an application for a Mills Act Contract, you must submit the completed application forms, filing fee, and the other information detailed in this handout to the Planning Division of the Development Services Department. The application must be signed by the property owner. City staff will review the material to make sure all the required information is provided. If your application is incomplete, you will be notified within 30 days after filing concerning the information needed to complete your application.

Step 3—Public Hearing

When your application is complete, your application will be scheduled for a public hearing before the Planning Commission (Commission). Notification of the hearing is mailed to adjacent property owners within 300 feet of the exterior boundaries of your property. During the public hearing, the Commission will take testimony from interested parties before making a decision on whether your property should be certified as a Qualified Historic Property.

Appeal

The actions of the Commission may be appealed to the City Council. Applicants and the general public have ten days following the hearing date to file an appeal. If no appeal is received within the ten-day period, the determination of the Planning Commission will be effective. If the Commission certifies your property as a Qualified Historic Property, the application will be referred to the City Manager to execute the Mills Act Contract.

ESTIMATED TIME REQUIREMENTS

The actual time for processing a Mills Act Contract application will vary depending on the quality of the required property description and the nature of items contained in the proposed preservation work program. Typically, however, the process will be completed in six to eight weeks.

APPLICATION SUBMITTAL REQUIREMENTS

1. **City of Redding Planning Application and Mills Act Supplemental Application Form and filing fee.**
2. **Photographs.** Color photographs shall be provided that sufficiently illustrate the exterior, overall condition, and historic character of the property and its historic features. The photographic set shall include the structure as seen from the street(s) and from the front, side, and rear property lines. Ten sets of printed photographs shall be provided and either printed or mounted on 8 ½ x 11-inch paper. Each image shall be appropriately labeled (e.g., front, rear side, across the street). A set of digital photographs shall also be provided.
3. **Copy of last property tax bill.**
4. **Title report (prepared within 45 days of application submittal).**
5. **Proposal Statement.** A brief description summarizing how the structure qualifies for the program, the estimated tax savings, and the historical improvements/maintenance proposed.
6. **Detailed Property Description.** A report prepared by a licensed architect or other qualified professional that: (1) describes the historic character and context of the property; (2) describes the architectural style, exterior finishes, and character-defining features of the structure; (3) assesses the overall condition of the structure; (4) describes any significant alterations that have been made to the original structure, including additions and alterations affecting historic/architectural integrity of the structure; and (5) specifies recommended restoration and/or maintenance requirements.
7. **Preservation work program, including time line and cost estimates (Attachment "A").**
8. **Property Tax Adjustment Worksheet *Instructions* and *Worksheet* (Attachment "B").**

MILLS ACT APPLICATION
HISTORIC PROPERTY REPORT

Each application for the Mills Act Program must be accompanied by a report prepared by a "Qualified Professional." These reports provide specific information about the property, its condition, and the rehabilitation/refurbishment and maintenance items to be undertaken during the term of the Mills Act Contract to ensure that the historic/architectural integrity of the property is maintained. Qualified professionals include licensed architects, architectural historians, or other professionals that have demonstrated to the satisfaction of the Development Services Director that they possess the requisite knowledge in historical research, architectural history, and building trades.

To ensure that reports prepared for the Mills Act Program contain sufficient and necessary information, the following outline should be used as a guide in preparing the narrative for the report:

1. **GENERAL BUILDING AND PROPERTY DESCRIPTION** To the extent that information is known, this section should briefly describe the following:

   Building
   - Date of construction
   - Designer
   - Builder
   - Historical identification/name, if any, that the property is known by

   Property
   - Neighborhood and context of property in relation to the neighborhood
   - Lot characteristics, including size, dimensions, slope, and access
   - Landscape, particularly mature trees
   - Hardscape and/or significant walls or other structures
   - Fencing

2. **SPECIFIC BUILDING DESCRIPTION**
   - Architectural style (i.e., California Bungalow; Queen Anne)
   - Character-defining features (i.e., patios; detailed eaves; roof pitch and materials; unusual or notable quality of materials; columns; foundation, chimney; exterior finishes)

3. **CONDITION OF EXTERIOR**
   - An overall and specific assessment of the condition of each element of the building's exterior as described in Item 2

4. **RECOMMENDATIONS FOR REHABILITATION/MAINTENANCE OVER TERM OF CONTRACT** The Mills Act program in Redding is specifically designed to apply to the exterior of the building/structure. However, to the extent that interior conditions—such as unsafe wiring, plumbing, or other mechanical problems; water leaks; or other conditions—require repair/replacement to ensure the long-term integrity of the property, certain interior work may be considered appropriate.

5. **RESTORATION/REHABILITATION/MAINTENANCE PLAN AND SCHEDULE** The estimated property tax savings through the program must be used to restore, rehabilitate, and/or maintain the property. Provide a yearly schedule, with cost estimates, for each item proposed to be undertaken during the term of the contract. While the contract has an initial 10-year term, it is appropriate to provide a schedule that exceeds that time period, since the contract is automatically renewed each year unless cancelled by action of the City or property owner.

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PROPERTY INFORMATION

Historic/common name (if any): _____

Construction date: _____

Year of purchase: _____

Existing use of property: _____

Assessed valuation: _____

HISTORIC STATUS

☐ Listed on the National Register of Historic Places

☐ Listed as a City of Redding Candidate Property

☐ Listed as a City of Redding Qualified Property

☐ Other historic designation. Please note designation: _____

OWNER INFORMATION

Owner's name: _____

Owner's signature: _____

Date: _____

Notice: Each property owner should also consult legal counsel and/or a financial advisor concerning the advisability of entering into a Mills Act contract, prior to completing and submitting this application.

ATTACHMENTS

A. Preservation Work Program and Time Line
B. Mills Act Program Tax Adjustment Worksheet *(Instructions and Worksheet)*
C. Mills Act Program List of Appropriate Improvements
D. Secretary of the Interior's Standards for Rehabilitation

ATTACHMENT "A"

PRESERVATION WORK PROGRAM AND TIME LINE

Please list the improvements to take place over the next 10 years, in order of priority. Listed work should be limited to stabilization and/or maintenance of the historic structure or restoration and/or repair of exterior, character-defining features of the historic property. State the anticipated costs of the improvements, including, but not limited to, materials, labor, permits, and fees. Anticipated construction must be equal to or greater than tax savings. (Please attach additional pages as needed to complete the information below.)

YEAR	PROPOSED PROJECT	ESTIMATED COST
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	ESTIMATED 10-YEAR TOTAL COSTS	

(Note: The estimated cost of proposed restoration and maintenance activities must be equal to or greater than the estimated reduction in property taxes.)

ATTACHMENT "B"

MILLS ACT PROGRAM TAX ADJUSTMENT WORKSHEET

INSTRUCTIONS FOR COMPLETING FINANCIAL ANALYSIS FORM

As part of the application, an estimate of the property tax savings resulting from acceptance into the Mills Act Program must be provided. The following instructions will assist you in completing the required financial analysis. Please note that the final determination regarding any tax saving will be made by the Shasta County Assessor once a property owner enters into a Mills Act Contract.

STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY

1. **Monthly Rental Income**
   The Monthly Rental Income, when the property is owner-occupied, is determined based on what the property could reasonably be expected to yield. The income for owner-occupied properties is based on comparable rents for similar properties in the area. For income-producing properties, the amount is the actual rent received or typical rentals for similar property and similar uses.

2. **Annual Rental Income**
   The Annual Rental Income is calculated by multiplying the monthly rental income by 12 months.

STEP 2: DETERMINE ANNUAL OPERATING EXPENSES

3. **Insurance**
   The insurance expense is calculated by using the annual cost of an insurance policy for the property, such as homeowner's insurance.

4. **Utilities**
   The utilities expense is calculated by multiplying the average monthly utilities cost by 12 months.

5. **Maintenance**
   Normal maintenance expenses including heating and air conditioning, painting, plumbing, landscape maintenance, and similar non-deferred maintenance requirements.

6. **Management**
   Management costs are any management fees, if a company manages your property. Owner-occupied properties should have no management expenses.

7. **Other Operating Expenses**
   Other expenses are any expense not listed above. These expenses *cannot* include debt service, depletion charges, and interest on funds invested in the property. Mortgage payments and property taxes are also not deductible.

8. **Total Expenses**
   The Total Annual Expenses are calculated by adding Lines 3 through 7.

STEP 3: DETERMINE ANNUAL NET INCOME

9. **Net Total**
   Net Operating Income is calculated by subtracting Total Expenses (Line 8) from Annual Rental Income (Line 2).

STEP 4: DETERMINE CAPITALIZATION RATE

The Capitalization Rate consists of an interest component, a historical-risk component, an amortization component, and property tax component.

10. **The Interest Component**
    The Interest Component is determined by the State Board of Equalization (SBE) and is announced no later than October 1 of the year preceding the assessment year. Interest Component data for past years can be obtained by phoning the SBE at 800-400-7115.

11. **Historical Property Risk Component**
The Historical Property Risk Component is 4 percent for owner-occupied single-family dwellings. For all other cases, the Historical Property Risk Component is 2 percent.

12. **Property Tax Component**
The Property Tax Component is defined as the "percentage of the estimated total tax rate applicable to the property for the assessment year times the assessment ratio." The Property Tax assessment is determined by the Shasta County Assessor's Office on an annual basis, but is typically .01. The Mills Act does not allow for a reduction in any direct assessments, such as special district assessments.

13. **Amortization Component**
The Amortization Component is a percentage equal to the reciprocal of the remaining life of the improvements. Although this calculation varies by individual structure, the typical remaining life of a wood-frame structure is 20 years, and the typical remaining life of a masonry building is 50 years. (Example: 1÷20 years = 5 percent for wood-frame buildings and 1÷50 = 2 percent for masonry buildings.)

14. **The Capitalization Rate**
The Capitalization Rate is calculated by adding Lines 10 through 13.

STEP 5: DETERMINE NEW ASSESSED VALUE

15. **Mills Act Assessment Value**
The Mills Act Assessment Value is calculated by dividing the Net Operating Income (Line 9) by the Capitalization Rate (Line 14).

STEP 6: DETERMINE ESTIMATED TAX REDUCTION

16. **Current Taxes**
The Current Taxes amount is the total current taxes on the property, excluding voted indebtedness or direct assessments.

17. **Mills Act Taxes**
The Mills Act Tax is calculated by multiplying the Mills Act Assessment Value (Line 15) by the Property Tax Component (Line 12).

18. **Tax Savings**
The Tax Savings is calculated by subtracting the Current Taxes (Line 16) from the Mills Act Taxes (Line 17).

ATTACHMENT "B" (continued)

MILLS ACT PROGRAM TAX ADJUSTMENT WORKSHEET

Property Address/APN: _____

PLEASE NOTE: The calculation reflected on this worksheet is only an estimate. The Assessor's Office will calculate the Mills Act value based on current market rates and its professional appraisal experience.

STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY

ANNUAL PROPERTY INCOME	CURRENT	EXPLANATION
1. Monthly Rental Income		Even if property is owner-occupied, an estimated current market monthly rental income is needed as a basis for this worksheet formula. Remember to include all potential sources of income.
2. Annual Rental Income		Line item #1 x 12 months

STEP 2: DETERMINE ANNUAL OPERATING EXPENSES

ANNUAL OPERATING INCOME	CURRENT	EXPLANATION
3. Insurance		Property Insurance: fire, liability, etc.
4. Utilities		Water, gas, electric. (No cable or dish.)
5. Maintenance (normal property maintenance, not deferred maintenance)		Normal maintenance includes painting, plumbing, electrical, gardening, cleaning, mechanical, heating, or structural repairs. Provide detail on a separate sheet.
6. Management		If the property is not owner-occupied, estimate 5% of the gross rent.
7. Other operating expenses		Security, services, etc. Provide detail on a separate sheet. Operating expenses do not include mortgage payments, property taxes, or depreciation.
8. Total Expenses		Add lines 3 through 7.

STEP 3: DETERMINE ANNUAL NET INCOME

NET OPERATING INCOME	CURRENT	EXPLANATION
9. Net Total		Line 2 minus line 8

NOTE: If you are calculating for commercial or income property, remember to provide the following back-up documentation where applicable:

1. Rent roll. Include rent for on-site manager's unit as income, if applicable.
2. Maintenance records. Provide details on a separate sheet. All costs should be recurring annually.
3. Management expenses. Include expense of on-site manager's unit or use a 5 percent off-site management fee. Describe other management costs. Provide detail on a separate sheet.

STEP 4: DETERMINE CAPITALIZATION RATE

CAPITALIZATION RATE	CURRENT	EXPLANATION
10. Interest Component (published by October 1 each year. May vary slightly prior to recording date)	6.75 percent	As determined by the State Board of Equalization. Contact the Board of Equalization or the Shasta County Assessor for current rate.
11. Historic Property Risk Component		Single-family home = 4 percent. All other property = 2 percent.
12. Property Tax Component	1 percent	.01 times the assessment ratio of 100 percent
13. Amortization Component (reciprocal of life of property)		Typical wood-frame building's remaining use is 20 years (1÷20 = .05). Typical masonry building's remaining use is 50 years (1÷50 = .02 percent).
14. Total = Capitalization Rate		Add lines 10 through 13

STEP 5: CALCULATE NEW ASSESSED VALUE

NEW ASSESSED VALUE	CURRENT	EXPLANATION
15. Mills Act value plus non-Mills Act assessed values (typically includes land in excess of two acres		Line 9 divided by line 14 From current tax bill or assessor's breakout x 1.02 percent

STEP 6: DETERMINE ESTIMATED TAX REDUCTION

NEW TAX ASSESSMENT	CURRENT	EXPLANATION
16. Current tax		General tax levy only. Do not include voted indebtedness or direct assessments.
17. Tax under Mills Act		Line 15 x .01
18. Estimated Tax Reduction		Line 16 minus line 17

ATTACHMENT "C"

MILLS ACT PROGRAM LIST OF APPROPRIATE IMPROVEMENTS

Improvements eligible for inclusion in this contract may include, but are not limited to, the following:

- Access Modifications – Exterior
- Access Modifications – Interior
- Accessory Structure – Repair or Replace with Historically Correct
- Annual Maintenance and Repairs
- Appliance Vent
- Architectural Detail – Remove Nonhistoric Feature and Restore to Original
- Architectural Trim – Repair or Replace with Historically Correct
- Balcony/Decks – Install New Railings to Code
- Balcony/Decks – Repair or Replace with Historically Correct
- Basement – Repair, Rebuild
- Basement Access – Repair or Replace
- Chimney – Inspect and Clean
- Chimney – Repair or Rebuild with Historically Correct
- Code Repair Item
- Column – Repair, Rebuild, or Replace with Historically Correct
- Corbels/Structural Brackets – Repair or Replace with Historically Correct
- Door, Entry – Repair or Replace with Historically Correct
- Door, Hardware – Repair or Replace with Historically Correct
- Door, Screen – Repair or Replace with Historically Correct
- Drain for Deck – Repair, Replace, or Install New
- Drainage – Protect or Correct
- Dry Rot – Remove and Repair or Replace Structural or Architectural Element with Historically Correct
- Eaves and Overhangs – Repair or Replace with Historically Correct
- Electrical – Install Ground and Service Entry
- Electrical – Install New Circuits
- Electrical – Install New Service Lines to Garage
- Electrical – Rewire and Upgrade Service
- Electrical Fixtures – Repair or Replace with Historically Compatible
- Electrical Outlets – Repair, Replace, or Install New
- Fence or Wall – Repair or Replace with Historically Compatible
- Flashing – Repair or Replace
- Foundation – Perform Bolting and Seismic Work
- Foundation – Repair, Rebuild, or Replace with Historically Correct
- Gable or Attic – Re-screen

- Garage – Repair or Replace with New Historically Compatible
- Garage Doors – Repair or Replace with Historically Compatible
- Gutters and Downspouts – Repair or Replace
- Landscaping – Install New
- Masonry – Repoint, Repair, Replace, or Install New Historically Correct
- Mechanical, Air Conditioning – Repair, Replace, or Install New
- Painting – Exterior
- Painting – Removal of Exterior Lead-Based Paint
- Patio – Repair, Rebuild, or Replace with Historically Correct
- Paving, Driveways or Walkways – Repair, Replace, or Install New HistoricallyCompatible Plaster – Repair, Refinish, Remove, or Replace with Historically Correct
- Plumbing, DWV (Drain, Waste, and Vent) – Repair, Replace, or Install New
- Plumbing, Service Lines – Repair, Replace, or Install New
- Plumbing, Sewer – Repair, Replace, or Install New
- Porch – Repair, Rebuild, or Replace with Historically Correct
- Porch, Ceiling, or Floor – Repair, Resurface, or Replace with Historically Correct
- Porch, Railing – Repair or Replace to Code
- Roof – Repair, Re-roof, or Strip and Install New Historically Correct
- Seismic Retrofitting
- Siding – Repair or Replace with Historically Correct
- Siding, Asbestos – Remove and Replace or Repair Underlying Material
- Skylights – Repair or Replace
- Stairs – Repair or Replace
- Stonework – Repair or Replace with Historically Correct
- Stoop – Repair or Replace with Historically Correct
- Structural Repairs or Replacement – Bracing, Framing, Joists, etc.
- Substandard Construction – Remove
- Termite Treatment and Repair Work
- Utility Enclosure – Repair, Replace, or Install New
- Waterproofing
- Weatherproofing
- Windows – Repair or Replace with Historically Correct
- Windows, Screens, and Hardware – Repair, Replace, or Install New Historically Compatible

ATTACHMENT "D"

SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.

2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.

3. Each property shall 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 architectural elements from other buildings, shall not be undertaken.

4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.

5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.

6. Deteriorated historic features shall be repaired, rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.

7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.

8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.

9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.

10. New additions and adjacent or related new construction shall 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.