

City of Long Beach Mills Act Program Pre-Application Workshop

Saturday, March 12, 2016

10:30 am – 12:30 pm

Long Beach Public Library Lobby



Introduction

Christopher Koontz
Advance Planning Officer
City of Long Beach



Mills Act Program in Long Beach

- State legislation enacted in 1972
- City of Long Beach adopted program in 1993
- Currently 36 single-family/duplex, 6 multi-family properties and 1 commercial structure with contracts
- New applications suspended in 2006, resumed in 2015
- Single-family/duplex contract inspections completed in 2013
- Multiple-family contract inspections completed in 2014
- This year's program is an expansion over 2015



Mills Act Program Overview

Alejandro Plascencia
Historic Preservation Planner
City of Long Beach



Mills Act Program Overview

- Purpose of Mills Act Program
 - Encourage the designation and protection of historic properties
- How it works
 - Property owners enter formal agreement with City committing to rehabilitate and maintain the historic property
 - Property owner is responsible for completing work plan
 - City is responsible for ensuring property owner is in compliance
 - County Assessor adjusts tax valuation which may result in reduction of property taxes



Mills Act Contract Details

- Contract is for 10-years, automatically renews each year, and runs with property (passes on to future owners)
- If the property owner or City declines to renew the contract, the remainder of the 10-year term still 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



Program 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

- Property taxes reassessed by the 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 HOWEVER WILL THE MILLS ACT CAUSE YOUR TAXES TO INCREASE**



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 may benefit less, because assessed value under the Mills Act will likely be higher than the trended (Prop 13) 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



Eligibility

- Who is eligible to apply?
 - Owners of properties already designated as individual City of Long Beach Landmarks
 - Owners willing to landmark their property as part of a combination application.
- May not exceed valuation limit, based on property type:
 - Single family: \$1M
 - Duplex/triplex: \$600k per dwelling unit
 - Multifamily or Mixed Residential/Commercial: No limit
 - Non-residential: \$2.5M
- Must have a detailed Rehabilitation Plan for the property



Selection Criteria

- Long Beach Cultural Heritage Commission set the following guidelines for the 2016 application period:
- Annual cap on new contracts awarded:
 - Single family: Max 12
 - Duplex/triplex: Max 3
 - Multifamily or Mixed Residential/Commercial: Max 1
 - Non-Residential: Max 1
 - Rollover from previous years: Max 8 open slots
 - The City may shift applications from category to category if an insufficient number of applications are received.
- Priority consideration will be given to:
 - Pending applications returned after 2006 program suspension
 - 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



New Landmarks

- Combination Application are available in the 2016 cycle.
- 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 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.



Preparing the Application

Teresa Grimes

Principal Architectural Historian

GPA Consulting



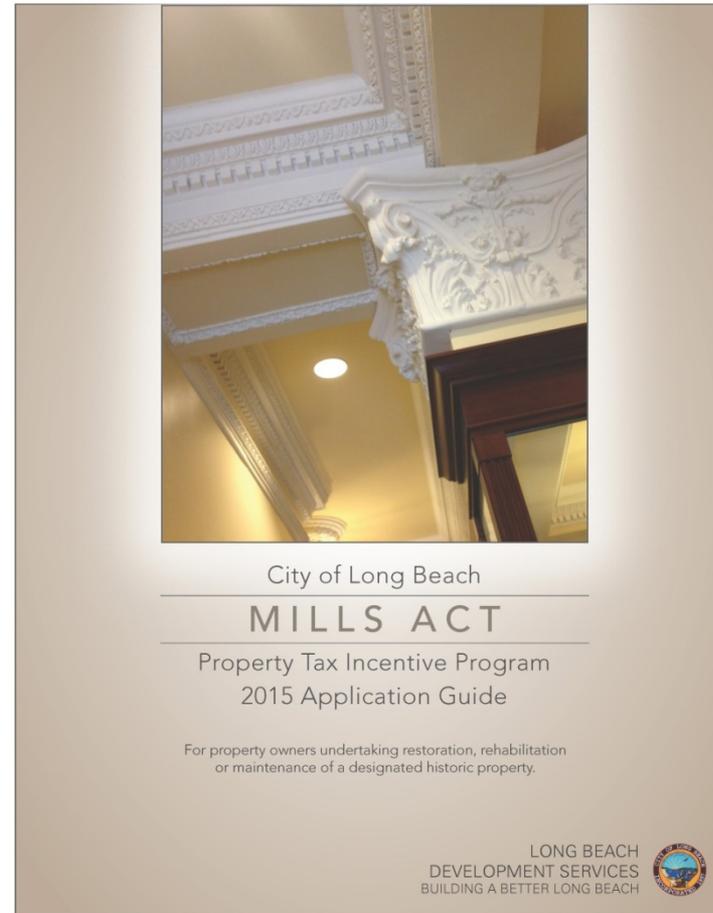
Contract Award Not Guaranteed

- City may receive more applications than able to issue contracts for, due to annual cap on new contracts
- Important to prepare a high-quality, 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



Preparing Application

- Application Guide
 - Available at:
www.lbds.info/millsact
 - Includes program explanation and directions for applying



Preparing Application

- Application Package Check-Off List
- Include as cover sheet for your application
- Helps ensure complete submittal

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APPLICATION PACKAGE CHECK-OFF LIST

Read the Application Guide before completing your application.
Use this Check-Off List as a cover sheet for the items below.

Requirements for All Properties EXCEPT Condominiums:

The property owner(s) must submit the following:

- Mills Act Contract Application Form
- Priority Consideration Criteria Worksheet
- Rehabilitation/Restoration/Maintenance Plan
- Photographs (see Application Guide page 10)
- Site Plan (see Application Guide page 10)
- Most recent property tax bill
- Grant Deed (owner name must match application form)
- Mills Act Pre-Application Fee (see Application Guide page 11)

Requirements for Condominiums/Homeowners Association (HOA) Controlled Properties:

The authorized agent(s) of the HOA must submit the following for the building's commonly held spaces:

- Mills Act Contract Application Form (one for building's exterior/common spaces)
- HOA Covenants, Conditions & Restrictions (CC&Rs)
- Matrix of Condominium Ownership Information
- Priority Consideration Criteria Worksheet
- Rehabilitation/Restoration/Maintenance Plan
- Photographs (see Application Guide page 10)
- Site Plan (see Application Guide page 10)
- Most recent property tax bill (if applicable)
- Grant Deed (if applicable)
- Mills Act Pre-Application Fee (see Application Guide page 11)

ALL individual unit owners must submit the following for their private property:

- Mills Act Contract Application Form (one for each for individual unit)
- Most recent property tax bill
- Grant Deed (owner name must match application form)

Include all of the above in one combined submittal.

This form is available in alternative format by request at 562.570.3807. For an electronic version, visit our website at www.lbds.info.



Mills Act Contract Application Form

- Where to find property information
 - Assessor's Parcel No., Assessed Value (maps.assessor.lacounty.gov)
 - Council Dist. No. (longbeach.gov/officials)
 - Historic Designation (www.lbds.info/planning/historic_preservation)

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MILLS ACT CONTRACT APPLICATION FORM

OWNER INFORMATION
Property Address: _____
Owner(s) of Property: _____
Owner(s) Mailing Address: _____
Home Telephone: _____ Work Telephone: _____
Mobile Telephone: _____ Alternate Telephone: _____
Owner(s) Email: _____ Alternate Email: _____

PROPERTY INFORMATION
Assessor Parcel Number (APN): _____ - _____ - _____ Council District No.: _____
Property Purchase Date: _____ Most Recent Assessed Value: _____
Use: Single-Family (1 dwelling unit) Duplex/Triplex (2-3 dwelling units)
 Multi-Family (4 or more dwelling units) Commercial/Industrial/Institutional
List addresses of all other property owned within the City of Long Beach (attach sheet if needed): _____

Are taxes on all property owned in the City of Long Beach paid current to date?
 Yes No

Are there any orders to comply from City of Long Beach Building and Safety of Housing Authority on any property owned? Yes No

HISTORIC DESIGNATION
 Designated City of Long Beach Historic Landmark
Landmark Name: _____
Original Construction Date: _____ Architect(s): _____
Contractor or other person of note (owner, occupant, etc.): _____
Architectural Style: _____

333 W. Ocean Blvd., 3rd Floor, Long Beach, CA www.lbds.info

LONG BEACH
DEVELOPMENT SERVICES



Priority Consideration Criteria Worksheet

- Priority consideration for the following:
 - Property with pending application submitted prior to program suspension in 2006
 - Unique or important historic structure that is in particularly poor condition and in need of significant restoration

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PRIORITY CONSIDERATION CRITERIA WORKSHEET

The following Priority Considerations were recommended by the City of Long Beach Cultural Heritage Committee in October 2014 and approved by the City Council in January 2015. Eligible and complete applications that meet these criteria will be given priority consideration for receiving a Mills Act contract.

In order to determine the property's eligibility for priority consideration, please use the space below to describe if and how the property meets each of the criteria. Also include any required attachments described below.

Did you submit a Mills Act application for your property in or prior to 2006?
 YES NO

As described in the Application Guide, new applications to the Mills Act Program were temporarily suspended in 2006. Applications received during that year were returned by the City to the applicants. The Cultural Heritage Commission would like to give priority to those previously submitted applications. **If this criterion applies to you, include a copy of your previously returned Mills Act application along with your 2015 Mills Act application package.**

Is your property a unique or important historic structure that is in particularly poor condition and in need of significant restoration, regardless of location?
 YES NO

The Cultural Heritage Commission would like to encourage the rehabilitation, restoration and maintenance of designated historic landmarks or contributors to historic landmark districts with significant need. However, as noted in the Application Guide, properties with outstanding Orders to Comply from the Building and Safety Division or Housing Authority will not be eligible for a Mills Act contract until those urgent conditions are first remedied. **If this criterion applies to you, please describe the unique or important aspects of your property and the significant restoration that is needed on an attached sheet.**

This form is available in alternative format by request at 562.570.3807. For an electronic version, visit our website at www.lbds.info.



Rehabilitation/Restoration/Maintenance Plan

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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.

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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.

For a full version of the standards and the accompanying illustrated guidelines, visit:
<http://www.nps.gov/tps/standards/rehabilitation/rehab/index.htm>.

Work plan must be consistent with the Secretary of the Interior's Standards for Rehabilitation

See Appendix of Application Guide



Rehabilitation/Restoration/Maintenance Plan

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REHABILITATION/RESTORATION/MAINTENANCE PLAN

Use this template to create a detailed work plan to be completed in the first 10 years of the contract. Recall that all work must be consistent with the Secretary of the Interior's Standards for Rehabilitation (see Application Guide Appendices), and properties which have already been fully rehabilitated or restored, and do not need additional work, are not eligible. Work that is visible from the public right-of-way, corrects any critical systems or structural deficiencies, and preserves historic features of the property should be given first priority. Duplicate this form as needed or provide additional sheets to include all work plan items. **Remember that all exterior work on historic properties requires prior City approval through a Certificate of Appropriateness, and that any unpermitted work could be subject to fines, penalties, or might have to be modified, removed or redone at owner expense.**

Property Name and Address: _____

Item No.: _____ Building Feature: _____ Completion Year: 20_____	Detailed description of work:
Item No.: _____ Building Feature: _____ Completion Year: 20_____	Detailed description of work:



Rehabilitation/Restoration/Maintenance Plan

- Priority work:
 - visible from the public right-of-way
 - corrects any critical systems or structural deficiencies
 - reverses inappropriate alterations
 - preserves historic features of the property



Rehabilitation/Restoration/Maintenance Plan

- Not eligible:
 - work inconsistent with the Standards
 - additive or remodel work, such as solar panels, pools, built in BBQs, interior remodels (not restoration or rehabilitation)



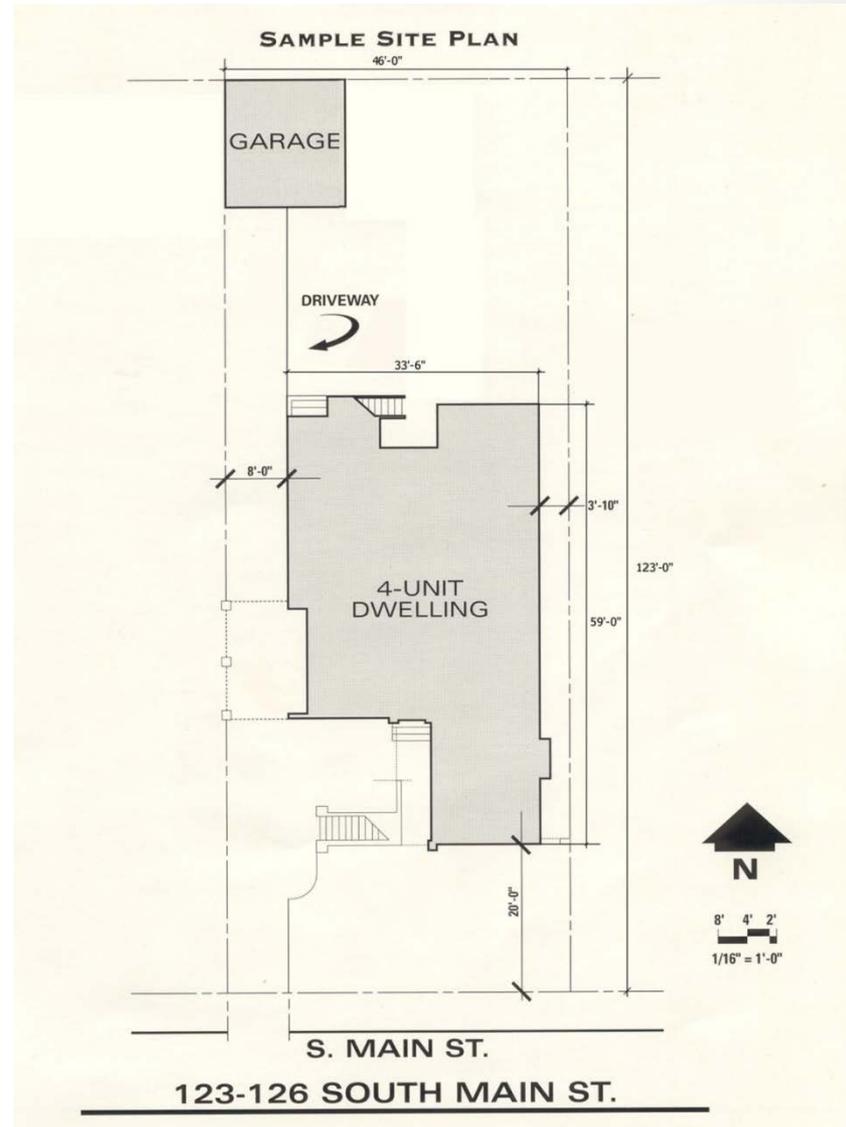
Attachments

- Photographs
 - one printed set AND digital files (on CD) of the following:
 - Building exteriors
 - Overall view of the property as viewed from the street,
 - Overall view of the front, rear, and sides of all buildings, and
 - A closer view of each exterior historic feature
 - Building interiors (for Multifamily, Mixed-Use, or Non-Residential Properties only)
 - Overall view of each common or publicly accessible interior area, if any, and
 - A closer view of each interior historic feature in any common or publicly accessible areas



Attachments

- Site Plan
 - 8 ½ x 11 inch site plan, drawn to scale
 - locations of all buildings on the property
 - abutting street names
 - a north arrow
 - building and site dimensions



Attachments

- Most recent property tax bill
 - Sent by County Assessor to property owners in October of each year
 - Property must:
 - Not be exempt from property taxation
 - Not be delinquent in paying property tax
 - Meet the valuation limits
- Grant Deed
 - Owner name must match application form
- Mills Act Pre-Application Fee
 - \$163.95, check or money order made payable to “City of Long Beach”



HOA Controlled Properties

- 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)
 - Authorized signautre 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



Matrix of Condominium Ownership Information

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MATRIX OF CONDOMINIUM OWNERSHIP INFORMATION (Required for multi-tenant ownership properties only)

Condominium buildings must have 100% owner participation to be eligible for consideration. Please list **ALL** legal parcels associated with the property (common and privately held), and indicate the respective owner(s) [Home Owners Association (HOA) or individual(s)]. Corresponding Application Forms must be submitted by the HOA's authorized agent(s) and each of the individual unit owners. Duplicate this page as needed to include all legal parcels.

Property Name and Address: _____

Unit Number	Assessor's Parcel Number	Owner(s) Name(s)	App. Form Attached



Important Dates

- Application Workshop
 - Saturday, March 26, 2016
 - 10:30 am – 12:30 pm
 - Dana Library Meeting Room, 3680 Atlantic Ave.
- Application Deadline
 - Friday, April 1, 2016
 - No later than 4:00 pm
 - Long Beach Planning Bureau, 333 W Ocean Blvd., 4th Floor



Application Processing

Christopher Koontz
Advance Planning Officer
City of Long Beach



Pre-Contract Inspections

- Applications submitted by 4:00 pm on April 1, 2016 will be reviewed by City staff for completeness
- Pre-Contract Inspections anticipated during April and May
 - Approximately 45 – 60 minutes, owner should be present to discuss application and proposed work plan with City staff and/or City's historic preservation consultant(s)



CHC Recommendation

- After Pre-Contract Inspections are complete, City staff prepares recommendation report to Cultural Heritage Commission
- At public meeting on Monday, June 13, Cultural Heritage Commission reviews Staff report, makes recommendation to City Council



Council Decision

- At public meeting on or before Tuesday, July 19, City Council makes final decision on which contracts will be awarded
- City staff notifies applicants of final decision by July 22nd
- Applicants not selected may re-apply in the future



Contract Recordation

- City staff issues contracts to selected applicants by August 19, 2016
- Selected applicants return executed contract and application fee (\$1,103.93 plus multi-unit and/or landmark fees), check or money order made payable to “City of Long Beach”) by September 16, 2016
- City staff records contract with County Recorder by December 28, 2016.
- Generally, County Assessor reassesses property by June 30, 2017, and new value reflected on tax bill issued October 2017.



Tax Valuation

Tedd Chubb

Appraiser

Los Angeles County Office of the Assessor



The Assessor's Role

- 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 an historical property contract and 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
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

Comps 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 be used for the tax year in question



Potential Tax Savings

- 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.
- In addition, as County Assessors are required to assess all Mills Act properties annually, the assessment values may realize increases each year.
- 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 buildings 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) Trended Base Year Value

- This is the original Prop. 13 base year value trended (multiplied) by 2% annually.
- The original Prop. 13 base value is often equivalent to the purchase price of the home.
- 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 three 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.
- In general, the income potential for an owner-occupied residential property is calculated by examining comparable rents for similar properties in the area.

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

(Fluctuates, for 2015 = 4.25%)

+

2) State Board of Equalization RISK COMPONENT for historical property

(Fixed, owner occupied SFR/CONDO =4%, NON-SFR=2%)

+

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

(Determined by Assessor, currently 1/50 or .02)

+

4) TAX RATE (TRA) COMPONENT

(Fluctuates, 1% General Levy plus voted indebtedness, direct assessments)

=

CAP RATE



- 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
assessor.lacounty.gov
(562) 256-1701



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.boe.ca.gov/lawguides/property/current/ptlg/rt/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

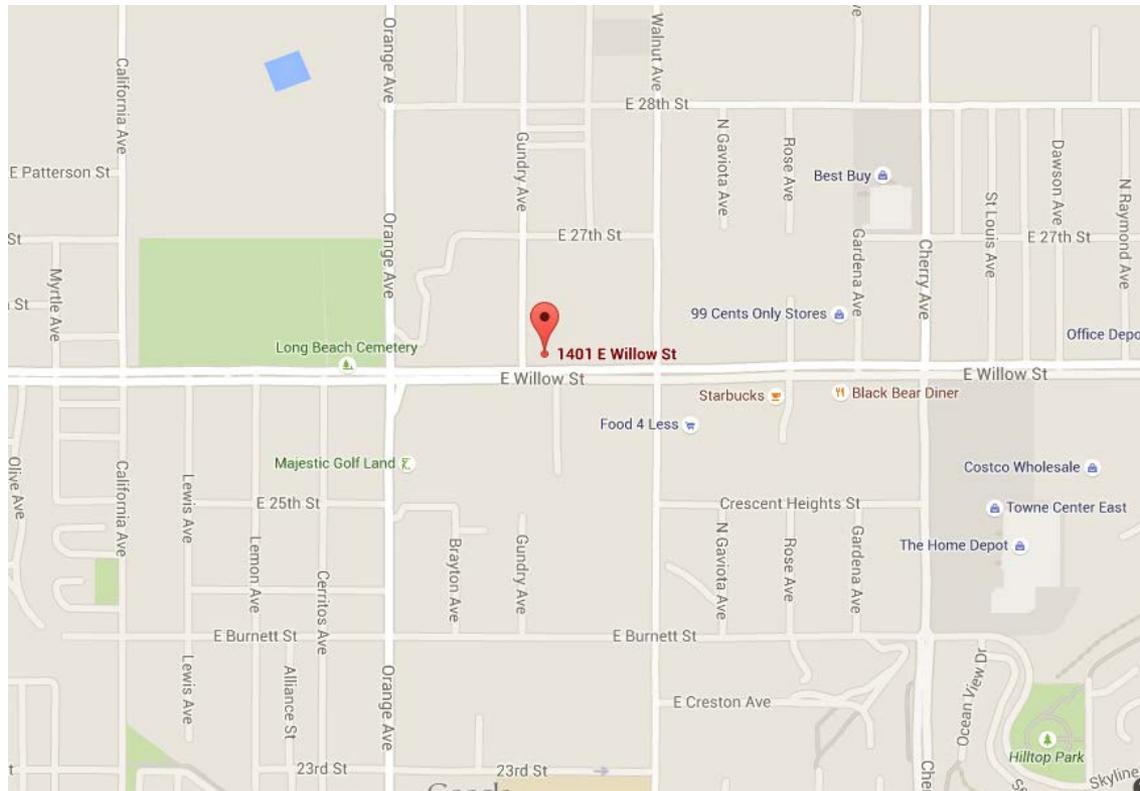
"Valuing People and Property"

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
1401 E. Willow St.
Signal Hill, CA 90755
(562) 256-1701



QUESTIONS

Christopher Koontz, AICP

Advance Planning Officer

Long Beach Development Services | Planning Bureau

(562) 570-6288

christopher.koontz@longbeach.gov

