

## HYPOTHETICAL PROPERTY TAX CALCULATION

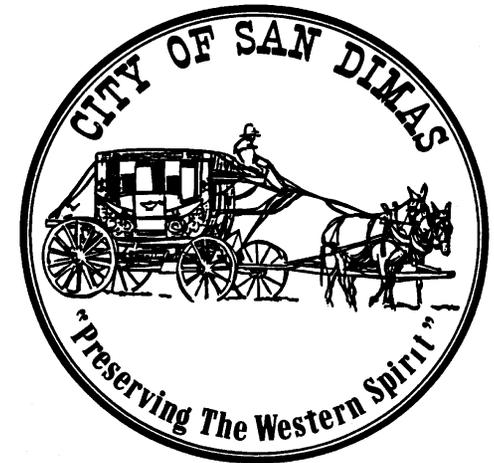
Current assessed valuation	\$250,000
Current taxes (1% rate)	\$2,500
<b>Recalculation using Mills Act method</b>	
Gross Annual Income (what home is rented for or could be rented for based upon typical rents in area)	\$14,000
Less expenses (insurance, repairs, utilities)	\$2,000
Net Income	\$12,400
Capitalization Rate:	18%
Mortgage rate at 8%	
Risk component at 4%	
Amortization at 5%	
Tax Rate at 1%	
New Valuation (Net Income divided by Capitalization Rate)	\$68,888
New taxes (New Valuation x Tax Rate of 1%)	\$688

**TOTAL ANNUAL PROPERTY TAX SAVINGS OF \$1,812**

## ELIGIBILITY CRITERIA:

- Must be a privately owned property which is not exempt from property taxation
- Must be identified as a "Historic Resource" by the City of San Dimas 1991 Historic Resources Survey adopted by the City Council and must not have been altered since the 1991 survey in a manner that would change its historic significance.
- "Buildings...must include all of their basic structural elements" consistent with the *Guidelines For The Assessment of Enforceably Restricted Historic Property* adopted by the State Board of Equalization on May 25, 2005. The *Guidelines* further state, based upon Section IV of National Register Bulletin #15, that: "Parts of buildings, such as interiors, facades, or wings, are not eligible. A newly constructed building is not a historic resource, and thus, is not a qualified historical property within the meaning of Government Code section 50280.1. For example a newly constructed detached garage (assuming it is not a reconstruction of a historical garage) clearly would not be eligible because it has no significance in American history or architecture, nor does it meet any of the other requisite criteria. "

# Mills Act



### Development Services Department

City Hall, 245 East Bonita Avenue  
San Dimas, California 91773  
(909) 394-6250

Fax: (909) 394-6249

Mon-Thurs 7:30 a.m. - 5:30 p.m.

Fridays 8:00 a.m. - 5:00 p.m.

[www.cityofsandimas.com](http://www.cityofsandimas.com)

## WHAT IS THE MILLS ACT?

The Mills Act is a state law that enables a homeowner of a structure, listed as historically significant by the City of San Dimas, to enter into an agreement (historical property contract) with the City to preserve, maintain and possibly rehabilitate the home or structure. In return, the homeowner receives a reduction in their property taxes. In San Dimas, the Mills Act requires that the homeowner spend their tax savings on preserving and/or restoring the historic structure. Homeowners are encouraged to “go green” in conjunction with their efforts to repair or rehab older homes.

## WHAT IS HISTORIC?

Any structure identified as a "Historic Resource" by the City of San Dimas 1991 Historic Resources Survey adopted by the City Council. The list of structures surveyed is available online at:

<http://www.cityofsandimas.com>

## DOES STRUCTURE HAVE TO BE DESIGNATED LANDMARK?

No – state law allows structures listed in the City's official register (i.e., 1991 Historic Resources Survey).

## WHAT ARE THE BENEFITS?

The Mills Act requires the County Tax Assessor to re-evaluate the property using a capitalization method rather than the market value. The benefit to the

homeowner is a substantial reduction in property taxes for the post Proposition 13 qualified historic properties. The money saved from the reduced property tax will be available for the homeowner to use to maintain and restore the structure.

## HOW DO I APPLY?

Before an official application is filed, we suggest that you meet with a City planner to discuss the proposed project and to confirm that the structure is eligible (i.e., see criteria on next page). We will provide you with an application form and assist you in any way possible to help you understand the process and in ensuring a complete application.

## APPLICATION PROCESS

Once the completed application and additional material are submitted to the City, the Planning Division Staff will review the material to determine if all required information has been submitted.

Staff then inspects the structure, including taking photos, to document that it has not been altered since the 1991 Historic Resources Survey in a manner that would change its historic significance. Staff also contacts the Los Angeles County Tax Assessor to obtain an estimate to determine the potential tax savings. The request will then be scheduled for a City Council public hearing. Legal notice is published in the Inland Valley Daily Bulletin and posted at the City Hall, Post Office and Library by the City. A copy of the staff report will be sent to the applicant prior to the meeting.

At the public hearing, the application is approved or denied by the City Council based on all available information presented and on public testimony.

## HOW IT WORKS

The Mills Act enables the City of San Dimas to enter into an Historic Property Preservation Agreement with the homeowner. This contract has a term of 10 years and is automatically renewed annually for an additional year. Thus, unless the homeowner files a notice of non-renewal with the City of San Dimas, the contract always has a term of 10 years.

The homeowner is responsible for recording the agreement with the County Recorder. A copy of the agreement must be sent to the Los Angeles County Tax Assessor

Either the property owner or the City may elect not to renew for any reason. The effect of non-renewal is to terminate the agreement at the end of the current 10-year term. During the remainder of the agreement term, the property taxes increase gradually to the normal level.

The homeowner may also petition the City to cancel the Mills Act agreement. Cancellation requires assessment of a penalty of 12½% of pre-Mills Act valuation. The City may also cancel the agreement, but only in the case of breach of the agreement conditions. Once the Mills Act agreement is terminated, the property taxes increase to the level they would have been at but for the Mills Act agreement.