

**City of Burbank**



**Mills Act**

**Property Tax Abatement Program for  
Historic Properties**

**Application Guide**

## [Application Guidelines](#)

This Application Guide will assist in determining if you qualify for the program and in completing the application. The forms you will need to complete and submit are included in the Application Guide.

### **Before you get Started**

**IMPORTANT:** Please read the entire Application Guide before you get started. Applicants are responsible for all of the information contained in the Application Guide and Appendices. Be sure to review the Application Requirements Check-Off list to ensure that you are submitting all of the required documents for the application.

A Mills Contract provides the potential for property tax reduction. It is not a guarantee. Each property varies according to its income-generating potential and current assessed value. Mills Act properties are reassessed annually and periodically inspected for contract compliance.

**REMEMBER:** The Mills Act is for property owners who are actively rehabilitating their properties or have recently completed a rehabilitation project compliant with the Secretary of the Interior's Standards for Rehabilitation and the California Historical Building Code. For applicants who are just starting their rehabilitation project, all work shall be completed within the first 10 years of the contract. Owners who enter into a contract and do not rehabilitate or maintain the property are subject to the City cancelling the contract and the County Assessor collecting a penalty fee of 12.5 percent of current fair market value penalty of the property.

If you have any further questions, contact Planning staff at (818) 238 - 5250.

### **Mills Act Contracts**

A Mills Act Contract is an agreement between the City of Burbank and the owner of a qualified historic building/property based on California Government Code, Article 12, Sections 50280-50290 (Mills Act). This State law, established in 1976, provides for a property tax reduction for owners of qualifying historic properties who agree to comply with certain preservation restrictions and use the property tax savings to help offset the costs to restore, rehabilitate and maintain their historic resource according to the Secretary of the Interior's Standards and the California Historical Building Code.

The City's Mills Act Program was established by Ordinance No. 3779 in March 2010. All applications must be reviewed and approved by the City Council for approval. Once executed, the contract is recorded on the property and leads to reassessment of the property the following year.

## Eligibility

### **What Properties are Eligible?**

In order to participate in the Mills Act Contract program, qualifying properties must be designated as a City of Burbank Historic Resource or listed on the National Register of Historic Places or the California Register of Historical Resources. If your property is not currently designated as a historic resource or is not listed on a national or state register, you may apply for designation prior to submitting an application for a Mills Act Contract. A property must be a designated historic structure at the time a Mills Act application is submitted. An applicant may not simultaneously apply for both historic designation and a Mills Act Contract.

### **What Properties are Ineligible?**

Properties that do not pay taxes or are delinquent in the payment of taxes are not eligible to apply. Properties with outstanding code violations and/or Orders-To-Comply issued by the Building Division are also ineligible to apply. All code violations and expired permits must be corrected before an application will be accepted. It is also important that the person/entity submitting the application retains ownership through contract recording. If not, the contract will be nullified by the County.

## Terms of the Contract

### **Duration of Contract**

The Mills Act Contract is for a minimum term of ten years. It automatically renews each year on its anniversary date and a new ten-year term becomes effective. The contract runs (essentially in perpetuity) with the land.

### **Termination of Contract**

The owner may terminate the contract by notifying the City at least 90 days prior to the annual renewal date. The City may terminate the contract by notifying the owner at least 60 days prior to the renewal date. The owner may protest a termination by the City. Once a termination is initiated by either party, the contract remains in effect for the balance of the 10-year term of the contract beyond the notice of non-renewal.

### **Breach of Contract**

If the property owner is found to be in breach of contract, the City may cancel the contract whereupon the County Assessor collects a **cancellation fee of 12.5 percent of the fair-market value** of the property as determined by the County Assessor.

### **Transfer of Ownership**

A Mills Act Historical Property Contract is attached to the property. Subsequent owners are bound by the terms and conditions of the contract, and obligated to complete any work identified in the contract and perform required maintenance. It is incumbent upon the seller of a Mills Act property to disclose this fact to potential buyers. For example, if an owner completes some of the contract mandated work in the first five years and then sells the property, the new buyer would have five years to complete the rehabilitation/restoration of the property.

## Work Plan

All Mills Act Contracts require a minimum 10-year work plan indicating how the tax savings will be re-invested into the rehabilitation, restoration or ongoing maintenance of the property. **The work plan is not intended to serve as official permit or approval of each individual item.** The property owner is responsible for obtaining all necessary approvals and permits for those work plan items prior to making any changes to the property and completing the work plan item. Any work performed to the property (interior, exterior and grounds) must conform to the Secretary of the Interior's Standards for Rehabilitation and the California Historical Building Code.

Please use the attached form for your rehabilitation, restoration and maintenance plan and timeline. Copy this form as necessary to include all work items that apply to your property. Include all proposed exterior and interior work (including electrical, plumbing, etc.) to be completed within the next ten years. Please complete all requested information on this form. Formal quotes are not required for all items but staff may request documentation of stated costs upon review.

## Administration of Contracts

### Inspections and Monitoring

The City conducts both pre-contract and periodic inspections of the property. Conditions not conforming to the Secretary of the Interior's Standards for Rehabilitation may be required to be brought into compliance. Periodic inspections are conducted by the Planning and Transportation Division to monitor properties for compliance to the terms of the contract. Inspections monitor the progress of the rehabilitation and/or maintenance specified in the contract. Inspections are ongoing for the life of the contract.

### Annual Reporting

Planning and Transportation Division staff will monitor all work that is proposed in a contract agreement to ensure compliance with the terms of the agreement and will perform annual inspections after all work specified in the agreement has been completed as long as the contract agreement is in effect. The City also requires property owners to self-inspect and notify the City of the progress of rehabilitating and maintaining their property on an annual basis. This may avoid the City inspecting and finding lack of progress or non-compliance leading to citation and 30-day notice to correct the breach of contract.

### Application Processing Schedule and Process

The Mills Act Contract Program is administered cooperatively between the City of Burbank, the Los Angeles County Office of the Assessor and the State Office of Historic Preservation. All applications are initially submitted to the Planning and Transportation Division for review. Once the application is complete, a staff report and a draft contract are presented to the Heritage Commission. The Heritage Commission reviews the report and draft contract and makes a recommendation to the City Council. The City Council makes the final decision on whether or not to approve the contract.

### Assessor Notification

If approved, a copy of the contract will be hand-delivered to the Los Angeles County Assessor’s office by the Planning and Transportation Division and the property will be reassessed. Reassessments must be completed by June 30<sup>th</sup> of the year following the contract recording. The Assessor may request an Income and Expense Form from the property owner. The new assessment will be reflected on the subsequent property tax bill issued. There are no retroactive provisions.

### State Notification

Within six months of recording of the Historical Property Contract, property owners are required to provide written notice to the State Office of Historic Preservation. This notification must state that their property has entered into a Mills Act Historical Property Contract with the City of Burbank. Notification is submitted to:

Shannon Lauchner  
 State Office of Historic Preservation  
 PO Box 942896  
 Sacramento, California 94296-0001

The chart on the following page diagrams the contract processing timeline. Note that this chart depicts general timeframes, specific deadline dates may vary.

| Action                          | Application Year |   |   |   |   |   |   |   |   |   |   |   | Year one of Contract |   |   |   |   |   |   |   |   |   |   |   |
|---------------------------------|------------------|---|---|---|---|---|---|---|---|---|---|---|----------------------|---|---|---|---|---|---|---|---|---|---|---|
|                                 | J                | F | M | A | M | J | J | A | S | O | N | D | J                    | F | M | A | M | J | J | A | S | O | N | D |
| Application Distribution Period |                  |   |   |   |   |   |   |   |   |   |   |   |                      |   |   |   |   |   |   |   |   |   |   |   |
| City Application Deadline       |                  |   |   |   | ◇ |   |   |   |   |   |   |   |                      |   |   |   |   |   |   |   |   |   |   |   |
| Pre-Contract Inspection Period  |                  |   |   |   |   |   |   |   |   |   |   |   |                      |   |   |   |   |   |   |   |   |   |   |   |
| City Approval Process           |                  |   |   |   |   |   |   |   |   |   |   |   |                      |   |   |   |   |   |   |   |   |   |   |   |
| County Recording Deadline       |                  |   |   |   |   |   |   |   |   |   |   | ◇ |                      |   |   |   |   |   |   |   |   |   |   |   |
| Assessor’s Re-Appraisal Period  |                  |   |   |   |   |   |   |   |   |   |   |   |                      |   |   |   |   |   |   |   |   |   |   |   |
| Owner to Notify OHP Deadline    |                  |   |   |   |   |   |   |   |   |   |   |   |                      |   |   |   |   |   |   |   |   |   |   |   |
| Re-Assessed Property Tax Bill   |                  |   |   |   |   |   |   |   |   |   |   |   |                      |   |   |   |   |   |   |   |   |   |   |   |
| Total Processing Time           |                  |   |   |   |   |   |   |   |   |   |   |   |                      |   |   |   |   |   |   |   |   |   |   |   |

## Application Requirements

A complete submittal package shall include **all** of the following items:

- Completed and signed application form (attached).
- Completed “Rehabilitation/Restoration/Maintenance Work Plan and Timeline” form (attached).
- Completed tax adjustment worksheet (attached).
- Site plan drawn to scale indicating locations of all buildings on the property, street names, north arrow and dimensions (Example in Appendix A).
- Copy of grant deed.
- Printed photographs (35mm or digital, color) including negatives or compact disc of building interior (views of all rooms and historic features) and exterior (front, rear, sides and historic accessory buildings). Prints may be either 3x5 or 4x6. Each photograph must be labeled with the building address, subject of photo and direction of view.
- A statement—if applicable—describing how property is threatened by deterioration, abandonment, or conflicting zoning regulations; if project will maintain or create affordable housing; and/or how property tax reduction is necessary to facilitate preservation of the property.
- Copy of most recent property tax bill.
- A recording fee payable to the LA County Recorder to record the final executed contract will be required if the contract is approved by the City Council.

## City of Burbank Mills Act Contract Application Form

| Property Owner Information                      |                                       |  |                                |
|---|---------------------------------------|--|--------------------------------|
| Name:   |                                       |  |                                |
| Mailing Address:                                |                                       |  |                                |
| City:   |                                       | State:   | Zipcode:                       |
| Phone Numbers:                                  | Mobile:                               | Work:  | Home:                          |
| E-mail:   |                                       |  |                                |
| Fax:  |                                       |  |                                |
| Property Information                            |                                       |  |                                |
| Address of Property:                            |                                       |  |                                |
| Legal Description:                              |                                       |  |                                |
| Assessor Parcel Number:                         |                                       |  |                                |
| Date of Purchase by Current Owner:              |                                       |  |                                |
| Are property Taxes Paid to Date?<br>(Check one) | <input type="checkbox"/> Yes          | <input type="checkbox"/> No                    |                                |
| Use Category:                                   |                                       |  |                                |
| <input type="checkbox"/> Single Family          | <input type="checkbox"/> Multi-Family | <input type="checkbox"/> Commercial/Industrial | <input type="checkbox"/> Other |
| Designation Category (Check at least one)       |                                       |  |                                |
| <input type="checkbox"/> National Register      |                                       | <input type="checkbox"/> District (Specify)    |                                |
| <input type="checkbox"/> California Register    |                                       | <input type="checkbox"/> Individual            |                                |
| <input type="checkbox"/> Local Register         |                                       |  |                                |

| Property Owner's Affidavit   | Applicant's Affidavit  |
|--|--|
| <p>I hereby certify that I am the legally authorized owner of the property involved in this application or have been empowered to sign as the owner on behalf of a corporation, partnership, or business as evidenced by the documents attached hereto. I hereby grant to the applicant of this form permission to submit this application. I declare under penalty of perjury that the foregoing is true and correct.</p> | <p>I hereby certify that the information furnished in this application and the attached materials are true and correct to the best of my knowledge and belief. Further, should the stated information be found false or insufficient, I agree to revise the information as appropriate. I understand that the City of Burbank cannot process this application until all required information is provided. I understand there is no guarantee, expressed or implied, that any permit or application will be granted. I understand that each matter must be carefully investigated and the resulting recommendation or decision may be contrary to a position taken or implied in any preliminary discussions. I understand that I have the burden of proof in the matter arising under this application. I declare under penalty of perjury that the foregoing is true and correct.</p> |
| Property owner's signature:  | Applicant signature:   |
| Date:  | Date:  |

THE AGREEMENT REQUIRES THE OWNER OF THE PROPERTY TO UNDERTAKE REHABILITATION AND RESTORATION THAT ARE IN COMPLIANCE WITH THE SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATING HISTORIC BUILDINGS AND THE ILLUSTRATED GUIDELINES FOR REHABILITATING HISTORIC BUILDINGS.

### Rehabilitation/Restoration/Maintenance Work Plan

Use this form to outline your rehabilitation, restoration, and maintenance work plan. Copy this page as necessary to include all items that apply to your property. Begin by listing recently completed work (if applicable) and continue with work you propose to complete within the next ten years arranging in order of priority.

|                                      |                                      |                                    |                                   |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|
| Restoration <input type="checkbox"/> | Maintenance <input type="checkbox"/> | Completed <input type="checkbox"/> | Proposed <input type="checkbox"/> |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|

Building Feature:

|                                     |  |
|-------------------------------------|--|
| Cost (round to the nearest dollar): | Contract Year Of Proposed Work Completion: |
|-------------------------------------|--|

Description of Work:

|                                      |                                      |                                    |                                   |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|
| Restoration <input type="checkbox"/> | Maintenance <input type="checkbox"/> | Completed <input type="checkbox"/> | Proposed <input type="checkbox"/> |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|

Building Feature:

|                                     |  |
|-------------------------------------|--|
| Cost (round to the nearest dollar): | Contract Year Of Proposed Work Completion: |
|-------------------------------------|--|

Description of Work:

|                                      |                                      |                                    |                                   |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|
| Restoration <input type="checkbox"/> | Maintenance <input type="checkbox"/> | Completed <input type="checkbox"/> | Proposed <input type="checkbox"/> |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|

Building Feature:

|                                     |  |
|-------------------------------------|--|
| Cost (round to the nearest dollar): | Contract Year Of Proposed Work Completion: |
|-------------------------------------|--|

Description of Work:

|                                      |                                      |                                    |                                   |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|
| Restoration <input type="checkbox"/> | Maintenance <input type="checkbox"/> | Completed <input type="checkbox"/> | Proposed <input type="checkbox"/> |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|

Building Feature:

|                                     |  |
|-------------------------------------|--|
| Cost (round to the nearest dollar): | Contract Year Of Proposed Work Completion: |
|-------------------------------------|--|

Description of Work:

|                                      |                                      |                                    |                                   |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|
| Restoration <input type="checkbox"/> | Maintenance <input type="checkbox"/> | Completed <input type="checkbox"/> | Proposed <input type="checkbox"/> |
|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|

Building Feature:

|                                     |  |
|-------------------------------------|--|
| Cost (round to the nearest dollar): | Contract Year Of Proposed Work Completion: |
|-------------------------------------|--|

Description of Work:

## Historical Property Tax Adjustment Worksheet

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. **This form is a guideline only. Your reduced property tax under a Mills Act contract is determined by the Los Angeles County Assessor and is not guaranteed to match this calculation.**

### **EXAMPLE: Single-family Dwelling**

**Current Assessed Value (GENERAL LEVY TAXES ONLY\*) = \$100,000**

**Estimated Monthly Rent\*\* = \$800 (See Application Guide, Page 12 "How are my property taxes reduced?")**

#### A. Determine Annual Income and Annual Operating Expenses

- \$800 per month income minus approximately \$100 per month expenses for maintenance, repairs, insurance, utilities, and gardener equals a net income of \$700 per month. Multiply by 12 months to for an annual net income of **\$8,400**. (*Mortgage payments and property taxes are not considered expenses.*)

#### B. Determine Capitalization Rate

- Add the following together to determine the Capitalization Rate:
  - The Interest Component is determined by the Federal Housing Finance Board and is based on conventional mortgages. While this component will vary from year to year, the State Board of Equalization has set this at **5.25%** for 2010.
  - The Historical Property Risk Component of 4% (as prescribed in Sec. 439.2 of the State Revenue and Tax Code) applies to owner-occupied single-family dwellings. A **2%** risk component applies to all other properties.
  - The Property Tax Component (Post-Prop. 13) of .01 times the assessment ratio of 100% (**1%**).
  - The Amortization Component is a percentage equal to the reciprocal of the remaining life of the structure and is set at the discretion of the County Assessor for each individual property. In this example the remaining life of a wood frame building is typically 20 years. The amortization component is calculated thus:  $100\% \times 1/20 = 5\%$ . Use 5% for your calculation.
  - Now add the following:
    - $5.25\% + 4.0\% + 1.0\% + 5.0\% = 15.25\%$  **Capitalization Rate** (Single-family dwelling)

#### C. Calculate New Assessed Value and Estimated Tax Reduction

- The new assessed value is determined by dividing the annual net income (**\$8,400**) by the capitalization rate **.1525** (15.25%) to arrive at the new assessed value of **\$55,082**.
- Lastly, determine the amount of taxes to be paid by taking .01 (1%) of the assessed value \$55,082.
- Compare with current property tax rate for land and improvements only (be sure not to include voter indebtedness, direct assessments, tax rate areas and special districts items on your tax bill):
  - Current general levy property tax\*: 1% of original assessed valuation of \$100,000
  - ( $\$100,000 \times .01 = \$1,000$ ).
- Mills Act property tax: 1% of new assessed value of \$55,082 is **\$551**.
- Annual property taxes have been reduced by **\$449** ( $\$1,000 - \$551$ ), an approximately **45% property tax reduction**.

\* The Mills Act applies **ONLY** to general levy property taxes. Be sure to **DEDUCT** the portions of your tax bill that include sewer assessment, bond issues, etc. when calculating what portion of your property tax will be reduced by the Mills Act.

\*\* Single-family applicants may find that a realtor can assist in determining a monthly rental figure.

# HISTORICAL PROPERTY TAX ADJUSTMENT WORKSHEET

Property Address: \_\_\_\_\_

## STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY

| Annual Property Income   | Current |
|--------------------------|---------|
| 1. Monthly Rental Income |         |
| 2. ANNUAL RENTAL INCOME  |         |

| Explanation  |
|--|
| <i>Even if property is owner-occupied, an estimated monthly rental income is needed as a basis for this worksheet formula. Remember to include all potential sources of income (i.e., filming, advertising, photo-shoots and/or billboard rentals, etc.)</i> |
| Multiply line 1 by 12  |

## STEP 2: CALCULATE ANNUAL OPERATING EXPENSES

| Annual Operating Expense    | Current |
|-----------------------------|---------|
| 3. Insurance                |         |
| 4. Utilities                |         |
| 5. Maintenance*             |         |
| 6. Management*              |         |
| 7. Other Operating Expenses |         |
| 8. TOTAL EXPENSES†          |         |

| Explanation  |
|--|
| <i>Fire, Liability, etc.</i>   |
| <i>Water, Gas, Electric</i>  |
| <i>Maintenance includes: Painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs.</i> |
| <i>Security, services, etc. Provide breakdown on separate sheet.</i>   |
| Add lines 3 through 7  |

## STEP 3: DETERMINE ANNUAL NET INCOME

| Net Operating Income | Current |
|----------------------|---------|
| 9. NET TOTAL         |         |

| Explanation                |
|----------------------------|
| <i>Line 2 minus line 8</i> |

## STEP 4: DETERMINE CAPITALIZATION RATE

| Capitalization Rate   | Current |
|---|---------|
| 10. Interest Component                                      | 5.25%   |
| 11. Historic Property Risk Component                        |         |
| 12. Property Tax Component                                  |         |
| 13. Amortization Component (Reciprocal of life of property) |         |
| 14. TOTAL =CAPITALIZATION RATE                              |         |

| Explanation   |
|---|
| <i>As determined by the State Board of Equalization for 2010</i>        |
| <i>Single-family home = 4% (SFD)</i>                                    |
| <i>All other property = 2% (MF; Commercial)</i>                         |
| <i>.01 times the assessment ratio of 100%</i>                           |
| <i>If the life of the improvements is 20 years Use 100% x 1/20 = 5%</i> |
| Add Lines 10 through 13   |

## STEP 5: CALCULATE NEW ASSESSED VALUE

| New Assessed Value           | Current |
|------------------------------|---------|
| 15. Mills Act Assessed Value |         |

| Explanation                                  |
|--|
| <i>Line 9 divided by line 14</i>             |
| <i>Example: Line 9 ÷ .1525 (15.25 %) SFD</i> |

## STEP 6: DETERMINE ESTIMATED TAX REDUCTION

| New Tax Assessment   | Current |
|--|---------|
| 16. Current Tax (EXCLUDE voter indebtedness, direct assessments, tax rate areas and special districts) |         |
| 17. Tax under Mills Act  |         |
| 18. ESTIMATED TAX REDUCTION  |         |

| Explanation   |
|---|
| <i>General tax levy only - do <b>not</b> include voted indebtedness or other direct assessments</i> |
| <i>Line 15 x .01</i>  |
| <i>Line 16 minus line 17</i>  |

\* If you are calculating for **commercial property**, remember to provide the following back-up documentation where applicable:  
*Rent Roll (include rent for on-site manager's unit as income if applicable)*

*Maintenance Records (provide detailed break-down - **all costs should be recurring annually**)*

*Management Expenses (include expense of on-site manager's unit and 5% off-site management fee; and describe other management costs - provide breakdown on separate sheet.)*

† Annual operating expenses do **NOT** include mortgage payments, property taxes, depletion charges, corporate income taxes or interest on funds invested in the property.

Appendix A: Sample Site Plan

