

STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY

Annual Property Income	Current	Explanation
1. Monthly Rental Income		<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>
2. ANNUAL RENTAL INCOME		Multiply line 1 by 12

STEP 2: CALCULATE ANNUAL OPERATING EXPENSES

Annual Operating Expense	Current	Explanation
3. Insurance		<i>Fire, Liability, etc.</i>
4. Utilities		<i>Water, Gas, Electric</i>
5. Maintenance*		<i>Maintenance includes: Painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs.</i>
6. Management*		
7. Other Operating Expenses		<i>Security, services, etc. Provide breakdown on separate sheet.</i>
8. TOTAL EXPENSES†		<i>Add lines 3 through 7</i>

STEP 3: DETERMINE ANNUAL NET INCOME

Net Operating Income	Current	Explanation
9. NET TOTAL		<i>Line 2 minus line 8</i>

STEP 4: DETERMINE CAPITALIZATION RATE

Capitalization Rate	Current	Explanation
10. Interest Component	5.25%	<i>As determined by the State Board of Equalization for 2010</i>
11. Historic Property Risk Component		<i>Single-family home = 4% (SFD) All other property = 2% (MF, Commercial)</i>
12. Property Tax Component		<i>.01 times the assessment ratio of 100%</i>
13. Amortization Component (Reciprocal of life of property)		<i>If the life of the improvements is 20 years Use $100\% \div 20 = 5\%$</i>
14. TOTAL = CAPITALIZATION RATE		<i>Add Lines 10 through 13</i>

STEP 5: CALCULATE NEW ASSESSED VALUE

New Assessed Value	Current	Explanation
15. Mills Act Assessed Value		<i>Line 9 divided by line 14 Example: $Line\ 9 \div .1525\ (15.25\ \%\ SFD)$</i>

STEP 6: DETERMINE ESTIMATED TAX REDUCTION

New Tax Assessment	Current	Explanation
16. Current Tax (EXCLUDE voter indebtedness, direct assessments, tax rate areas and special districts)		<i>General tax: levy only – do not include voted indebtedness or other direct assessments</i>
17. Tax under Mills Act		<i>Line 15 \times .01</i>
18. ESTIMATED TAX REDUCTION		<i>Line 16 minus line 17</i>

CITY OF BURBANK

MILLS ACT

PROPERTY TAX ABATEMENT PROGRAM FOR HISTORIC PROPERTIES



WHAT IS THE MILLS ACT?

The Mills Act, adopted by the California Legislature in 1976, gives local governments the authority to grant property tax relief to owners of qualified historic properties, including owner-occupied and income producing properties in exchange for a minimum 10-year commitment to preserve, rehabilitate or maintain the historic property. The Mills Act is a voluntary financial incentive program, and under no circumstances will an owner be compelled to enter into a contract.

All applications are initially submitted to the Planning and Transportation Division for review. Once the application is deemed complete, a staff report and 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.

If approved, a copy of the contract is then hand-delivered to the Los Angeles County Assessor's office by the Planning and Transportation Division. The Assessor then reassesses the property tax (see the back of this handout to estimate your tax savings). Reassessments are conducted by June 30 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.

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. The property owner is responsible for obtaining all required approvals and permits prior to making any changes to the property.

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. Property owners are encouraged to self-inspect and update the City on their progress of rehabilitating and maintaining the property.

A Mills Act Contract is attached to the property for no less than ten years. 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.



PROGRAM REQUIREMENTS

- Properties that are designated historic on federal, state or local registers, or contributors to national register districts are eligible to apply.
- If your property is not currently designated as historic, it is not eligible for the Mills Act. The property must be officially designated prior to applying for the Mills Act.
- 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 not eligible to apply for the Mills Act. 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 is nullified by the County.
- The minimum contract length is 10 years, and every year one additional year is added to the term unless a party seeks to end the contract.
- As part of each contract, homeowners will be required to provide photos of the home, and work with staff to develop an initial 10-year work program that details how the tax savings will be re-invested into the preservation, rehabilitation or maintenance of the home.
- For applicants who are just starting their rehabilitation project, all work shall be completed within the first 10 years of the contract.
- Each contract must be reviewed and approved by the Heritage Commission and the City Council.
- Due to the length of time required to process the application, it takes approximately 16 months from the date your application is submitted to realize savings on your tax bill.
- 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 of 12 ½ percent of current fair market value of the property.

To learn more about the Mills Act or the City of Burbank's Historic Preservation program please call the Planning and Transportation Division at 818-238-5250, visit www.burbankusa.com, or contact Amanda Klotzsche, Assistant Planner at aklotzsche@ci.burbank.ca.us

Thank you for your interest in Historic Preservation!