



*City of Pomona*  
***2008 Mills Act Program***  
***REVISED Application Guide***



*City of Pomona*  
*Planning Division*  
*Planning and Housing Department*  
*505 S. Garey Avenue*  
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# 2008 Mills Act Program

## REVISED Application Guide

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# *Introduction*

## **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.

On February 11, 2002, the Pomona City Council adopted Resolution No. 2002-32 establishing a Mills Act program to foster the preservation and rehabilitation of the City's historic properties. On April 21, 2008, a revised and restated version of the program was approved when the City Council adopted Resolution No. 2008-39. The administration of Pomona's Mills Act program is assigned to the Planning Division of the Planning and Housing Department. For questions about this program, please call the Planning Division at (909) 620-2191.

## **Application “Due Date”**

*The City of Pomona will accept Mills Act program applications throughout the year.* However, the Planning Division has tailored this guide to assist property owners in completing a Mills Act program application with the goal of executing and recording a Mills Act contract by December 31, 2008. If a contract is recorded by this date, it will be considered for tax relief by the Los Angeles County Tax Assessor during the first six months of 2009, and the property owner can then expect to see tax reduction benefits reflected on the Fall 2009 tax bill. To facilitate processing of applications to meet the December 2008 contract recordation “deadline,” property owners should submit their Mills Act program applications to the Planning Division no later than **Monday, June 30, 2008, at 6:00 p.m.** Applications submitted after this date will be processed as quickly as possible but may not result in contracts that can be recorded in 2008.

# *Mills Act Program Requirements*

## **A. State Requirements**

1. The property must be privately owned, not exempt from property taxation and either 1) listed in the National Register of Historic Places or registered as a historic district or 2) listed in a state, city or county official register of historical or architecturally significant sites, places or landmarks.
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.
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 non-renewal 60 or 90 days prior to the anniversary, respectively. If a notice of non-renewal 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 shall 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 require periodic interior and exterior inspections by the tax assessor, Department of Parks and Recreation and 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 shall 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 shall value the property by the capitalization of income method.
10. A cancellation fee of 12.5% 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.

## B. City Requirements

1. **Qualifying Structures.** To qualify for the program, a structure must be one of the following:
  - a. A designated single historic landmark;
  - b. A contributing structure located within a designated historic district; or
  - c. A non-contributing structure that is located within a designated historic district, is at least fifty years old, and will be brought closer to qualifying for re-designation as a contributing structure by the completion of the projects approved under the contract.
2. **Non-Qualifying Structures.** Non-qualifying structures include all structures that are located outside of designated historic districts and have not been designated as single historic landmarks.
3. **Qualifying Projects.** A wide range of projects may be considered for inclusion in a Mills Act contract (see "List of Suggested Projects" beginning on p. 6 of this guide). However, to qualify for the program, each project must meet the following requirements:
  - a. All aspects of the project including, but not limited to, its design, materials, and techniques must comply with the rules and regulations of the United States Secretary of the Interior's Standards for Rehabilitation; the State Office of Historic Preservation of the Department of Parks and Recreation; the State Historic Building Code; and the City of Pomona Municipal Code, Historic Preservation Ordinance and Design Guidelines.
  - b. Projects required to ensure the structural integrity of a structure (e.g., seismic retrofitting, electrical change out or termite treatment) shall be completed prior to the undertaking of projects involving other elements of the structure.
  - c. For projects involving removable features (e.g., light fixtures, fireplace mantelpieces or built-in cabinets), the features shall remain attached to the structure.
  - d. For projects involving interior work, the subject structure shall be made accessible to the public during the term of the contract once every three years for a tour, upon request by Pomona Heritage, The Historical Society of Pomona Valley or The Auxiliary of the Pomona Valley Hospital Medical Center. Nothing contained in this section shall be construed to require that the subject structure be made available for a tour more than once every three years.
4. **Non-Qualifying Projects.** Additions (e.g., room or patio additions), the relocation of structures, and projects that fail to meet all of the requirements listed in Section B.3., above, do not qualify for the program.

5. **Certificates of Appropriateness.** Prior to City Council approval of a Mills Act contract, the Historic Preservation Commission shall approve a Certificate of Appropriateness for a Restoration, Rehabilitation and Preservation Plan that includes a schedule of projects to be completed during the first ten years following execution of the contract.
6. **Expenditure of Tax Savings.** The property tax saving realized during the first ten years following execution of the contract shall be spent on completing the schedule of projects included in the approved Restoration, Rehabilitation and Preservation Plan. The estimated cost of completing the schedule of projects shall be equal to or exceed the estimated property tax savings realized during this ten-year period. Subsequent property tax savings shall be spent to maintain and preserve the property and when necessary, restore and rehabilitate the property throughout the term of the contract.
7. **Project Completion.** The specific projects included in the approved Restoration, Rehabilitation and Preservation Plan shall be completed during the first ten years following contract execution, as outlined in the schedule of projects. Throughout the term of the contract, maintenance and preservation projects and when necessary, restoration and rehabilitation projects, shall be completed as needed to protect the structural integrity and historic and aesthetic value of the property. Projects not included in the approved schedule of projects shall be subject to the approval of a Certificate of Appropriateness in accordance with the Historic Preservation Ordinance and Design Guidelines.

On a yearly basis, City staff shall inspect the property to evaluate the status of approved projects and the general condition of the property. Inspections of the interior of structures shall be required when the schedule of projects includes interior work.

8. **Length of Mills Act Contract.** The term of a 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 anniversary date of the contract, unless the City or property owner files a notice of non-renewal 60 or 90 days prior to the anniversary, respectively. If a notice of non-renewal 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.
9. **Findings.** To grant approval of a Mills Act contract, the City Council must make the following findings:
  1. That based on information contained in the program application including, but not limited to, the Restoration, Rehabilitation and Preservation Plan; cost estimates; estimated tax savings to the property owner; and other related information, the approval of the Mills Act

contract will serve to compensate the City for the reduction in property taxes received.

2. That the Restoration, Rehabilitation and Preservation Plan will extend the life of the structure(s), protect the historic and aesthetic value of the property, and 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; the State Historic Building Code; and the City of Pomona Municipal Code, Historic Preservation Ordinance and Design Guidelines.

10. **List of Suggested Projects.** To qualify for the Mills Act program, a project must meet *all* of the requirements specified on p. 4 of this guide under "Qualifying Projects." If consistent with these requirements, projects 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 Non-historic 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 or Install New
- Basement Access – Repair or Replace
- Cabinets and Counters – Repair or Install New in Bathroom or Kitchen
- 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 – Install New Basement Hatch Cover and Base
- 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

Electrical Security Lighting and Alarm System – Repair, Replace or Install New  
 Fence or Wall – Repair or Replace with Historically Compatible  
 Flashing – Repair or Replace  
 Floor Furnace – Remove and/or Restore Floor  
 Flooring – Repair or Replace  
 Foundation – Perform Bolting and Seismic Work  
 Foundation – Repair, Rebuild or Replace with Historically Correct  
 Gable or Attic – Re-screen  
 Garage – Repair, Replace or Install New Historically Compatible  
 Garage Doors – Repair or Replace with Historically Compatible  
 Gutters and Downspouts – Repair or Replace  
 HVAC – Repair, Replace or Install New  
 Insulation – Install in Walls (Blown in)  
 Insulation – Install in Attic  
 Interior Trim – Refinish, Repair or Replace with Historically Correct  
 Landscaping – Install New  
 Masonry – Repoint, Repair, Replace or Install New Historically Correct  
 Mechanical, Air Conditioning – Repair, Replace or Install New  
 Mechanical, Heating – Repair, Replace or Install New  
 Mechanical, Venting and Duct Work – Repair, Replace or Install New  
 Painting – Interior or Exterior  
 Painting – Removal of Lead-Based Paint  
 Patio – Repair, Rebuild or Replace with Historically Correct  
 Paving, Driveways or Walkways – Repair, Replace or Install New Historically  
 Compatible  
 Plaster – Repair, Refinish, Remove or Replace with Historically Correct  
 Plumbing, DWV (Drain, Waste and Vent) – Repair, Replace or Install New  
 Plumbing, Fixtures – 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  
 Security Lighting and Alarm System – Repair, Replace or Install New  
 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  
 Tile – Repoint, Repair or Replace with Historically Correct  
 Utility Enclosure – Repair, Replace or Install New



Ventilation, Attic Fan – 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

11. **Application Fee.** A fee must be submitted along with each Mills Act program application. The amount of the fee will be equal to .1% (one tenth of a percent) of the assessed value of a property, up to a maximum fee of \$2,467. To facilitate calculation of the fee, the application must include a copy of the most recent property tax bill.

# *Application Review Process*

## **City Review**

The dates specified below are tailored to assist property owners in completing the review process with the goal of executing and recording a Mills Act contract by **December 31, 2008** (see p. 2 of this guide for additional information on application “due date”).

**1. Application Submittal: May 15, 2008 - June 30, 2008**

Planning Division staff receives the Mills Act program application. The application provides a “pro forma” regarding the proposed project: Restoration, Rehabilitation & Preservation Plan; drawings; samples; cost estimates; photographs; and any other materials or studies needed.

**2. Site Visit: July 1, 2008 - August 22, 2008**

City staff arranges with applicant a time to visit the historic property site to review conditions.

**3. Review for Completeness: July 1, 2008 - August 31, 2008**

City staff reviews all submitted application information for accuracy and completeness and may schedule a meeting with the applicant to discuss details of the proposed Restoration, Rehabilitation & Preservation Plan. When appropriate, staff deems the Mills Act program application complete.

**4. Historic Preservation Commission: September 2008 - October 2008**

Planning Division staff schedules the application for a Historic Preservation Commission public hearing and prepares a report regarding a Major Certificate of Appropriateness for the proposed project.

**5. City Council: November 2008**

If the Historic Preservation Commission approves a Certificate of Appropriateness, Planning Division staff schedules the application for City Council consideration as a part of its consent calendar action (no public hearing). Staff prepares a report, including a draft Mills Act contract, with conditions as recommended by the Historic Preservation Commission.

**6. Contract Execution and Recordation: December 2008**

If approved by the City Council, the City executes the contract and, within 20 days of approval, records it with the Los Angeles County Recorder’s Office.

### **County Tax Assessor Review**

Following Mills Act contract recordation with the Los Angeles County Recorder's Office, the County Tax Assessor will review the contract to ensure that the goals of the Mills Act program are met.

### **State Office of Historic Preservation Review**

Within six months of Mills Act contract recordation with the Los Angeles County Recorder's Office, property owners are required to provide written notice to the State Office of Historic Preservation of the California Department of Parks and Recreation (916-653-6624). The notification must state that the property owner has entered into a Mills Act contract with the City of Pomona. A copy of the notice must also be mailed to the City of Pomona Planning Manager.

## *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.

## **APPENDIX A**

### **Application Checklist for 2008 Mills Act Program**





City of Pomona  
Planning Division  
Planning and Housing Department  
(909) 620-2191

## Checklist for 2008 MILLS ACT PROGRAM

All Mills Act program applications and fees must be submitted by mail or in person to:

**City of Pomona  
Planning Division  
Planning and Housing Department  
505 S. Garey Avenue  
Pomona, CA 91766**

A pre-application consultation meeting with Planning Division staff may be scheduled by phoning (909) 620-2191.

Applicants are encouraged to consult the provisions of the Mills Act (Government Code Section 50280, *et seq.*, and Revenue and Taxation Code Section 439, *et seq.*) and shall consult, as necessary, with an attorney or tax specialist for specific advice regarding Mills Act contracts and the potential implications of participating in this program. Please note that City staff members are not qualified to answer questions relating to tax law.

### SECTION 1: Filing Requirements

#### Initial Submittal:

- 1. The completed Mills Act program application
- 2. A copy of the most recent tax bill for the property
- 3. A copy of the latest deed for the property
- 4. A completed Restoration, Rehabilitation & Preservation Plan
- 5. A completed Financial Analysis Form
- 6. Photographs of property (for list of required photos, see item 4 under Restoration, Rehabilitation & Preservation Plan in Appendix B)
- 7. A site plan of the property and improvements, accurately drawn to scale and readable and reproducible to 8½" x 11"
- 8. Filing Fees:
  - a. Application Fee: .1% of assessed property value, up to a maximum of \$2,467
  - b. Environmental Filing Fee: \$50 check payable to Los Angeles County
  - c. Recordation Fee: Required when executed contract is recorded

### SECTION 2: Additional Submittal Requirements

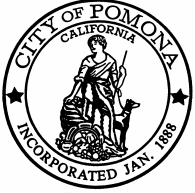
Any of the following items may be required based on a detailed review of the application.

- |  |   |
|--|---|
| <input type="checkbox"/> Master Plan (Phased Projects) | <input type="checkbox"/> Preliminary Title Report                 |
| <input type="checkbox"/> Archeological Assessment      | <input type="checkbox"/> Soils (Phase 1) Report                   |
| <input type="checkbox"/> Parking Study                 | <input type="checkbox"/> Drainage Report                          |
| <input type="checkbox"/> Traffic Study                 | <input type="checkbox"/> Arborist Report (trees)                  |
| <input type="checkbox"/> Noise Study                   | <input type="checkbox"/> Preservation Architect Assessment Report |
| <input type="checkbox"/> Other:                        |   |

## **APPENDIX B**

### **Application for 2008 Mills Act Program**





**City of Pomona**  
**Planning Division**  
505 South Garey Avenue  
Pomona, CA 91766  
Phone: (909) 620-2191  
Fax: (909) 469-2082

# 2008 MILLS ACT PROGRAM APPLICATION

**GENERAL REQUIREMENTS (Print or Type)**

Property Owner: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

Applicant: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

Applicant's Representative: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

(staff use only)

File No.: \_\_\_\_\_  
\_\_\_\_\_  
Related Files: \_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_  
Rec'd by: \_\_\_\_\_  
Fees Paid: \_\_\_\_\_  
Receipt No.: \_\_\_\_\_

**TYPE OF REVIEW REQUESTED (Please check all applicable boxes)**

- New Mills Act Contract                       Mills Act Contract Non-renewal                       Mills Act Contract Cancellation

**PROJECT DESCRIPTION (Include information on how project is consistent with the program objectives. Attach additional sheets if necessary)**

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# Project Location / Zoning Information

## PROJECT LOCATION

General Location/Address of Project: \_\_\_\_\_

Assessor's Parcel No.: \_\_\_\_\_

## ZONING / LAND USE INFORMATION

Existing Zoning: \_\_\_\_\_

Existing General Plan Land Use: \_\_\_\_\_

Historical Resource Designation Type: **Local** **State** **National** Date of Designation: \_\_\_\_\_

Located in Historic District: **Y** **N** Name of District: \_\_\_\_\_

Contributing Structure: **Y** **N**

Exempt Structure: **Y** **N**

Single Historic Landmark: **Y** **N**



# Financial Analysis Form

## FINANCIAL ANALYSIS FORM

Please complete the following form. See instructions for completing the form following this page.

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

|   |                       | current year | year two | year three | year four | year five | year six | year seven | year eight | year nine | year ten | EXPLANATION  |
|---|-----------------------|--------------|----------|------------|-----------|-----------|----------|------------|------------|-----------|----------|--|
| <b>Step 1: Determine Annual Income of Property</b>  |                       |              |          |            |           |           |          |            |            |           |          |  |
| 1.  | Monthly Rental Income |              |          |            |           |           |          |            |            |           |          | <i>Even if a property is owner-occupied, an estimated monthly rental income is needed as a basis for this worksheet formula.</i> |
| 2.  | Annual Rental Income  |              |          |            |           |           |          |            |            |           |          | <i>Line item # 1 X 12 months</i>   |
| <b>Step 2: Calculated Annual Operating Expenses</b> |                       |              |          |            |           |           |          |            |            |           |          |  |
| 3.  | Insurance             |              |          |            |           |           |          |            |            |           |          | <i>Fire, liability, etc.</i>   |
| 4.  | Utilities             |              |          |            |           |           |          |            |            |           |          | <i>Water, gas, electric.</i>   |
| 5.  | Management            |              |          |            |           |           |          |            |            |           |          |  |
| 6.  | Other Expenses        |              |          |            |           |           |          |            |            |           |          | <i>Do not include property taxes and mortgage payments.</i>  |
| 7.  | Total Annual Expenses |              |          |            |           |           |          |            |            |           |          | <i>Add lines 3 through 6.</i>  |
| <b>Step 3: Determine Net Operating Income</b>       |                       |              |          |            |           |           |          |            |            |           |          |  |
| 8.  | Net Operating Income  |              |          |            |           |           |          |            |            |           |          | <i>Line 2 minus Line 7.</i>  |



|  |   | current<br>year | year<br>two | year<br>three | year<br>four | year<br>five | year<br>six | year<br>seven | year<br>eight | year<br>nine | year<br>ten |   |
|--|---|-----------------|-------------|---------------|--------------|--------------|-------------|---------------|---------------|--------------|-------------|---|
| <b>Step 4: Determine Capitalization Rate</b>   |   |                 |             |               |              |              |             |               |               |              |             |   |
| 9.   | Interest Component                                    |                 |             |               |              |              |             |               |               |              |             | <i>Average of the rates determined by the State Board of Equalization over the past five years = 6.1%**</i> |
| 10.  | Historical Property Risk Component                    |                 |             |               |              |              |             |               |               |              |             | <i>Single family home = 4%<br/>All other property = 2%</i>  |
| 11.  | Amortization Component                                |                 |             |               |              |              |             |               |               |              |             | <i>If the life of the improvements is 20 years, use <math>100 \times 1/20 = 5\%</math></i>                  |
| 12.  | Property Tax Component                                |                 |             |               |              |              |             |               |               |              |             | <i>.01 times the assessment ratio of 100% = 1%</i>  |
| 13.  | Capitalization Rate                                   |                 |             |               |              |              |             |               |               |              |             | <i>Add lines 9 through 12.</i>  |
| <b>Step 5: Determine Estimated Tax Savings</b> |   |                 |             |               |              |              |             |               |               |              |             |   |
| 14.  | Mills Act Assessment Value                            |                 |             |               |              |              |             |               |               |              |             | <i>Line 8 divided by line 13.</i>   |
| 15.  | Mills Act Taxes                                       |                 |             |               |              |              |             |               |               |              |             | <i>Line 14 x .01</i>  |
| 16.  | Current Taxes   |                 |             |               |              |              |             |               |               |              |             | <i>General tax levy only – don't include voted indebtedness or direct assessments.</i>                      |
| 17.  | Estimated Tax Savings                                 |                 |             |               |              |              |             |               |               |              |             | <i>Line 16 minus line 15.</i>   |
| 18.  | <b>ESTIMATED TOTAL SAVINGS OVER TEN YEAR PERIOD =</b> |                 |             |               |              |              |             |               |               |              |             | <i>Sum of all figures in line 17.</i>   |

\*\*Rates for past five years: 2007 = 6.75%; 2006 = 5.75%; 2005 = 6.00%; 2004 = 5.50%; 2003 = 6.50%



## Instructions for Completing Financial Analysis Form

### **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, or an amount stipulated in the proposed contract as the minimum to be used. 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. Management**

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

#### **6. Other 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.

#### **7. Total Annual Expenses**

The Total Annual Expenses are calculated by adding Lines 3 through 6.



### **Step 3: DETERMINE NET OPERATING INCOME**

#### **8. Net Operating Income**

Net Operating Income is calculated by subtracting Total Annual Expenses (Line 7) 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.

#### **9. The Interest Component**

The Interest Component is determined by the State Board of Equalization (SBE) and is announced no later than September 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.

#### **10. Historical Property Risk Component**

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

#### **11. 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 masonry building is 50 years. (Example:  $1/20$  years = 5%)

#### **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 Los Angeles County Assessor's Office on an annual basis. The Mills Act does not allow for a reduction in any direct assessments such as special district assessments.

#### **13. The Capitalization Rate**

The Capitalization Rate is calculated by adding Lines 9 through 12.



**Step 5: DETERMINE ESTIMATED TAX SAVINGS**

**14. Mills Act Assessment Value**

The Mills Act Assessment Value is calculated by dividing the Net Operating Income (Line 8) by the Capitalization Rate (Line 13).

**15. Mills Act Taxes**

The Mills Act Tax is calculated by multiplying the Mills Act Assessment Value (Line 14) by the Property Tax Component (Line 12).

**16. Current Taxes**

The Current Taxes amount is the total current taxes on the property. (Increase the total by 2% of subsequent years)

**17. Tax Savings**

The Tax Savings is calculated by subtracting the Current Taxes (Line 16) from the Mills Act Taxes (Line 15).



# Restoration, Rehabilitation and Preservation Plan

## RESTORATION, REHABILITATION AND PRESERVATION PLAN (attach additional sheets if necessary)

*A Restoration, Rehabilitation and Preservation Plan is required for the processing of the Mills Act program application. At a minimum, the Restoration, Rehabilitation and Preservation Plan must include the following:*

1. A list and detailed written description of all work to be completed within the first ten years of the contract period.
2. For all work to be completed during the first ten years of the contract, the year in which the work will be completed must be identified.
3. For all work to be completed during the first ten years of the contract, cost estimates must be provided. (Cost estimates are subject to verification by City staff.)
4. Fully labeled photographs of the following must be provided:
  - a. Front of the main building and its relationship to the public right-of-way (street, parkway, sidewalk)
  - b. Each elevation of all buildings on the property;
  - c. The interior of any room where any work is proposed;
  - d. Structural and architectural details of any building proposed to be restored, rehabilitated or preserved; and
  - e. Any portions of the property where landscaping or paving work is proposed.
5. Plans, drawings, material samples, brochures, etc. as needed to depict the location and characteristics of all proposed work.
6. Additional information may be required during the review process for clarification.

**Please fill in the table below by indicating the year in which the work will be done, the type of work proposed, a detailed description of the work, and the estimated cost of the work.**

| Year | Type of Work | Description of Work | Estimated Cost |
|------|--------------|---------------------|----------------|
| 1.   |              |                     |                |
| 2.   |              |                     |                |
| 3.   |              |                     |                |
| 4.   |              |                     |                |



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| 13. |  |  |  |  |
| 14. |  |  |  |  |
| 15. |  |  |  |  |