



MILLS ACT APPLICATION GUIDE

**City of Claremont
Planning Division
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Claremont CA 91711**

For more information or assistance
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Public Counter Hours:
Monday through Thursday, between 7:00 a.m. and 6:00 p.m., or by appointment

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**HISTORIC PRESERVATION
MILLS ACT AGREEMENT**
CITY OF CLAREMONT
DEPARTMENT OF COMMUNITY DEVELOPMENT
207 HARVARD AVENUE, P.O. BOX 880
CLAREMONT, CA 91711-0880
(909) 399-5470

IDENTIFICATION

Applicant/Owner Name: _____
Address: _____
Phone: (____) _____ Email: _____

HISTORIC PROPERTY LOCATION

Historic Name: _____
Street Address: _____
Assessor's Parcel Number: _____
Legal Description _____

HISTORIC DESIGNATION

Local State National

Date of Designation _____

CERTIFICATION STATEMENT

I/we certify that I/we are presently the legal owner(s) of the above described property(ies). Further I/we acknowledge the filing of this application and certify that all the above information is true and accurate and that I/we have familiarized myself/ourselves with the relevant provisions of Claremont's codes. **(Note: A person acting as agent of the owner of record must attach a notarized letter of authorization from the legal owner.)**

Property Owner Signature

Date

Property Owner Signature

Date

Subscribed and sworn to me this _____ day of _____, 20____

Signature of City Clerk or Notary Public (seal)

| | |
|------------------------|---------------------|
| File Number: | Date: |
| Hourly Deposit: | Received by: |

CITY OF CLAREMONT
MILLS ACT CONTRACT PROGRAM
APPLICATION PACKAGE CHECK LIST

Use this check-off list to ensure that all of the following items are included in your application package.

- Completed Mills Act Contract application
- \$ 2,500 Submittal Deposit
- Grant deed
- Current property tax bill
- Ten-year improvement plan
- Cost estimate for each improvement listed in the ten-year improvement plan completed by licensed architect/contractor and/or expert
- Estimated rental value of the home completed by a licensed realtor
- Photographs of the property (both interior and exterior)
- Any available historic photographs and information

MILLS ACT CONTRACT GUIDE

WHAT IS THE MILLS ACT?

The Mills Act is a California State Law that enables cities to enter into contracts with property owners of qualified historic structures. This program provides 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.

GENERAL INFORMATION ABOUT THE CITY OF CLAREMONT'S MILLS ACT PROGRAM

The City's Mills Act Program was established in 2000, and modified in 2009 and 2012. The current criteria and procedures can be found under Section 2 of City Council Resolution No. 2012-75.

Eligibility

A Mills Act contract may be approved only if all of the following criteria are met:

1. The property has to be a privately owned property that is not exempt from property taxation, and listed on the National Register of Historic Places, located in a National Register or local historic district, or listed in a state or county official register of historic or architecturally significant sites, places or landmarks, or in the Register of Structures of Historic and Architectural Merit of the City of Claremont.
2. The subject property must contribute significantly to the quality, diversity, historical interest, and ambience of the community.
3. Significant features that define the historical character of the subject property and its buildings have not been destroyed, or can be restored based on documentary physical or pictorial evidence.
4. The owner of the subject property proposes to make improvements that are related to the preservation and/or rehabilitation of character defining elements and/or the historical and structural integrity of the property. Additionally, the cost of such improvements must be equal to or greater than the expected property tax savings for the first ten years, which needs to be distributed into two, five-year periods.
5. The subject property must be residential.

Application Process

An application is submitted to the Planning Division of the Department of Community Development. The following is the process:

- Staff reviews the application for its eligibility and completeness. During this process, staff and the Director of Claremont Heritage will conduct a pre-contract inspection of the property. The pre-contract inspection can result in additional stipulations and/or an improvement list.
- The Architectural Commission will review the application at a regularly scheduled meeting and determine whether to recommend approval or denial of the application to the City Council.
- The City Council will then review the application and the recommendation of the Architectural Commission at a regularly scheduled meeting. The City Council has the complete and final authority to approve, deny, or modify any Mills Act contract.
- Once approved, signatures are obtained from all necessary parties, and the signed contract is sent to the County Registrar/Recorder's Office for recordation.
- After the contract is recorded, a copy of the recorded contract is sent to the County Office of the Assessor and State Office of Historic Preservation.

Required Fees

Required Application Fee

The initial application fee required for a Mills Act application is \$1,000, which is a deposit-based fee. As City costs accrue, they are charged against this deposit. If the actual City costs exceed the amount of the initial fee, the applicant is required to pay the excess amount.

The applicant will be contacted when the review costs exceed the initial deposit of \$1,000, and will be provided with an estimated cost to finish processing the application. As a courtesy, the applicant will be contacted once more when the review costs exceed \$1,500.

The applicant has the option to withdraw the application at any point during the application review process, and will be responsible only for costs incurred prior to their notifying the City of their decision to discontinue the process.

Contract Recordation Fee

This is a fee assessed by the County Registrar/Recorder's Office for recordation of the contract. The current fee is structured as follows:

- \$21 for the first page + \$3 each additional pages (updated in 2012)

Annual Compliance Review Fee

In addition to the required annual report, the owners are required to submit an annual compliance review fee that equals 2.2 hours of staff time, at the prevailing hourly rate approved by the City Council. Based on the current rate, this fee is \$217 (updated October 2012).

Contract Terms

Duration of the 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 the Contract

The owner or the City may terminate the contract by following the property notification process. However, the contract remains in effect for the balance of the ten-year term of the contract beyond the notice of non-renewal.

Breach of the Contract

If the property owner is found to be in breach of the contract, the City may cancel the contract which will take effect immediately. This will result in a cancellation penalty of 12½ percent of the current fair market value of the property as determined by the County Assessor.

Annual Compliance Review

Once a Mills Act contract is approved and recorded, the owners are required to annually report to the City with the list of improvements completed for each year. A written description of the accomplishments, along with other supporting documents (i.e. pictures, invoices, and receipts), are acceptable forms for this annual report. Typical deadlines for such reports are the end of January each year.

Periodic Inspections

Periodic inspections (a minimum of every five years) are conducted by the Planning Division to monitor properties for compliance to the terms of the contract. Inspections monitor the progress of the rehabilitation and improvements specified in the contract. Inspections are ongoing for the life of the contract.

ESTIMATED PROPERTY TAX SAVINGS WORKSHEET

Address: _____

Current Property Owners: _____

| Existing Property Value Calculations | | |
|---|----------|---|
| 1 | \$ _____ | County Assessed Value |
| 2 | \$ _____ | Property tax (1% of value) |
| Estimated Rental Calculations | | |
| 3 | \$ _____ | Estimated monthly rent |
| 4 | \$ _____ | Annual rent |
| 5 | \$ _____ | Annual rent expenses (M&O costs) |
| 6 | \$ _____ | Annual rent less expenses |
| Capitalization Rate | | |
| 7 | _____ % | Federal home loan interest rate |
| 8 | 4.00% | Historical property tax |
| 9 | 2.00% | Amortization - 50 year life |
| 10 | 1.00% | Tax rate |
| 11 | _____ % | Capitalization rate |
| New Property Value Calculation Under Mills Act Contract | | |
| 12 | \$ _____ | New estimated property value |
| 13 | \$7,000 | Homeowner's Exemption |
| 14 | \$ _____ | New value for tax purposes |
| 15 | \$ _____ | New estimated property tax |
| 16 | \$ _____ | Owner's annual savings |
| 17 | \$ _____ | Owner's savings for first 10 years |

Can be found on the property tax bill.

#1 times 1% (or 0.01)

Most accurate estimate would be from a realtor, or finding comparables.

#3 times 12

estimated yearly maintenance and operating cost of the property if rented out (typical cost is between \$2,500 and \$5,000).

#4 minus #5

4.18% as of May 2014

-

-

-

Sum of #7, #8, #9, and #10

#6 divided by #11

-

#12 minus #13

#14 times 1% (or 0.01)

#2 minus #15

#16 times 10

Note: This Calculation does not include any special assessment district fees included in annual tax, and is only an estimate.

RESOLUTION NO. 2012-75

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CLAREMONT AMENDING THE CITY'S PROCEDURES AND CRITERIA FOR APPROVAL OF HISTORICAL PROPERTY (MILLS ACT) CONTRACTS.

WHEREAS, the City of Claremont ("City") has established a policy of historic preservation by addressing historic preservation as part of the City's General Plan; and

WHEREAS, as set forth in the Land Use, Community Character, and Heritage Preservation, the City recognizes the importance of conserving and safeguarding the City's cultural, architectural, and historical resources that contribute to the special and unique character of the City, and create a recognizable identity for the community; and

WHEREAS, the Historic Preservation Element sets forth the following goal and policies:

- Goal 2-14 Retain and celebrate Claremont's rich history and heritage, as evidenced through its development patterns, buildings and building materials, landscaping, street treatments, parks and open space, and civic architecture.
- Policy 1-14.1 Continue to protect architectural, historical, open space, environmental, and archaeological resources throughout the City.
- Policy 1-14.3 Continue to encourage pride in the quality and character of historic areas.
- Policy 1-14.5 Continue to support the retention and/or adoptive reuse of existing residential, commercial, and industrial buildings where possible, particularly structures listed on the Register of Structures of Historical and Architectural Merit of the City of Claremont.
- Policy 1-14.6 Strive to prevent the demolition of structures listed on the Register of Historical and Architectural Merit of the City.
- Policy 1-14.8 Continue to offer historic preservation tools such as the Mills Act.
- Policy 1-14.9 Explore and evaluate different approaches to protect and enhance historic resources throughout the community; and

WHEREAS, the State of California enacted the Mills Act (California Government Code Section 50820, et seq.) to allow cities to enter into contracts with owners of "qualified historical property" to preserve historical properties by reducing property taxes; and

WHEREAS, Mills Act contracts provide a benefit to the City in helping to ensure that important community resources are preserved and/or restored, and to help carryout the goals and policies of the City's General Plan; and

WHEREAS, in October, 2000, the City Council adopted Resolution 2000-157 that established a procedure and qualifying criteria for historical property contracts, which included a criteria that limited the number of properties that qualified for historical property contracts; and

WHEREAS, in January 2009, the City Council adopted Resolution 2009-04, which expanded the criteria for historic property contracts in order to encourage additional Mills Act contracts that will help to advance the City's historic preservation goals and policies, and to restrict the number of Mills Act contracts to no more than six per calendar year in order to limit the fiscal impact the Mills Act contracts will have on the City; and

WHEREAS, the City Council retains the final authority to approve, deny, or modify any Mills Act contract recommended by the Architectural Commission; and

WHEREAS, on February 29 and September 12, 2012, the Architectural Commission reviewed and analyzed the current procedures and criteria for the Mills Act Program, and adopted Resolution 2012-12 recommending approval to the City Council to amend the existing program to incorporate an annual review fee to recover the cost of staff time associated with annual reviews for contract compliance, which is calculated at 2.2 staff hours at the prevailing hourly rate approved by the City Council (current rate is \$98.50 making the annual review fee \$217), and to modify Criteria D to state that the proposed improvements be related to the preservation and/or the rehabilitation of character defining elements and/or historical and structural integrity of the property. Additionally, the cost of such improvements must be equal to or greater than the expected property tax savings for the first ten years, which needs to be equally distributed into two five-year periods; and

WHEREAS, on October 9, 2012, the City Council fully reviewed the subject matter at its regular meeting.

NOW, THEREFORE, THE CLAREMONT CITY COUNCIL DOES HEREBY RESOLVE:

SECTION 1. The City Council has determined that amendment of procedures for approval of Mills Act contracts is not a project defined by Section 15378 of the California Environmental Quality Act (CEQA) guidelines. Therefore, no further environmental review is necessary.

SECTION 2. The procedure and qualifying criteria for approval of historical property contracts are amended to read as follows:

PROCEDURES FOR REVIEW AND APPROVAL OF HISTORICAL PROPERTY (MILLS ACT) CONTRACTS

110 PURPOSE OF MILLS ACT

In 1976, legislation was adopted in California that created an alternative method for determining assessed value of certain qualified historical properties. Commonly referred to as the Mills Act, the law provides an income-based tax formula for eligible properties subject to historical property contracts (Article 12, commencing with Section 50280, of Chapter 1, Part 1 Division 1, Title 5, of the California Government Code).

The use of the Mills Act gives communities the flexibility to deal with historical structures on a case-by-case basis. Local government has the option to choose which properties are suitable for the incentive by evaluating various factors. These contracts can be used both as a tool to rehabilitate and preserve an individual building, and as part of a broader community-wide program.

As a preservation incentive, historical property contracts offer advantages to both local government and property owners. The contracts provide property tax relief for owners of qualified historical properties who agree to abide by reasonable preservation requirements. For local government, the preservation requirements ensure an authentic rehabilitation and a high level of maintenance of a cultural resource that is important to the community.

120 APPLICATION FILING

Any residential property owner may file an application with the required submittal deposit of \$1,000 for a historical property contract with the Department of Community Development. The application shall be made on forms provided by the department and submitted to the department together with the application fee deposit, and such documentation, information, and photographs required by the department for a complete understanding of the qualities and characteristics of the property for which the historical property contract is requested, and a description of, and timeframe for, proposed improvements to the property. City costs in processing applications shall be charged against application fee deposits.

Prior to determining the completeness of an application, the Director shall provide a copy of the application and submitted materials to Claremont Heritage for review and comment. Prior to submittal of an application, the property owner is encouraged to discuss with City staff whether their property meets the criteria for historical property contracts.

130 CRITERIA FOR AN HISTORICAL PROPERTY CONTRACT

An historical property contract may be approved only if all the following criteria are met:

- A. The subject property meets the eligibility requirements for a Mills Act contract pursuant to California Government Code Section 50280.1 in that it is a privately owned property which is not exempt from property taxation, and is listed on the National Register of Historic Places, located in a National Register or local historic district, or listed in a state or county official register of historic or architecturally significant sites, places or landmarks, or in the Register of Structures of Historic and Architectural Merit of the City of Claremont;

- B. The subject property contributes significantly to the quality, diversity, historical interest, and ambience of the community;
- C. Significant features that define the historical character of the subject property, and its buildings have not been destroyed or can be restored based on documentary, physical, or pictorial evidence;
- D. The owner of the subject property proposes to make improvements that are related to preservation and/or rehabilitation of character defining elements and/or historical and structural integrity of the property. Additionally, the cost of such improvements must be equal to or greater than the expected property tax savings for the first ten years, which needs to be distributed into two five-year periods; and
- E. The subject property is residential.

140 PREPARATION OF HISTORICAL PROPERTY CONTRACT

Upon receipt of a complete application for a property meeting the above criteria, the Director of Community Development or his/her designee shall assist the property owner in preparing a draft historical property contract and agreement conditions, and an example of tax savings. The city attorney shall review the proposed contract to ensure it conforms to statutory guidelines.

As part of the contract, the owner of the property shall agree to periodic examinations, by appointment, of the interior and exterior of the property by representatives of the City, County Assessor, the State Department of Parks and Recreation, and the State Board of Equalization, to determine the owner's compliance with the contract. The owner shall also agree to conform to the rules and regulations of the Office of Historic Preservation of the Department of Parks and Recreation, United States Secretary of the Interior's Standards for Rehabilitation of Historic Properties, and the State Historical Building Code.

150 HEARING REQUIREMENTS

After the City Attorney has completed a review of a draft historical property contract, the matter shall be referred to the Architectural Commission at their next available meeting. Notice of the hearing by the Architectural Commission shall be given not less than ten days prior to any action taken on the application by publishing a notice in a local newspaper. Such notice shall include the date, time, and place of the hearing and general explanation of the matter to be considered. Notice of the hearing shall also be sent to the record owner(s) and to other persons who have requested to be notified of such matters, or whom staff determines may have an interest in the matter.

160 COMMISSION RECOMMENDATION AND COUNCIL DECISION

The Architectural Commission shall, by resolution, make a recommendation related to the application, and the resolution shall be forwarded to the City Council. The City

Council shall consider the recommendation of the Architectural Commission and make a decision on the proposed historical property contract. The City Council shall have complete and final authority to approve, deny, or modify any historical property contract recommended by the Architectural Commission.

170 EXECUTION OF CONTRACT

The City Manager shall have the authority on behalf of the City to execute historical property contracts approved by the City Council.

180 CONTRACT RECORDATION

Upon approval and execution of a historical property contract, the City Clerk shall submit a certified copy of the agreement for recording to the County Recorder of Los Angeles, and the County Assessor's Office. Written notice of the agreement shall also be provided to the State Office of Historic Preservation.

190 PERIODIC REVIEW OF CONTRACT

The Director of Community Development shall periodically review the historical property contract and inspect the property to determine the property owner's compliance with the contract. The owner of the property shall, on an annual basis, provide the Director with a letter describing the home improvements completed during the preceding year, along with the annual review fee (calculated at 2.2 staff time at the prevailing hourly rate approved by the City Council).

200 MAXIMUM NUMBER OF CONTRACTS PER YEAR

The City Council shall approve no more than six historical property contracts during any one calendar year period.

SECTION 3. If applicable, the applicant shall be notified when the City costs in processing the application exceed \$1,000 and advised of the estimated costs to continue/finish processing the application. If applicable, the applicant shall be notified again when the City costs in processing the application exceed \$1,500 and advised of the estimated costs to continue/finish processing the application.

SECTION 4. Resolution Nos. 2000-157 and 2009-04 are hereby repealed in their entirety and superseded by the provisions set forth in this Resolution.

SECTION 5. The Mayor shall sign this Resolution and the City Clerk shall attest and certify to the passage and adoption thereof.

SECTION 6. This Resolution shall take effect immediately, provided that the fee for the annual review of the historical property contract shall not take effect until 60 days after the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED this 9th day of October, 2012.



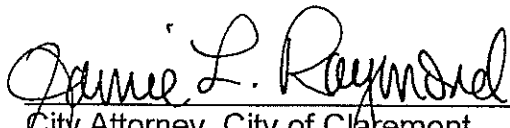
Mayor, City of Claremont

ATTEST:



City Clerk, City of Claremont

APPROVED AS TO FORM:



City Attorney, City of Claremont

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)ss.
CITY OF CLAREMONT)

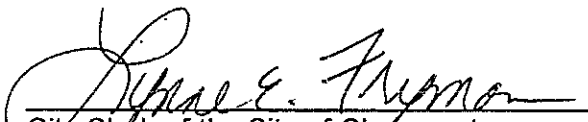
I, Lynne E. Fryman, City Clerk of the City of Claremont, County of Los Angeles, State of California, hereby certify that the foregoing Resolution No. 2012-75 was regularly adopted by the City Council of said City of Claremont at a regular meeting of said Council held on the 9th day of October, 2012, by the following vote:

AYES: COUNCILMEMBERS: NASIALI, PEDROZA, CALAYCAY, LYONS, SCHROEDER

NOES: COUNCILMEMBERS: NONE

ABSTENSIONS: COUNCILMEMBERS: NONE

ABSENT: COUNCILMEMBERS: NONE



City Clerk of the City of Claremont