



**City of Sierra Madre
Mills Act Contract Application**

232 W. Sierra Madre Blvd. Sierra Madre, CA 91024
626-355-7135 Fax: 626-355-2251

Date Received

P.C. Hearing Date

PROPERTY INFORMATION

Property Address _____

Existing Use of Property _____

Owner Occupied? Yes No

Rehabilitation or Maintenance Needed _____
(Attach rehabilitation plan if needed)

Date of Designation _____

Is the property listed on the National Registry? Yes No

Is the property designated as part of a Historic Preservation Overlay Zone?

No Yes If yes, Which? _____

List any other public or private funds granted for the resource: _____

Primary Contact _____ Telephone # _____

PROPERTY DESCRIPTION

Legal Description: Attach Exhibit "A" from Deed

Property Identification Number (APN): Book _____ Page _____ Parcel _____

OWNER INFORMATION

Owner's Name _____

Mailing Address _____

Telephone # _____

Authorized agent if different than owner: _____

Applicant's Signature _____

ALL ITEMS ON THIS FORM MUST BE COMPLETED AND SUBMITTED BEFORE THE APPROVAL PROCEDURE
MAY BEGIN

Mills Act Contract Application

State of California
County of Los Angeles

OWNER'S AFFIDAVIT

I, (We), _____ hereby declare under the penalty of perjury that I (We) am (are) the owner(s) of the property involved in this request and that the foregoing statements and the information submitted herewith are true and correct.

Owner (s) Name _____
Signature _____ Signature _____

Address _____
City, State, Zip _____ City, State, Zip _____

Telephone () _____ () _____

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

Notary Public

Stamp

TO ALL APPLICANTS

Employees of the City of Sierra Madre will give every possible assistance to anyone who desires to utilize the remedies provided by City's Municipal Code. However, the burden of proof is on the applicant to make the showing necessary before any of the described permits can be granted. Also there is no guarantee—expressed or implied—that any permit will be granted by whatever agency or individual having authority in the matter.

The applicant shall understand also that each matter must be carefully investigated and, after a staff investigation has been made or a public hearing has been held, the staff's recommendation or decision may be contrary to a position taken in any preliminary discussions.

The staff is not permitted to assist the applicant or any opponents of any applicant in preparing arguments for or against a request. I have read the foregoing and understand that I HAVE THE BURDEN OF PROOF in the matter arising under the application made by me.

Signature

Date

CITY OF SIERRA MADRE CULTURAL HERITAGE COMMISSION

MILLS ACT CONTRACT APPLICATION AND INSTRUCTIONS

APPLICABILITY

Upon designation of a structure or improvement as a historic landmark, the property owner may apply for aid and assistance in its rehabilitation. The purpose of providing such incentives is to encourage the preservation, rehabilitation and maintenance of designated historic landmarks, based upon a recognition that maintaining and rehabilitating the resource may place increased burdens on the property owner.

PURPOSE

A Mills Act Contract is an agreement between the City of Sierra Madre and the owner of a qualified historic landmark. Any property listed on the local register or National Register of Historic Places is eligible. The agreement requires the owner of the property to undertake specific restoration tasks specified in the contract and to properly maintain the historic landmark. In exchange for this commitment, the property owner benefits from a reduction in property taxes. A Mills Act Contract requires that the County Tax Assessor's Office assess the value of the historic landmark based on its current rental income, rather than future development potential. This can result in substantial property tax savings, especially to recent purchasers of a property.

TERM OF CONTRACT

Mills Act Contracts extend for a period of ten (10) years, and adds one year each year on the anniversary of contract. The rights and obligations of the contract are also binding upon all successive owners of the property during the life of the contract. To end the contract, either party may submit a notice of non-renewal which will terminate the contract at the end of the ten (10) year period. Cancellation of the contract by the City due to non-compliance requires a public hearing and will result in the immediate termination of the contract and a penalty equal to 12 ½ percent of the assessed market value of the property. Although contracts can be approved at any time, new valuations will not take effect until March of any given year.

REVIEW PROCESS

A Mills Act Contract is a monetary incentive that is granted by the City Council following review and recommendation by the Cultural Heritage Commission. A request for a Mills Act Contract is initiated through the submittal of a completed Mills Act Contract Application to the Development Services Department. Staff then prepares a report for consideration by the Cultural Heritage Commission, recommending approval or denial of the application. The Commission reviews the application, required documentation and the staff report and recommends approval or denial of the request to the City Council. The applicant is required to apply for a Certificate of Appropriateness prior to commencing any work performed in conjunction with the restoration/rehabilitation plan for the historic landmark. Both the owners and the occupants of the property must be notified of the pending request in advance of the meeting at which the Cultural Heritage Commission considers the applications. Owners are required to be present at the meeting to present their request to the Commission and answer any questions.

MILLS ACT CONTRACT REQUIREMENTS & SELECTION CRITERIA

Effective July 22, 1997, the following may be required of applicants and recipients of Mills Act Contracts

1. The number of contracts granted each year by the City Council will be limited to no more than three. Applications will be taken on a first come first served basis. Once three contracts have been granted, the remainder of the applications, as well as any applications submitted after the three are granted, shall be held over to the next year.
2. All recipients of Mills Act Contracts will be required to submit an annual report to the Development Services Director, which shall specify all work done to maintain and preserve the historic landmark over the prior year in accordance with the owners restoration/rehabilitation plan.
3. Recipients of Mills Act Contracts may be required to carry out specific restoration projects on the property in accordance with the Secretary of Interior Standards for Historic Preservation.
4. Recipients will not be permitted to block the view corridor with any new structure to prevent the view of the historic landmark from the general public. Structures include: walls, fences or shrubbery.

To grant approval of a Mills Act Contract Application the City Council must make the following findings:

1. The Mills Act Contract will serve to compensate for the cost of rehabilitating and/or maintaining the cultural resource. The submission of a proforma, in addition to a rehabilitation plan cost estimate and Mills Act Financial Analysis Form will be required to make this finding.
2. The rehabilitation of the resource will occur prior to, or in conjunction with, the use of the Mills Act Contract and that it will not impair the architectural, historic or aesthetic integrity of the cultural resource.

APPLICATION MATERIALS

The following materials must be submitted to the Development Services Department in order to process a Mills Act Contract Application:

1. Mills Act Contract Application with completed Owner's Affidavit;
2. Copy of the legal description to be attached to the contract as "Exhibit A"; generally this is "Exhibit A" of the deed;
3. Photos of the exterior of the property to be attached to the contract as "Exhibit C"
4. A restoration/rehabilitation plan for the designated historic landmark and a cost estimate of the restoration/rehabilitation work to be done to be attached to the contract as "Exhibit B" (a sample plan is attached for your review); and
5. A completed Financial Analysis of Mills Act Contract form (see sample).

For further information, contact the Development Services Department or Administration at (626)355-7135.

SUBMITTAL OF CONTRACT TO COUNTY

Once the contract has been approved by the City Council, it is the responsibility of the applicant to record the contract with the County Recorder's Office located at 12400 E. Imperial Hwy., Norwalk, Los Angeles (310)462-2125. Although, the recorder should forward a copy to the Assessor's Office, it is recommended that the applicant obtain a certified copy of the recorded contract and deliver it to the Assessor directly at 500 W. Temple, #209A, Los Angeles (213)893_1282.

The City is not able to act as an intermediary between the applicant and the County, nor is the City able to guarantee that a certain tax savings will be realized by the approval of this contract.

SAMPLE RESTORATION/REHABILITATION PLAN

LONG TERM MAINTENANCE AND RENOVATION PLAN

1. **WINDOW REPLACEMENT**
Recaulking, rebuilding and replacing wood windows
2. **EXTERIOR STAIRWAY**
Replace set of exterior stairs at the rear of the house
3. **HEATING**
Replace original furnace in the house.
- 4, **LANDSCAPING**
Repair river rock wall and reestablish native plant border

Estimated Cost and Schedule

General Demolition	\$1,200	Aug. 1998
Framing Labor	\$ 510	"
Finish Carpentry	\$ 490	"
Windows - Wood	\$9,700	June 1999
HVAC	\$3,500	Nov. 1998
Landscaping Materials	\$1,250	April 1999

WHEN RECORDED, RETURN TO:

CITY OF SIERRA MADRE
DEPARTMENT OF DEVELOPMENT SERVICES
232 W. SIERRA MADRE BOULEVARD
SIERRA MADRE, CA 91024

HISTORIC PROPERTY PRESERVATION AGREEMENT

THIS AGREEMENT, is made and entered into this _____ day of _____, 20____, by and between this CITY OF SIERRA MADRE, a municipal corporation (hereinafter referred to as the "City"), and (hereinafter referred to as the "Owner").

WITNESSETH

A. Recitals.

1. California Government Code Sections 50280, et seq. allow cities the discretion to enter into contracts with the owners of qualified historical properties, as that term is defined by Government Code Section 50280.1, for the purpose of restricting development of historical property to ensure the protection of its cultural and historic significance and continuing maintenance of the historical property;

2. Owner possesses fee title in and to that certain real property, together with associated structures and improvements thereon, located at the street address (hereinafter, such property shall be referred to as the "Historic Property"). A legal description of the Historic Property is attached hereto and incorporated herein by this reference as Exhibit A;

3. On _____, the City Council of the City of Sierra Madre adopted Resolution No. _____ designating the Historical Property as a historic landmark pursuant to the terms and provisions of Chapter 17 of the Sierra Madre Municipal Code; and

4. City and Owner, for their mutual benefit, now desire to enter into this Agreement both to protect and preserve the characteristics of cultural and historical significance of the Historic Property and to qualify the Historic Property for an assessment of valuation pursuant to the provisions of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code.

B. Agreement.

NOW, THEREFORE, City and Owner, in consideration of the mutual covenants and conditions set forth herein, do hereby agree as follows:

1. Effective Date and Term of Agreement. This Agreement shall be effective and commence on _____ and shall remain in effect for a term of ten (10) years thereafter. On the anniversary date of the contract, one year shall be added automatically to the initial term of the contract unless notice of nonrenewal is given as provided herein.

2. Notice of Nonrenewal
a. If the owner or the City desire in any year not to renew the agreement, that party shall serve written notice of nonrenewal of the contract on the other party in advance of the renewal date of the agreement. Unless notice is served by the owner at least 90 days prior to the

renewal date or by the City at least 60 days prior to the renewal date, one year shall automatically be added to the term of the agreement.

b. If notice is served by the City, the owner may make a written protest to the notice. The City may, at any time prior to the annual renewal date of the agreement, withdraw its notice to the owners of nonrenewal.

c. If either the owner or the City serves notice to the other of nonrenewal in any year, the agreement shall remain in effect for the balance of the term then remaining, either from its original execution or from the last renewal of the agreement, whichever may apply.

3. Valuation of Historic Property. During the term of this Agreement, Owner is entitled to seek assessment of valuation of the Historic Property pursuant to the provisions of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code.

4. Standards for Historic Property. During the term of this Agreement, this Historic Property shall be subject to the following conditions, requirements and restrictions;

a. Owner shall preserve and maintain the characteristics of cultural and historical significance of the Historic Property. Attached hereto, marked as Exhibit B, and incorporated herein by this reference, is a list of those minimum standards and conditions for maintenance, use and preservation of the Historic Property, which shall apply to such property throughout the term of this Agreement. In addition, Owner shall comply with the terms of the City's Historic Preservation Ordinance requiring Owner to maintain the Historic Property in a good state of repair and shall obtain any applicable permits to restore the property to maintain its historic and cultural significance.

b. Owner shall submit annually to the Development Services Director a report which shall specify all work completed during the year to fulfill the requirements of their contract as outlined in Exhibit B and D for compliance review by the Cultural Heritage Commission.

c. Owner shall, where necessary, restore and rehabilitate the Historic Property according to the rules and regulations of the Office of Historic Preservation of the State Department of Parks and Recreation and the City of Sierra Madre. The condition of the exterior of the property, as of the effective date of this Agreement, is documented in photographs attached as Exhibit C. At a minimum, Owner shall continually maintain the Historic Property in the same condition as documented in Exhibit C.

d. Owner shall carry out specific restoration projects on the property as outlined by the City in Exhibit D, in accordance with the Secretary of Interior Standards for Historic Restoration.

e. Owner shall not be permitted to block the view corridor with any new structure, such as walls, fences or shrubbery, so as to prevent the viewing of the historic landmark from the public.

f. Owner shall allow reasonable periodic examinations, by prior appointment, of the exterior of the Historic Property by representatives of the County Assessor, State Department of Parks and Recreation, State Board of Equalization, and the City, as may be necessary to determine Owner's compliance with the terms and provisions of this Agreement.

5. Provisions of Information. Owner hereby agrees to furnish City with any and all information requested by City which City deems necessary or advisable to determine eligibility of the property involved and compliance with the terms and provisions of this Agreement.

6. Cancellation.

a. City, following a duly noticed public hearing as set forth in California Government Code Section 50280, et seq., may cancel this Agreement if it determines that Owner has breached any of the conditions of the Agreement or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historic property. City may also cancel this Agreement if it determines that the Owner has failed to restore or rehabilitates the Historic Property in the manner specified in paragraph 4 of this Agreement. In the event of cancellation, Owner shall be subject to payment of those cancellation fees set forth in California Government Code Section 50280, et seq., described herein. Upon cancellation, the Owner shall pay a cancellation fee of twelve and one-half percent (12 ½ %) of the full value of the property at the time of cancellation, as determined by the county assessor without regard to any restriction on such property imposed pursuant to this Agreement. The City's right to cancel this Agreement pursuant to this paragraph shall in no way limit or restrict its right or legal remedies arising from the City's Historic Preservation Ordinance and Municipal Code.

b. If the historic property is destroyed by earthquake, fire, flood or other natural disaster such that in the opinion of the City Building Official more than 60% of the original fabric of the structure must be replaced, this agreement shall be canceled because in effect the historic value of the structure will have been destroyed. No fee shall be imposed in the case of destruction by acts of God or natural disaster.

7. Enforcement of Agreement. In lieu of and/or in addition to any provisions to cancel the Agreement as referenced herein, City may specifically enforce, or enjoin the breach of, the terms of this Agreement. In the event of a default, under the provisions of his/her Agreement by Owner, City shall give written notice to Owner by registered or certified mail addressed to the address stated in the Agreement, and if such a violation is not corrected to the reasonable satisfaction of the City within thirty (30) days thereafter, or if not corrected within such a reasonable time as may be required to cure the breach or default if said breach or default cannot be cured within thirty (30) days (provided that acts to cure the breach or default may be commenced within thirty (30) days and must thereafter be diligently pursued to completion by Owner), then City may, without further notice, declare a default under the terms of this Agreement and may bring any action necessary to specifically enforce the obligations of Owner growing out of the terms of this Agreement, apply to any court, state or federal, for injunctive relief against any violation by Owner or apply for such other relief as may be appropriate.

The City's right to enforce this Agreement pursuant to this a paragraph shall in no way limit or restrict its rights or legal remedies arising from the City's Historical Preservation Ordinance and Municipal Code.

8. Waiver. City does not waive any claim of default by Owner if City does not enforce or cancel this Agreement. All other remedies at law or in equity which are not otherwise provided for in this Agreement or in City's regulations governing historic properties are available to the City to pursue in the event that there is a breach of this Agreement. No waiver by City of any breach or default under this Agreement shall be deemed to be a waiver of any other subsequent breach thereof or default hereunder.

9. Binding Effect of Agreement. The Owner hereby subjects the Historic Property described in Exhibit A hereto to the covenants, reservations and restrictions as set forth in this Agreement. City and Owner hereby declare their specific intent that the covenants, reservations and restrictions as set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors and assigns in title or interest to the Historic Property.

Each and every contract, deed or other instrument hereinafter executed, governing or conveying the Historic Property, or any portion thereof, shall conclusively be held to have been executed, delivered and accepted subject to the covenants, reservations and restrictions expressed in this Agreement regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument.

City and Owner hereby declare their understanding and intent that the burden of the covenants, reservations and restrictions set forth herein touch and concern the land in that it restricts development of the Historic Property. City and Owner hereby further declare their understanding and intent that the benefit of such covenants, reservations and restrictions touch and concern the land by enhancing and maintaining the cultural and historic characteristics and significance of the Historic Property for the benefit of the public and Owner.

10. Notice. Any notice required to be given by the terms of this Agreement shall be provided at the address of the respective parties as specified below, or at any other address as may be later specified by the parties hereto.

City: City of Sierra Madre
Department of Development Services
232 W. Sierra Madre Boulevard
Sierra Madre, CA 91024

Owner:

11. General Provisions.
a. None of the terms, provisions or conditions of this Agreement shall be deemed to create a partnership between the parties hereto and any of their heirs, successors or assigns, nor shall such terms, provisions or conditions cause them to be considered joint ventures or members of any joint venture.

b. Owner agrees to and shall hold City and its elected officials, officers, agents and employees harmless from liability for damage or claims which may arise from the direct or indirect use or operations of Owner or those of his/her contractor, subcontractor, agenda, employee or other person acting on his/her behalf which relates to the use, operation and maintenance of the Historic Property and from any injury to property caused by the restrictions on development of the Historic Property from application or enforcement of the City's Historical Preservation Ordinance or from the enforcement of this Agreement. Owner hereby agrees to and shall defend the City and its elected officials, officers, agents and employees with respect to any and all actions for damage caused by, or alleged to have been caused by, reason of Owner's activities in connections with the Historic Property. This hold harmless provision applies to all damages and claims for damages suffered, or alleged to have been suffered, by reason of the operations referred to in this Agreement regardless of whether or not

the City prepared, supplied or approved this plans, specifications or other documents for the Historic Property.

c. All of the agreements, rights, covenants, reservations and restrictions contained in this Agreement shall be binding upon and shall inure to the benefit of the parties herein, their heirs, successors, legal representatives, assigns and all persons acquiring any part or portion of the Historic Property, whether by operation of law or in any manner whatsoever.

d. In the event legal proceedings are brought by any party or parties to enforce or restrain a violation of any of the covenants, reservations or restrictions contained herein, or to determine the rights and duties of any party hereunder, the prevailing party in such proceeding may recover all reasonable attorney's fees to be fixed by the court, in addition to court costs and other relief by the court.

e. In the event that any of the provisions of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, or by subsequent preemptive legislation, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby.

f. This Agreement shall be constructed and governed in accordance with the laws of the State of California.

12. Recordation. No later than twenty (20) days after the parties execute and enter into this Agreement, the Owner shall cause the Agreement to be recorded in the office of the County Recorder of the County of Los Angeles. The owner shall further provide written notice of the contract to the Office of Historic Preservation within six months of entering into the contract

13. Amendments. This Agreement may be amended, in whole or in part, only by written recorded instrument executed by the parties hereto.

IN WITNESS WHEREOF, City and Owner have executed this Agreement on the day and year first written above.

CITY OF SIERRA MADRE

Dated:

By: _____
Mayor, City of Sierra Madre

OWNER

Dated:

By: _____

EXHIBIT B

RESTORATION/REHABILITATION PLAN: (ATTACH)

Exterior work shall be reviewed by the Cultural Heritage Commission under a Certificate of Appropriateness and subject to the Secretary of the Interior's Standards for Rehabilitation of Historic Buildings, as follows:

1. Every reasonable effort shall be made to provide a compatible use for a property which requires minimal alteration of the building, structure, or site and its environment, or to use a property for its originally intended purpose.
2. The distinguishing original qualities or character of a building, structure or site and its environment shall not be destroyed. The removal or alteration of any historic material or distinctive architectural features should be avoided when possible.
3. All buildings, structures, and sites shall be recognized as products of their own time. Alterations that have no historical basis and which seek to create an earlier appearance shall be discouraged.
4. Changes which may have taken place in the course of time are evidence of the history and development of a building, structure, or site and its environment. These changes may have acquired significance in their own right, and this significance shall be recognized and respected.
5. Distinctive stylistic features or examples of skilled craftsmanship which characterize a building, structure, or site shall be treated with sensitivity.
6. Deteriorated architectural features shall be repaired rather than replaced, whenever possible. In the event replacement is necessary, the new material should match the material being replaced in composition, design, color, texture, and other visual qualities. Repair or replacement of missing architectural features should be based on accurate duplications of features, substantiated by historic, physical, or pictorial evidence rather than on conjectural designs or the availability of different architectural elements from the other buildings or structures.
7. The surface cleaning of structures shall be undertaken with the gentlest means possible. Sandblasting and other cleaning methods that will damage the historic building materials shall not be undertaken.
8. Every reasonable effort shall be made to protect and preserve archaeological resources affected by, or adjacent to any project.
9. Contemporary design for alterations and additions to existing properties shall not be discouraged when such alterations and additions do not destroy significant historical, architectural or cultural material, and such design is compatible with size, scale, color, material, and character of the property, neighborhood, or environment.
10. Wherever possible, new additions or alterations to structures shall be done in such a manner that if such additions or alterations were to be removed in the future, the essential form and integrity of the structure would be unimpaired.

Mills Act Property Owner's Annual Report

The following list of questions is designed to be a starting point for completing this requirement of your contract. Be as descriptive as needed when listing the projects/improvements that you have been working on over the last year. Please include with your report, copies of receipts, estimates, permits, photographs, drawings, samples, etc. to show your progress. If you are submitting a copy of a receipt, please remember to obscure the credit card or check number if it is noted on the receipt. The intent of this contract requirement is to demonstrate that the property is being properly preserved and/or restored in accordance with your Rehabilitation/Restoration Plan.

1. List the projects/improvements completed during the last year.

2. List the projects/improvements started during the last year and the anticipated completion date.

3. What changes, if any, have been made to your plan and why?

4. Since submission of your plan, what other projects/improvements, not included in your plan, are you considering?

5. What provisions of your plan provide for the preservation and/or enhancement of the historically significant components of the structure?

6. What efforts have been utilized to preserve/enhance the historical "setting" of the structure?

7. Describe the historically distinguishing, features, characteristics and qualities of your structure. What project provisions have been incorporated to protect and/or enhance these features?

8. Please provide an estimate of the total amount spent on the projects/improvements made to the property over the last year? \$ _____

9. What was your estimated Mills Act tax benefit experienced last year? \$ _____
This figure is reached by calculating the assessed value, stated in the accompanying letter, by 1.03% and subtracting the amount you paid last year. Please do not include any assessments, charges, bonds, etc. in your "amount paid" figure when you subtract it.

10. Other information relevant to the preservation efforts/features of your structure.

11. What recommendation would you make to future Mills Act applicants as they consider the projects/improvements for their Rehabilitation/Restoration Plan?

REHABILITATION/RESTORATION/MAINTENANCE PLAN

PROPERTY ADDRESS: _____

Use this form to outline your rehabilitation, restoration, and maintenance 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.

Rehabilitation/Restoration Maintenance

Building Feature: _____

Cost \$ _____ (round to nearest dollar)

Completed Proposed Contract Year of Proposed Work Completion: _____

Description of work: _____

Rehabilitation/Restoration Maintenance

Building Feature: _____

Cost \$ _____ (round to nearest dollar)

Completed Proposed Contract Year of Proposed Work Completion: _____

Description of work: _____

Rehabilitation/Restoration Maintenance

Building Feature: _____

Cost \$ _____ (round to nearest dollar)

Completed Proposed Contract Year of Proposed Work Completion: _____

Description of work: _____

Rehabilitation/Restoration Maintenance

Building Feature: _____

Cost \$ _____ (round to nearest dollar)

Completed Proposed Contract Year of Proposed Work Completion: _____

Description of work: _____

Rehabilitation/Restoration Maintenance

Building Feature: _____

Cost \$ _____ (round to nearest dollar)

Completed Proposed Contract Year of Proposed Work Completion: _____

Description of work: _____

HISTORICAL PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

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 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 13 "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 **3.75%** for 2013.

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:

$3.75\% + 4.0\% + 1.0\% + 5.0\% = 13.75\%$ 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 **0.1375** (13.75%) to arrive at the new assessed value of **\$61,091**.

Lastly, determine the amount of taxes to be paid by taking .01 (1%) of the assessed value \$61,091.

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 x .01 = **\$1,000**).
- Mills Act property tax: 1% of new assessed value of \$61,091 is **\$611**.

Annual property taxes have been reduced by **\$389** (\$1,000 minus \$611), an approximately **39% 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 GUIDE

Property Address: _____
(Number, street, city, zip code)

STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY

ANNUAL PROPERTY INCOME		EXPLANATION
1. Monthly Rental Income		<i>Even if property is owner-occupied, an estimated monthly rental income is needed as a basis for this 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	\$0.00	
		<i>Multiply line 1 by 12</i>

STEP 2: CALCULATE ANNUAL OPERATING EXPENSES

ANNUAL OPERATING EXPENSES		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†	\$0.00	<i>Add lines 3 through 7</i>

STEP 3: DETERMINE ANNUAL NET INCOME

NET OPERATING INCOME		EXPLANATION
9. NET TOTAL	\$0.00	<i>Line 2 minus line 8</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.*

HISTORICAL PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

STEP 4: DETERMINE CAPITALIZATION RATE

CAPITALIZATION RATE	Enter figures as decimals. They will convert to percentages.
10. Interest Component	
11. Historic Property Risk Component	4.00%
12. Property Tax Component	1%
13. Amortization Component (Reciprocal of life of property)	5.00%
14. TOTAL =CAPITALIZATION RATE	13.75%

EXPLANATION
<i>As determined by the State Board of Equalization.</i>
<i>Single-family home = 4% (SFD) 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 $100\% \times 1/20 = 5\%$</i>
<i>Add Lines 10 through 13</i>

STEP 5: CALCULATE NEW ASSESSED VALUE

NEW ASSESSED VALUE	
15. Mills Act Assessed Value	
16. Current Assessed Value	

EXPLANATION
<i>Line 9 divided by line 14</i>
<i>Example: $Line\ 9 \div 0.1500\ (15.00\ \%) \ SFD$</i>

STEP 6: DETERMINE ESTIMATED TAX REDUCTION

NEW TAX ASSESSMENT	
17. Current Tax (1% of line 16)	\$0.00
18. Tax under Mills Act	\$0.00
19. ESTIMATED TAX REDUCTION	\$0.00

EXPLANATION
<i>General tax levy only – do not include voted indebtedness or other direct assessments</i>
<i>Line 15 x .01</i>
<i>Line 17 minus line 18</i>