Typical improvements or repairs include treating wood rot and termite damage and replacing non-compatible alterations, such as replacing vinyl windows with wood windows.

Mills Act Quick Facts

- Is an economic incentive to encourage preservation of historic properties by reducing property taxes.
- Assessment is based on the Income Capitalization Method (rental value).
- Local Governments establish a program based on their communities’ priorities.
- Is a voluntary contract between the City and the owner of a designated historic property.
- Can be used by homeowners as well as income producing historic properties listed on the City’s Designated Historic Resources List.
- Includes commitment to preserve and maintain the property for a minimum period of ten years, renewed annually in perpetuity, unless a notice of non-renewal is submitted.
- Is binding to all subsequent property owners.
- Penalty of 12.5% of the full market value if the Agreement is canceled because of a contract violation.

Historic Property Preservation Agreements

Introduction
Preserving the City of San Clemente's historic resources has been a community objective since the 1970s. In order to meet this objective, the City developed a historic preservation ordinance to protect these resources for future generations. Because property owners of historic resources have preservation related requirements that may limit alterations to a building and require added maintenance, San Clemente balances an owners required stewardship responsibilities with incentives to help preserve and maintain historic resources. One incentive provided to private property owners is the Historic Property Preservation Agreements or Mills Act.

Purpose
The Mills Act is the single most important economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners. Enacted in 1972, the Mills Act legislation grants participating local governments (cities and counties) the authority to enter into contracts with owners of qualified historic properties who agree to restore and maintain their historic properties and in exchange receive property tax relief. San Clemente established the Mills Act program, known locally as Historic Property Preservation Agreements (HPPA), in 1997. Since then, the City has had more than fifty participants in the program.

Eligibility
To be eligible for the HPPA, the property must first be listed on the City's Designated Historic Resources List, and be able to be an income producing property. Owners of historic buildings may qualify for property tax relief if they pledge to rehabilitate and maintain the historical and architectural character of their properties.

Benefits to Owners
Mills Act participants may realize property tax savings each year because valuations of Mills Act properties are determined by the Income Capitalization Method (rental value) rather than by the standard market value. For example, the income value for an owner-occupied property is based on comparable rents for similar properties in the area, while the income amount on a commercial property is based on actual rent received. Since rental values vary from area to area, actual property savings vary from place to place. Because the Mills Act assessment relies on changing variables, property owners can experience fluctuation in their yearly assessment. The Mills Act program has the potential to provide a higher tax savings for recent buyers of historic properties.

Process
To begin the process of applying for an HPPA, the property owner should set up a pre-application meeting with the planning department. After reviewing the submittal requirements and process, the applicant submits their application. The City only accepts five applications a quarter for the first three quarters of the calendar year. After the application is submitted, a planner will set up a site visit with the applicant to review the proposed improvements or maintenance items and add any that they think are needed to restore or maintain the structure.

(Continued on Outside Panel)