



Thank you for your interest in the City of Indian Wells Mills Act Program. In order for your property to be considered for a contract, it must be a designated historic/cultural resource listed on a city, county, state or federal register. Individual resources, natural features or logical districts can be designated a cultural resource in the city. If you are unsure whether your property is included within any of these designations, or wish to seek designation of your property, contact us.

Mills Act application packages are only accepted from the beginning of the year through the month of March, and require a non-refundable application fee determined by the Community Development Department, which is determined based on the estimated application processing time. The March deadline allows enough time to process the application and record the Mills Act Contract for the following calendar year. All contracts are reviewed by the City's Community Development Department and referred to the City Council for approval.

A ten-year rehabilitation plan is required as part of the application package, and may be re-evaluated as needed. Staff may request modifications to the plan to show compliance with the Secretary of the Interior's Standards for Rehabilitation of Historic Properties. Upon acceptance for consideration in the program, you will be required to submit photographs to document the current condition of the property. The City's Community Development staff will take several exterior photographs from the street to include in the file. After the contract is recorded, you will be required to submit annual reports on completed project(s), along with photo documentation of the completed work, copies of receipts, and building permits where applicable. Prior to the approval of new contracts, and every five (5) years thereafter, the City shall inspect the interior and exterior of the premises to determine the owner's compliance with the contract. Significant penalties may be imposed for breach of contract or failure to maintain the historic property.

This packet is designed to assist you in completing the Mills Act Application. The application packet is also available on line at [www.cityofindianwells.org](http://www.cityofindianwells.org). If you have any questions please contact the Community Development Department at (760) 776-0229.

44950 Eldorado Drive, Indian Wells, CA 92210  
Phone: (760) 776-0229 / Fax: (760) 346-0407  
[www.cityofindianwells.org](http://www.cityofindianwells.org)

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# MILLS ACT FACT SHEET

- The Mills Act (a state sponsored legislation enacted in 1972) is a self-directed, economic incentive program for owners of historic buildings that are listed in the National Register of Historic Places or on a state, county, or city official register. Although it is applicable to any income producing property, it is the single most important economic incentive program available in California for private property owners of qualified historic buildings. A Mills Act program must be developed according to two California State Codes: California Government Code, Article 12, Sections 50280-50290 and California Revenue and Taxation Code, Article 1.9, Sections 439-439.4.
- Under the program, property owners receive a significant reduction in local property taxes in exchange for their promise to actively participate in restoring, rehabilitating, repairing and preserving their properties. Participants enter into a perpetual ten (10) -year contract with the City.
- The county assessor's office re-assesses property taxes based on a capitalization of income formula rather than on market value. Mills Act participants may realize a property tax savings of approximately 50% each year depending on property value, net operating income, and other variables.
- Contracts are automatically renewed each year and are transferred to new owners when the property is sold.
- Prior to the approval of new contracts, and every five (5) years thereafter (or as may be determined), the City shall inspect the interior and exterior of the premises to determine the owner's compliance with the contract. Should an inspection fee be imposed, the cost may be applied toward allowable annual expenses.
- Penalties may be imposed for breach of contract or failure to maintain the historic property. The California Codes listed above require the owner to pay a cancellation fee of twelve and one-half percent (12-1/2%) of the current fair market value of the property, as determined by the county assessor, in the event of breach of contract. As an alternative to cancellation of the contract for breach of any condition, the county, city, or any landowner may bring any action in court necessary to enforce a contract including, but not limited to, an action to enforce the contract by specific performance or injunction.

# MILLS ACT APPLICATION CHECKLIST

Complete and submit the following documents

- Application Form
- Financial Analysis Form
- Ten-Year Plan for Property Improvements
- Grant Deed and Legal Description of Property
- Application Deposit Fee (as determined by the Community Development Director based on estimated processing time)
- Copy of the Current Property Tax Statement or Coupons

**IMPORTANT NOTICE:** All parties listed on the grant deed and spouses will need to appear in the Community Development Department to sign the contract. If any of the deed holders will be unavailable, please contact our office ahead of time so alternate arrangements can be made.

# MILLS ACT APPLICATION FORM

**PROPERTY INFORMATION:**

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

APN: \_\_\_\_\_

Owner: \_\_\_\_\_

Owner Address: \_\_\_\_\_

Owner Telephone Number: \_\_\_\_\_

Daytime: \_\_\_\_\_ Evening: \_\_\_\_\_

E-mail: \_\_\_\_\_

Use of Property: \_\_\_\_\_

**ELIGIBILITY FOR PROGRAM:**

In order for your property to be considered for a contract you must have a designated historic resource from the list below:

\_\_\_ City Cultural Resource \_\_\_ California Register

\_\_\_ County Landmark \_\_\_ State Landmark

\_\_\_ National Register \_\_\_ State Point of Historical Interest

\_\_\_ National Historic Landmark

Date of Designation: \_\_\_\_\_

\_\_\_\_\_(Initials required) I authorize the City of Indian Wells to act as my agent for the purpose of recording the Mills Act contract.

Property Owner Signature(s) \_\_\_\_\_

Date \_\_\_\_\_

# FINANCIAL ANALYSIS FORM

INSTRUCTION GUIDE FOLLOWS

CURRENT YEAR TO YEAR THREE (SHEET ONE OF THREE)

|                             |                                    | YEARS   |     |     |       |
|-----------------------------|------------------------------------|---------|-----|-----|-------|
|                             |                                    | CURRENT | ONE | TWO | THREE |
| <b>INCOME</b>               |                                    |         |     |     |       |
| 1.                          | Monthly Rental Income              |         |     |     |       |
| 2.                          | Annual Rental Income               |         |     |     |       |
| <b>ANNUAL EXPENSES</b>      |                                    |         |     |     |       |
| 3.                          | Insurance                          |         |     |     |       |
| 4.                          | Utilities                          |         |     |     |       |
| 5.                          | Maintenance / Repairs              |         |     |     |       |
| 6.                          | Management                         |         |     |     |       |
| 7.                          | Other                              |         |     |     |       |
| 8.                          | Total                              |         |     |     |       |
| <b>NET OPERATING INCOME</b> |                                    |         |     |     |       |
| 9.                          | Net Operating Income               |         |     |     |       |
| <b>CAPITALIZATION RATE</b>  |                                    |         |     |     |       |
| 10.                         | Interest Component                 |         |     |     |       |
| 11.                         | Historical Property Risk Component |         |     |     |       |
| 12.                         | Property Tax Component             |         |     |     |       |
| 13.                         | Amortization Component             |         |     |     |       |
| 14.                         | Capitalization Rate                |         |     |     |       |
| <b>TAXES</b>                |                                    |         |     |     |       |
| 15.                         | Mills Act Assessment Value         |         |     |     |       |
| 16.                         | Current Taxes                      |         |     |     |       |
| 17.                         | Mills Act Taxes                    |         |     |     |       |
| 18.                         | Tax Savings                        |         |     |     |       |

# FINANCIAL ANALYSIS FORM

YEAR FOUR TO YEAR SEVEN (SHEET TWO OF THREE)

|                             |                                    | YEARS |      |     |       |
|-----------------------------|------------------------------------|-------|------|-----|-------|
|                             |                                    | FOUR  | FIVE | SIX | SEVEN |
| <b>INCOME</b>               |                                    |       |      |     |       |
| 1.                          | Monthly Rental Income              |       |      |     |       |
| 2.                          | Annual Rental Income               |       |      |     |       |
| <b>ANNUAL EXPENSES</b>      |                                    |       |      |     |       |
| 3.                          | Insurance                          |       |      |     |       |
| 4.                          | Utilities                          |       |      |     |       |
| 5.                          | Maintenance / Repairs              |       |      |     |       |
| 6.                          | Management                         |       |      |     |       |
| 7.                          | Other                              |       |      |     |       |
| 8.                          | Total                              |       |      |     |       |
| <b>NET OPERATING INCOME</b> |                                    |       |      |     |       |
| 9.                          | Net Operating Income               |       |      |     |       |
| <b>CAPITALIZATION RATE</b>  |                                    |       |      |     |       |
| 10.                         | Interest Component                 |       |      |     |       |
| 11.                         | Historical Property Risk Component |       |      |     |       |
| 12.                         | Property Tax Component             |       |      |     |       |
| 13.                         | Amortization Component             |       |      |     |       |
| 14.                         | Capitalization Rate                |       |      |     |       |
| <b>TAXES</b>                |                                    |       |      |     |       |
| 15.                         | Mills Act Assessment Value         |       |      |     |       |
| 16.                         | Current Taxes                      |       |      |     |       |
| 17.                         | Mills Act Taxes                    |       |      |     |       |
| 18.                         | Tax Savings                        |       |      |     |       |

# FINANCIAL ANALYSIS FORM

YEAR EIGHT TO YEAR ELEVEN (SHEET THREE OF THREE)

|                             |                                    | YEARS |      |     |        |
|-----------------------------|------------------------------------|-------|------|-----|--------|
|                             |                                    | EIGHT | NINE | TEN | ELEVEN |
| <b>INCOME</b>               |                                    |       |      |     |        |
| 1.                          | Monthly Rental Income              |       |      |     |        |
| 2.                          | Annual Rental Income               |       |      |     |        |
| <b>ANNUAL EXPENSES</b>      |                                    |       |      |     |        |
| 3.                          | Insurance                          |       |      |     |        |
| 4.                          | Utilities                          |       |      |     |        |
| 5.                          | Maintenance / Repairs              |       |      |     |        |
| 6.                          | Management                         |       |      |     |        |
| 7.                          | Other                              |       |      |     |        |
| 8.                          | Total                              |       |      |     |        |
| <b>NET OPERATING INCOME</b> |                                    |       |      |     |        |
| 9.                          | Net Operating Income               |       |      |     |        |
| <b>CAPITALIZATION RATE</b>  |                                    |       |      |     |        |
| 10.                         | Interest Component                 |       |      |     |        |
| 11.                         | Historical Property Risk Component |       |      |     |        |
| 12.                         | Property Tax Component             |       |      |     |        |
| 13.                         | Amortization Component             |       |      |     |        |
| 14.                         | Capitalization Rate                |       |      |     |        |
| <b>TAXES</b>                |                                    |       |      |     |        |
| 15.                         | Mills Act Assessment Value         |       |      |     |        |
| 16.                         | Current Taxes                      |       |      |     |        |
| 17.                         | Mills Act Taxes                    |       |      |     |        |
| 18.                         | Tax Savings                        |       |      |     |        |

# PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET ONE OF FIVE)

An electronic version of the financial analysis spreadsheet is available at  
<http://www.ADD WEBSITE LINK HERE>.

## STEP 1: DETERMINE PROPERTY INCOME FOR EACH OF TEN YEARS

| PROPERTY INCOME                       | CURRENT | EXPLANATION  |
|---------------------------------------|---------|--|
| 1. Monthly Fair Rent, or Gross Income |         | 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, etc.). |
| 2. TOTAL ANNUAL INCOME                |         | Multiply line 1 by 12 months.  |

## STEP 2: CALCULATE ALLOWED EXPENDITURES FOR EACH OF TEN YEARS

| ANNUAL EXPENSES                       | CURRENT | EXPLANATION   |
|---------------------------------------|---------|---|
| 3. Insurance                          |         | Fire, Liability, etc.   |
| 4. Utilities                          |         | Water, Gas, Electric. Utilities may only be listed and deducted as permitted in a traditional landlord-tenant relationship, i.e. net lease vs. gross lease.                                       |
| 5. Maintenance and Repairs*           |         | Includes: painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs.   |
| 6. Management†                        |         | Standard fee (usually 5% of rent)   |
| 7. Other Operating Expenses           |         | Security, services, etc. May also include special district assessments and special taxes; however, general levy property taxes are not allowed expenditures. Provide breakdown on separate sheet. |
| 8. TOTAL ANNUAL ALLOWED EXPENDITURES‡ |         | Add lines 3 through 7.  |

\* 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 a detailed break-down—**all costs should be recurring annually**).

† 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, general levy property taxes, depletion charges, corporate income taxes or interest on funds invested in the property.

# PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET TWO OF FIVE)

## STEP 3: DETERMINE NET OPERATING INCOME, OR INCOME TO BE CAPITALIZED FOR EACH OF TEN YEARS

| NET OPERATING INCOME                     | CURRENT | EXPLANATION         |
|--|---------|---------------------|
| 9. TOTAL ANNUAL INCOME TO BE CAPITALIZED |         | Line 2 minus line 8 |

## STEP 4: DETERMINE CAPITALIZATION RATE FOR EACH OF TEN YEARS

| CAPITALIZATION RATE                    | CURRENT | EXPLANATION  |
|--|---------|--|
| 10. Interest Component                 | 4.25%   | Annually determined by the State Board of Equalization and based on the effective rate on conventional mortgages as determined by the Federal Housing Finance board. The interest component is announced annually in a Letter To Assessors, by October 1 of the preceding assessment year (4.25% for 2015, refer to historical interest rates <a href="http://www.riversideca.gov/planning/pdf/2015/mills-interest-component-2015.pdf">http://www.riversideca.gov/planning/pdf/2015/mills-interest-component-2015.pdf</a> ). |
| 11. Historical Property Risk Component |         | Determined by property type.<br>Single-family home = 4%<br>All other property = 2%   |
| 12. Property Taxes Component           | 1%      | .01 times the assessment ratio of 100%.  |
| 13. Amortization Component             |         | Because the land is a non-depreciating asset, it is necessary to adjust the amortization component.<br>Estimate the percentage of total property value attributable to improvements, multiplied by the reciprocal of the remaining life of improvements. Wood frame is typically 20 years, masonry is typically 50 years.<br>If 70% of the property value is attributed to improvements, and the life of the improvement is 20 years, use $70\% \times 1/20 = 3.5\%$ .   |
| 14. TOTAL CAPITALIZATION RATE          |         | Add lines 10 through 13  |

# PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET THREE OF FIVE)

## STEP 5: CALCULATE TAXABLE VALUE FOR EACH OF TEN YEARS

| NEW TAXABLE VALUE            | CURRENT | EXPLANATION  |
|------------------------------|---------|--|
| 15. Mills Act Assessed Value |         | Line 9 divided by line 14<br>Example: Line 9 divided by 0.15 (15%) |

## STEP 6: DETERMINE ESTIMATED TAX REDUCTION FOR EACH OF TEN YEARS

| NEW TAX ASSESSMENT          | CURRENT | EXPLANATION  |
|-----------------------------|---------|--|
| 16. Current Tax             |         | General tax levy only – do <b>not</b> include bonded indebtedness, special district assessments, and special taxes, which are treated as allowed expenses. |
| 17. Tax under Mills Act     |         | Line 15 multiplied by 0.01   |
| 18. ESTIMATED TAX REDUCTION |         | Line 16 minus 17   |

# PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET FOUR OF FIVE)

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. ***THIS IS ONLY A SAMPLE. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation because some figures are determined at the discretion of the assessor. The parties to a historical property agreement may stipulate a minimum annual income to be capitalized, in which case the income to be capitalized may not be less than the stipulated amount.***

EXAMPLE: Single-family Dwelling  
Current Assessed Value (GENERAL LEVY TAXES ONLY<sup>§</sup>) = \$100,000  
Estimated Monthly Rent = \$800

## **DETERMINE ANNUAL INCOME AND ANNUAL OPERATING EXPENSES\*\***

\$800 per month income minus approximately \$100 per month expenses for maintenance, repairs, insurance, utilities, and gardener, only as permitted in a traditional landlord/tenant relationship, equals a net income of \$700 per month. Multiply by 12 months for an annual net income of **\$8400**. (Mortgage payments and property taxes are not considered expenses.)

## **DETERMINE CAPITALIZATION RATE**

Add the following 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 **4.25%** for 2015. As the interest component increases or decreases, property tax savings change as well;
- 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 for improvements defined as a percentage equal to the reciprocal of the remaining life of the improvements (e.g., if the remaining economic life of the improvements were 20 years, the amortization component would be 5 percent). Since the amortization component applies only to improvements, not to land, which is a non-depreciating asset, it is necessary to adjust the amortization component described in the statute.

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<sup>§</sup> 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.

<sup>\*\*</sup> Single-Family applicants may find that a property manager or realtor may assist in determining a monthly rental figure.

# PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

(SHEET FIVE OF FIVE)

- Based on market data, estimate the percentage of total property value attributable to improvements. *In this example, 70% of the value is attributable to improvements, and the remaining life of a wood frame building is typically 20 years.* The amortization component is calculated thus:  $70\% \times 1/20 = 3.5\%$ . Use 3.5% for your calculation.

Now add the following:

$4.25\% + 4\% + 1.0\% + 3.5\% = 12.75\%$  **Capitalization Rate** (single-family dwelling).

## 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 **0.1275** (12.75%), to arrive at the new assessed value of **\$65,882**.

Lastly, determine the amount of taxes to be paid by taking 0.01 (1%) of the assessed value \$65,882. Compare with current property tax rate for land and improvements only (be sure to exclude voter indebtedness, direct assessments, tax rate areas and special district items on your tax bill):

- Current general levy property tax; 1% of original assessed valuation of \$100,000 ( $\$100,000 \times .01 = \mathbf{\$1,000}$ );
- Mills Act property tax: 1% of new assessed value of \$65,882 is **\$659**.

Annual property taxes have been reduced by **\$341** ( $\$1,000 - \$659$ ), approximately a **34% property tax reduction**.

# MILLS ACT TEN-YEAR REHABILITATION PLAN

| Year    | Proposed Project* | Estimated Cost |
|---------|-------------------|----------------|
| Year 1  |                   |                |
| Year 2  |                   |                |
| Year 3  |                   |                |
| Year 4  |                   |                |
| Year 5  |                   |                |
| Year 6  |                   |                |
| Year 7  |                   |                |
| Year 8  |                   |                |
| Year 9  |                   |                |
| Year 10 |                   |                |

To be attached to the Historic Property Preservation Agreement (Mills Act Contract)-Exhibit D.

\*See attached for list of potential projects. Use additional sheets if necessary.

Projects may be interior or exterior, but must utilize all of your tax savings. All projects that affect the exterior of the residence are subject to Community Development Department staff review and approval before work begins. Work must meet all City requirements and the *Secretary of the Interior's Standards for the Treatment of Historic Properties* (see attached). Retain copies of all receipts and permits for submittal with the required annual reports. Photograph the before and after condition of each project for submittal with the annual reports.

# LIST OF POTENTIAL PROJECTS

(SHEET ONE OF THREE)

Projects may include but are not limited to:

- Access Modifications – Exterior
- Access Modifications – Interior
- Accessory Structure Repair or Replace
- Annual Maintenance & Repairs
- Appliance Vent
- Architectural – Remove Non-historic Feature & Restore to Original
- Architectural Trim – Repair
- Architectural Trim – Replace
- Architectural Trim – Install New
- Balcony/ Decks – New Railings
- Balcony/ Decks – Repair or Replace
- Basement – Access – Repair or Replace to Code
- Basement – New or Rebuild
- Cabinets – New Built-in Bathroom
- Cabinets – New Built-in Kitchen
- Cabinets – New Built-in Other
- Carpentry – Remove window & reframe shower including Siding/Caulking
- Chimney – Inspect and Clean
- Chimney – New
- Chimney – Rebuild or Repair
- Code Repair Item
- Column – Replace or Rebuild
- Corbels/ Structural Brackets Replace or Repair
- Door – Repair or Replace Screen Door
- Door – Hardware
- Door – New Basement Hatch Cover and Base
- Door – Repair
- Door – Replacement
- Drain for Deck – Install & or Repair
- Drainage Protection or Correction
- Dry-Rot Remove, Repair and or Replace
- Electrical – Rewire or Install New Outlets
- Electrical – Complete Rewire and Service Upgrade
- Electrical – Ground & Service Entry
- Electrical – Install New Circuits
- Electrical – Lighting Fixtures
- Electrical – New Service Lines to Garage
- Electrical – Security Lighting and Alarm
- Electrical – New Outlets

# LIST OF POTENTIAL PROJECTS

(SHEET TWO OF THREE)

Fence – Repair or New  
Flashing  
Floor Furnace – Remove or Restore floor  
Flooring – Carpet  
Flooring – Repair  
Flooring –Repair Wood Floors  
Flooring – Replacement  
Foundation – Bolting and Seismic Work  
Foundation – New  
Foundation – Repair  
Gable or Attic – Re-screening  
Garage Door  
Gutters & Downspouts  
House Relocation  
HVAC – Complete New System  
HVAC – Maintenance & Replacement/Plumbing Service & Painting  
Insulation – Walls – Blown-in  
Insulation – Attic  
Interior Trim – Refinish  
Kitchen – New Counters  
Masonry – New  
Masonry – Repair or Replace Tile Hearth  
Masonry – Repair or Repoint  
Masonry – Repoint Brick  
Mechanical – Air Conditioning  
Mechanical – Heating Unit  
Mechanical – Ventilation – New Kitchen/Bath Fan & Duct Work  
Mechanical – Venting & Duct  
Mechanical – Venting & Duct Work  
Minor Painting and Exterior Repairs  
Painting – Exterior  
Painting – Interior  
Painting – Removal of Lead Based Paint  
Painting – Exterior Trim  
Patio – Repair  
Plastering – Remove, Replace, or Refinish  
Plumbing – DWV, Drain, Waste & Vent  
Plumbing – Fixtures  
Plumbing – Install new supply lines  
Plumbing – Install Sump Pump & Discharge Drain  
Plumbing – Minor Repairs  
Plumbing – New Supply

# LIST OF POTENTIAL PROJECTS

(SHEET THREE OF THREE)

Plumbing – Service Lines  
Plumbing – Sewer  
Plumbing Repairs  
Porch - Ceiling replacement  
Porch – Rebuild or Replace  
Porch – Repair  
Porch – Repoint Brick  
Porch Railing – Repair or Replace to Code  
Porches – Resurface  
Remove Substandard Construction (Tin Shed)  
Repair Eaves and/or Overhangs  
Repair Exterior Stucco  
Repair Garage  
Replace Garage  
Replace Non-Historic Feature  
Roof- Minor Repair  
Roof- Reroof  
Roof- Strip and Install New  
Security Lighting and Alarm System  
Seismic Retrofitting – Other than Foundation  
Siding – Remove Asbestos Siding & Restore  
Siding – Repair  
Skylights – Replace  
Stair – Repair  
Stair – Replacement  
Stonework  
Stoop – Repair  
Stoop – Replacement  
Structural – New Framing or Repairs  
Structural Bracing  
Structural Modifications  
Structural Repairs – Roof and/or Ceiling Joists  
Termite Treatment  
Termite Treatment and Repair  
Tile – Replace, Repair or Repoint  
Utility Enclosure – New  
Ventilation – Attic Fan  
Waterproofing  
Weatherproofing  
Window – Screens or Hardware  
Windows – Repair  
Windows – Replacement in kind

# PROPERTY OWNER ANNUAL REPORT

(SHEET ONE OF TWO)

**TO BE SUBMITTED ANNUALLY BY THE LAST BUSINESS DAY IN JULY,  
FOLLOWING THE END OF EACH FISCAL YEAR**

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

Annual Report for the year of: \_\_\_\_\_

What were your tax savings this year? \_\_\_\_\_

(Please attach copies of your tax statement for the applicable year.)

What was (were) your project(s)? Please describe each project contributing to your required expenditure, include the cost of each project for the reporting fiscal year (add additional sheets as necessary):

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What was the total cost of the project(s)?

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Based on the results of this project would you like to revise your Ten-Year Plan? Yes\_\_\_No\_\_\_

If so, How?

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# PROPERTY OWNER ANNUAL REPORT

(SHEET TWO OF TWO)

Comments / Suggestions:

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Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Return Form and Attachments by the Last Business Day in July to:**

City of Indian Wells  
Community Development Department  
44950 Eldorado Drive  
Indian Wells, CA. 92210

**For Questions Contact:**

Community Development Department (760) 776-0229

**Required Attachment Checklist for All Mills Act Projects:**

- Copies of receipts for all required expenditures and building permits;
- Photographs for all work performed during the last year, whether included in the required expenditures or not (to verify compliance with Title 20);
- Photographs of the site and exterior of property;
- Copies of the applicable property tax statements.
- Update Contact Information:  
Please provide any changes to the property owner name, mailing address, telephone, or e-mail address:

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# MILLS ACT QUESTIONS AND ANSWERS

(SHEET ONE OF FOUR)

**Q: What is the Mills Act?**

**A:** The Mills Act is an economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners. Enacted by the State in 1972, Mills Act legislation grants participating local governments the authority to enter into contracts with owners of qualified historic properties who actively participate in the rehabilitation, restoration, preservation, and maintenance of their historic properties. Since the costs of doing so can be prohibitive, property tax relief can offset these costs. In 1976, California voters passed Proposition 7, amending Section 8 of Article XIII of the California Constitution requiring enforceably restricted historical properties be valued on a basis that is consistent with its restrictions and uses. Sections 439 through 439.4 of the Revenue and Taxation Code set forth the statutory authority for the assessment of Mills Act properties. Essentially, it provides that valuation of the property be determined by the income approach rather than a sales data approach, even for an owner-occupied single-family residence. Indian Wells City Council adopted Ordinance No. 574 in June 2005, which permits property owners to enter into Mills Act contracts with the City. Mills Act contracts are for a minimum term of ten (10) years. Unless a Notice of Nonrenewal is filed or the contract is breached, a contract automatically renews each year on its anniversary date, creating a "rolling" contract term that is always equal to the initial contract term.

**Q: Who can apply for the Mills Act?**

**A:** Owners of historic/cultural designated properties can apply for the Mills Act.

**Q: How can I apply for the Mills Act?**

**A:** The Mills Act Applications are extensive and require calculations and research that will likely require assistance from a professional accountant. Applications are available by: 1) Picking up a copy up at the Community Development Department, at City Hall, or 2) contacting Staff at 760-776-0229 or 3) downloading a Mills Act Application found at the city's website: <http://www.cityofindianwells.org>

Complete applications can be submitted with the required application fee at the City of Indian Wells Community Development Department, located at 44950 Eldorado Drive, Indian Wells, CA 92210.

# MILLS ACT QUESTIONS AND ANSWERS

(SHEET TWO OF FOUR)

**Q: What is the application fee?**

**A:** The application deposit based fee for processing Mills Act Contracts is due at the time of application submission and is determined by the Community Development Director based on the estimated time it will take to process a given application.

**Q: How much will I save on my property taxes?**

**A:** The Mills Act uses an alternative equation to calculate the property taxes. This alternative equation may save property owners up to 50% on the property tax bill. If the property has been owned for more than ten years, the County Assessor does not recommend applying for the Mills Act as the savings will be negligible. Due to unprecedented financial times, complete the financial and property tax worksheets to determine whether or not you will benefit from the program.

**Q: When will I start to receive my savings on my tax bill?**

**A:** Savings will appear on the tax bill for the fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) following the calendar year in which it is executed and recorded with the County.

**Q: When do I start saving receipts from qualified property improvements?**

**A:** Start saving receipts for qualified improvements during the fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) following the recordation of the contract. Property owners of Mills Act contracts approved in 2014 will start saving receipts from qualified improvements for the fiscal year July 2015 to June 2016.

**Q: Can I spend all of my ten-year savings in one fiscal year for one big improvement project?**

**A:** No, the ten-year savings cannot be spent on one big project. The proposed tax savings must be spent on the historic property on an annual fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) basis. The goal is for ongoing financial contribution to the Mills Act property.

**Q: Is the Mills Act transferable if I sell my property?**

**A:** Yes, Mills Act contracts remain with the property and will be the responsibility of the new property owners when the property is sold.

**Q: Does my property get reassessed if I sell my property, thus changing the monetary value of my savings?**

**A:** Yes, Mills Act contracts are reevaluated on an annual basis with the County Tax Assessor for tax savings. One of the factors the Assessor uses in determining the Mills Act tax bill is the current assessment value of the historic property. Were the property value to change, the tax savings could also see a change.

# MILLS ACT QUESTIONS AND ANSWERS

(SHEET THREE OF FOUR)

**Q: During what time frame do the property improvements need to occur?**

**A:** Qualified improvements need to take place during the fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) following the approval, and subsequent fiscal years thereafter for a minimum term of ten years. For example, Mills Act contracts approved in 2014 will start completing qualified improvements during the fiscal year July 2015- June 2016.

**Q: What property improvements are eligible?**

**A:** Most improvements are eligible for the Mills Act, as the intention is to encourage property owners to continue to provide maintenance for the historic properties. The improvements need to be a permanent part of the property and/or property. For example:

- A new outdoor seasonal gazebo would not qualify, but a permanent gazebo that is attached to a foundation would qualify;
- New furniture would not qualify, but new built-in cabinetry or shelving would qualify.

**Q: Can I count the cost of labor for the improvements made to my property?**

**A:** Yes, the cost of labor can be included in the total cost of improvements to the property, as long as the labor has been completed by a qualified individual that can produce a verifiable receipt for the labor. Property owners cannot include the cost for the owner's personal labor. For Example:

- If a property owner were to have the outside of the historic property painted by a painting company, the full cost of the bill could be counted as a qualified improvement;
- If a property owner were to paint the property utilizing the property owner's own labor to apply the paint, the only costs that could count as an improvement are the cost of paint and paint prepping materials used to complete this qualified task.

**Q: How do the property inspections work?**

**A:** Be prepared to submit photographs of the entire exterior and interior of the property, including the view from the street. Community Development Staff shall inspect the interior and exterior of the premises prior to approval of the contract, and every five (5) years thereafter. These appointments will be scheduled in advance. Should a fee be required for the five-year inspection, the amount will apply toward allowable annual expenses.

**Q: Can I change things on my submitted "Ten-Year Rehabilitation Plan" for work on my property?**

**A:** Yes, previous submissions on the "Ten-Year Rehabilitation Plan" can be changed. Although Community Development staff asks for the Rehabilitation plan up front, changes are allowed on an annual basis. These changes must be submitted to the Community Development Department in writing, for review and approval prior to completion of the proposed qualified task.

**Q: How long is my Mills Act Contract good?**

**A:** Participants enter into a contract with a minimum term of ten-years. Mills Act contracts are automatically renewed for an additional year on the anniversary of the effective date, year for a perpetual ten-year term. If a Notice of Nonrenewal is given, the contract will run down for the length of the time remaining.

# MILLS ACT QUESTIONS AND ANSWERS

(SHEET FOUR OF FOUR)

**Q: Who approves the contract I have with the City for my Mills Act Property?**

**A:** Mills Act contracts are subject to the review and approval of the City Council. The review occurs prior to the end of the calendar year in which the application was submitted.

**Q: What happens if I do not fulfill my obligation to the Mills Act?**

**A:** The Mills Act is a privilege given to those who have willingly applied and been accepted through the extensive application process. The Mills Act is an incentive for those who own historic properties by providing financial assistance through tax savings. However, the Mills Act is also a legal contract and is enforceable by law. Penalties may incur if owners do not fulfill the obligation required by the contract to spend the tax savings on the repair and maintenance of the historic property.

Current California Codes include the following language:

The City may cancel a contract if it determines that the owner has breached any of the conditions of the contract or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property. The City may also cancel a contract if it determines that the owner has failed to restore or rehabilitate the property in the manner specified in the contract.

The City may cancel a contract after giving notice of and holding a public hearing on the matter. Notice of the hearing shall be mailed to the last known address of each owner of property within the historic district and shall be published.

If a contract is canceled, the owner shall pay a cancellation fee equal to twelve and one-half percent (12-1/2%) of the current fair market value of the property, as determined by the county assessor as though the property were free of contractual restriction.

The cancellation fee shall be paid to the county auditor, at the time and in the manner that the county auditor shall prescribe, and shall be allocated by the county auditor to each jurisdiction in the tax rate area in which the property is located in the same manner as the auditor allocates the annual tax increment in that tax rate area in that fiscal year.

As an alternative to cancellation of the contract for breach of any condition, a landowner that is a party to the contract may bring any action in court necessary to enforce a contract including, but not limited to, an action to enforce the contract by specific performance or injunction.

Local agencies and owners of qualified historical properties may consult with the State Historical Resources Commission for its advice and counsel on matters relevant to historical property contracts.