

## MILLS ACT CONTRACT GUIDELINES

The Mills Act Contract Program is California's leading financial incentive program for historic preservation. It is a revolving ten-year contract between the City Brea and an owner of a qualified historic property that allows for a potential property tax reduction in exchange for owners using the savings to offset costs to rehabilitate and restore their property. Contracts are automatically renewed each year so that the term of the contract always extends for ten years. Owners of qualified historic properties within the City of Brea may apply for the program if they agree to rehabilitate and maintain the historical and architectural character of their properties for the life of the contract.

**DETERMINE ELIGIBILITY** A property must first be listed on Brea's Historic Register or any Federal, State, County register. Determine eligibility by contacting the City of Brea's Planning Division.

Email: [planning@cityofbrea.net](mailto:planning@cityofbrea.net)

Phone: (714) 990-7674

Address: 3<sup>rd</sup> floor of 1 Civic Center Circle. Brea CA, 92821

You may also visit the City's website to view the Historic Register.

**If your property is not recognized in any above-mentioned historic registers, please visit the City's website for Historic Designation information.**

**PREPARE SUPPORTING EVIDENCE** Supporting evidence is required to process and determine the eligibility of the property. Historic surveys are commonly used as supporting evidence to provide a description of the architectural features of a property, as well as a history of who owned it. Applicants may prepare their own surveys or hire a professional historic preservation consultant to prepare one for them.

The Planning Division works in partnership with the Brea Historical Society to support the rehabilitation of properties on the City's Historic Register. Please contact the Brea Historical Society by email at [info@breamuseum.org](mailto:info@breamuseum.org) to determine if documentation is available to use as supporting evidence.

**REHABILITATION PLAN** The property owner are required to submit and execute a ten-year work plan outlining specific restoration projects during the term of the agreement. The City accepts applications for properties in need of significant rehabilitation or restoration work. The proposed work to rehabilitate or restore the property shall be equal to or greater than the total expected tax savings.

The rehabilitation plan shall demonstrate how future work items would improve the property's exterior appearance, original historical character, structural integrity and future longevity. Work that has already been completed or initiated prior to issuance of a decision on the application will not be considered.

Typical examples of projects include roof repairs or replacement; exterior siding/stucco repair and painting; brick or stone repointing; restoration of original finishes/colors; repair/restoration of deteriorated or missing architectural features; window or door repair; restoration of previous alterations; removal of potentially hazardous conditions such as outdated/faulty electrical, plumbing or HVAC systems; fireplace/chimney repairs; seismic retrofit/foundation repair or bolting; structural repairs such as settling, porch separation from main structure, roof sagging, etc.; drainage improvements; energy efficiency improvements; etc.

Restoration should be based on physical, documentary or pictorial evidence. Interior cosmetic work is typically not included unless it involves restoring important historical features of the interior or extensive interior restoration. New fencing, landscaping or paving is typically not included unless restoring a significant historical design feature or having an effect on the primary historic resource on the property. New construction, interior modernization remodeling and additions are not included.

Upon execution of a Historic Property Contract agreement, all agreed-upon projects must be completed by the end of the year established in the final work plan. Annual self-certification of completion of work, along with documentation (permits, contractor invoices, before and after photographs, etc.) and/or inspections may be required to ensure required work is completed.

## **OBLIGATIONS UNDER THE MILLS ACT**

**Duration of Contract:** The Historical Property 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.

**Non-Renewal Contract:** The owner may decide to terminate the contract by notifying the City at least ninety days prior to the annual renewal date. The City may terminate the contract by notifying the owner at least sixty days prior to the renewal date. The owner may make a written protest about termination by the City. The contract remains in effect for the 10-year term beyond the notice of non-renewal.

**Alterations or Additions to the Property:** Any work performed to the property (interior, exterior and grounds) must conform to the [Secretary of the Interior's Standards for Rehabilitation](#) and the [California Historical Building Code](#). Planning Division staff shall review any proposed work for conformance with the Standards before work begins and all proper permits shall be obtained.

**Inspections and Monitoring:** The City may conduct pre-contract and periodic inspections of the property. Conditions not conforming to the Secretary of the Interior's Standards for Rehabilitation may be required to be brought into compliance. The City also encourages property owners to self-inspect and notify Planning staff of the progress of rehabilitating and maintaining their property.

**Breach of Contract Penalty:** If the City determines at any time that the property owner has breached the contract the contract may be cancelled and the owner is liable for a cancellation fee of 12.5% of the current value of the property as determined by the County Assessor.

**Transfer of Ownership:** A Mills Act Historical Property Contract is attached to the property. Subsequent owners are bound by the terms and conditions of the contract, and obligated to complete any work identified in the contract and perform required maintenance. It is incumbent upon the seller of a Mills Act property to disclose this fact to potential buyers. For example, if an owner completes some of the contract mandated work in the first five years and then sells the property, the new buyer would have five years to complete the rehabilitation/restoration of the property.

**FEES** The application requires a \$250 initial deposit to begin processing a Mills Act Contract application. This deposit is used to review the application and plans, research, conduct site visit/inspections, prepare staff reports and presentations and more. Additional funds and/or subsequent deposits may be required depending upon the level of staff time necessary to complete the project.

All remaining unused portion of the deposit(s) will be returned to the Applicant upon the completion of the Project.

**If you have determined that your property is not listed on the City's Historic Register, the property must first apply for a Historic Designation. The Historic Designation is a separate application and deposit fee. More information can be found on the City's website or by contacting the Planning Division.**

**APPROVING BODY** The Mills Act Contract application requires the recommendation of the Planning Commission and approval by the Finance Committee and City Council at a public hearing.

**POTENTIAL TAX SAVINGS** Tax adjustment calculations are conducted by the County Assessor after an application is approved and the contracts are signed and recorded. The tax savings would be reflected in the next fall's tax assessment. The average benefit to Brea owners that realize a tax savings has been a 50% reduction in property taxes, but it can vary widely. All Mills Act assessed values are subject to annual review, reflecting annual fluctuations in market rent, expenses and interest rates.

Generally, owners who have purchased their properties within the last 10 years at current market-rate prices are most likely to benefit from entering into a Mills Act contract. Property taxes will not increase as a result of a Mills Act contract.

**ARE YOU READY TO APPLY?** After you've determined the Mills Act is right for your property, please contact the Planning Division to discuss next steps. The application is available on the City's website.