Introduction
Lambert Giessinger, Architect, Historical Property Contracts Manager
Laura O’Neill, Senior Architectural Historian, GPA Consulting
Introduction

Ken Bernstein, Principal City Planner
Mills Act: Program Overview
Lambert Giessinger, City of Los Angeles, Office of Historic Resources
Overview

- California’s leading financial incentive program for historic preservation.
- Contract between the City and property owner that allows for potential reduction in property taxes.
- Applies to all types of taxable properties: single-family, multi-family, commercial, and industrial.
Overview

- Provides incentive for restoring, rehabilitating, and maintaining eligible properties to promote appreciation of the City’s architecture, history, and culture.

- A competitive program for eligible historic properties--not an entitlement.
Senator Mills introduced SB 357, signed by Governor Reagan on December 29, 1972.

“The purpose of my bill is to provide an incentive to restoring and maintaining points of historical interest in California.”

“This state abounds with priceless treasures of our dynamic history. All too often we have seen invaluable links with our past fall to the bulldozer’s blade as developers greedily devoured our heritage in the name of progress.”

“My legislation will provide an incentive to preserve historically significant landmarks so that future generations will be able to appreciate California’s cultural diversity.

-Senator James Mills, February 1977
Creation: Los Angeles

April 15, 1994 City Council Motion:
- Retain older, affordable housing stock
- Retain residential structures of “real” historical significance
- Means to incentivize property owners to preserve historic dwelling structures

1996 Los Angeles Administrative Code Division 19, Chapter 14 created with amendments, Ordinance 171,416
Evolution: Los Angeles

2012 Updates
- State statute is amended to require the City, County, or Assessor to inspect Mills Act properties every 5 years.
- City Council increases lost revenue cap to $2 million.

Regulatory Setting
- LAAC Division 19, Chapter 14
- CA Government Code, Article 12, Sections 50280-50290
- CA Revenue and Taxation Code, Article 1.9, Sections 439-439.4
Evolution: Los Angeles

- Approximately 75% are single-family dwellings.
- The City has agreed to lose up to $2 million of revenue under the Mills Act.
- The City's share of the 1% General Levy tax collected by the County is slightly under 11%.
- The Mills Act program is responsible for calculating the lost revenue annually.
- The amount is currently $1,438,034.
Overview

- Property tax based on income potential of the property rather than most recent sales price or transfer value.
- Property tax based on highest and best property use prior to Proposition 13.
- Expectation is tax savings used to offset cost of substantial scope of rehabilitation, restoration, and maintenance work in conformance with Secretary of the Interior’s Standards (Secretary’s Standards).
- Cost of work should exceed potential savings.
Eligibility

**Qualifying Properties**
- City-designated Historic-Cultural Monuments (HCMs)
- Contributing properties to Historic Preservation Overlay Zones (HPOZs)

**Valuation Limits**
- Tax assessed value of $1,500,000 for single-family properties
- Tax assessed value of $3,000,000 for all other properties, including multi-family, commercial and industrial properties
Exemptions

Exemptions to Valuation Limits are granted by the Cultural Heritage Commission if:

- Property has excessive and/or unusual maintenance requirements and is otherwise in danger of demolition
- Exemptions require preparation of a Historic Structure Report (HSR)
- HCM or HPOZ contributor is of exceptional significance
- Revenue loss to City will not exceed $2 million annually for entire program (all contracts)

Properties located in Greater Downtown Area and Hollywood Boulevard National Register District are exempt from Valuation Limits
Contract Term

- Contract runs for a minimum term of 10 years and is renewed annually for the minimum term.

- Contract runs with the land and is transferred to new owners when a property is sold.

- Property must be maintained in accordance with the Secretary’s Standards and California Historical Building Code.
Contract Term

- The Mills Act Program is under the authority of the Cultural Heritage Commission (CHC).
- CHC and the Office of Historic Resources review and approve alterations to properties.
- Contract covers entire property:
  - Interior and exterior of buildings
  - Landscaping and grounds
  - Systems
- Failure to rehabilitate the property may cause cancellation of Contract and penalty equaling 12.5% of the fair market value.
Periodic Inspections

- In addition to pre-approval inspections, the City conducts periodic inspections every five years.
- The fee is $415 per year, or $2,075 every five years.
- Periodic inspections monitor progress of implementing work described in Contract.
- After inspection, a list of deficient, non-compliant items will be sent to owner, who will have 30 days to draft a preservation plan to correct those items.
- Property owners are encouraged to update the City regularly on progress of implementing work.
HOA Controlled Properties

- Only HOA may submit application, not individual unit owners.
- All owners must agree to participate.
- In most cases, HOA must vote to authorize application and CC&Rs must be amended.
- Under one Contract covering all units, tax savings will be granted to individual unit owners by Assessor.
HOA Controlled Properties

- Tax savings will vary based on income potential and base year value of each unit.
- Given potential inequity in property tax savings for each owner, HOAs are advised to establish means of tracking savings through a special fund.
- Application process may take longer.
Application Overview and Evaluation

Melissa Jones, City Planning Associate
City of Los Angeles Office of Historic Resources
2020 Application Processing Schedule

**January 8** – Annual Mills Act workshop

**February 28** – Application and fee due by 4:00pm

**March 13** – Staff eligibility determination letter

**March 23** – Appeal of staff determination of ineligibility and appeal fee must be submitted in person by 4:00pm

**April 16** – Hearing for appeal of staff determination before the Cultural Heritage Commission

**May 5-6** – Contract packet, including Historic Structure Report, and Valuation Exemption fee (if applicable) submission by appointment

**June-August** – Pre-approval inspection of property

**October 6-7** – In-person appointment to review pre-approval inspection report, and submit Contract Execution fee

**December** – Record Contract
Application Overview

Due February 28

- Online Historical Property Contract Application Form
- E-mail submissions:
  - Photographic Documentation
  - Permit Records
  - Report from Qualified Structural Engineer, if applicable
  - Documentation of Affordable Units, if applicable
- Non-Refundable Application Fee of $650
Include valid e-mail since most communication will be electronic.
Online Application

Property Information

Enter the legal description of the property as listed on tax records; this information can be found under the "Address/Legal" section.

Legal Description (Tract(s), Block(s), Lot(s))

Specify Tract(s), Block(s), Lot(s)

Assessor Identification No. (AIN) as per your tax bill, Assessor Parcel No. (APN), or Tax Account Number.

Select your Council District

Property Purchase Date: *

99 00 00

Most Recent Assessed Value: *

0

Owner Occupied: *

Yes
No
In addition to any open orders to comply, if work was completed without required permits and/or approvals from HPOZ or OHR, an application may be denied.
Online Application Form

Historical Significance *

- [ ] Historic-Cultural Monument (HCM)

HCM Number 1234
HCM Name

The designation and survey information displayed currently includes properties with California Historical Resource Status Codes 1 and 2. Information with properties with Status Codes 3 through 7 will be added in the future. Please refer to the California Historical Resource Status Codes for a definition of the codes.

CITY OF LOS ANGELES DESIGNATION

<table>
<thead>
<tr>
<th>Monument No</th>
<th>LA-150</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Los Angeles City Hall</td>
</tr>
<tr>
<td>Location</td>
<td>200 North Spring Street</td>
</tr>
<tr>
<td>Date Listed</td>
<td>03/24/1976</td>
</tr>
</tbody>
</table>
Priority Consideration Criteria

All applications are evaluated on the merits of the Priority Consideration Criteria below. An application must meet the minimum required criteria to be considered for the program and must demonstrate that the structure is in danger of deterioration or in need of substantial rehabilitation. Due to the competitive nature of the program, properties requiring only routine maintenance may not be given priority. The City’s share of lost revenue under the Mills Act is growing and properties needing financial assistance to commence or complete substantial rehabilitation work will be given priority.

Criteria:

☐ Necessity

The residential, commercial or industrial project will require financial incentive in addition to any mortgage financing, private capital or public loans, to help insure the preservation of the structure. (Is the structure in danger of deterioration or in need of substantial rehabilitation?)

Please explain:

The residential or mixed-use project will result in the preservation or addition of safe and affordable dwelling units for low and moderate income households. (Eligible properties must conform to current United States Department of Housing and Urban Development (HUD) Criteria for low-income housing.)

☐ Employment

(Only applies to commercial buildings)

The commercial or industrial project will primarily supply goods or services to residents of low and moderate income areas or provides employment of low and moderate income persons.
Priority Consideration Criteria

Applications are evaluated on the following Priority Consideration Criteria:

- Necessity
- Uniqueness
- Investment
- Affordability (only applies to multi-family/commercial mixed-use buildings with greater than 20 residential rental units)
- Employment (only applies to commercial buildings)

Single-family and multi-family/commercial mixed-use properties with fewer than 20 residential rental units must meet a minimum of three criteria. All other properties must meet a minimum of four.

Application must demonstrate that structure is in danger of deterioration or in need of substantial rehabilitation.

Due to the competitive nature of the program, properties requiring only routine maintenance may not be given priority.
Priority Consideration Criteria

(A) Necessity
The residential, commercial or industrial project will require financial incentive in addition to any mortgage financing, private capital or public loans, to help insure the preservation of the structure. (Is the structure in danger of deterioration or in need of substantial rehabilitation?)

- Is a **substantial** scope of rehabilitation and restoration work necessary? Why?
- Will proposed work preserve significant historic character-defining features?
- Are there distinctive features and finishes that are particularly prone to deterioration?
- Has the property experienced deferred maintenance by previous owners and consequentially requires additional work?
Priority Consideration Criteria

(B) Uniqueness
The project is a unique example of a residential, commercial, or industrial building. (What are the unique aspects of your property?)

- Does the property represent or exemplify an important or rare architectural style, property type, or pattern of development?
- Was it designed by an important architect?
- What are the exterior and interior character-defining features that distinguish the property?
- Is the property associated with important people or events?
Priority Consideration Criteria

(C) Investment
The residential, commercial or industrial project will result in additional private investment in the building other than for routine maintenance that may include seismic retrofitting, substantial repair or rehabilitation work.

- Does the scope of work include tasks above and beyond routine maintenance, such as seismic retrofit, electrical system replacement, and window or roof rehabilitation, that justifies the financial benefit of the Mills Act Program?
- Is recently completed work by the current owner consistent with the Secretary’s Standards and historic character of the property?
Priority Consideration Criteria

(D) Affordability (Applies to multi-family/commercial mixed-use buildings with 20+ residential rental units)

The residential or mixed-use project will result in the preservation or addition of safe and affordable dwelling units for low and moderate income households. (Eligible properties must conform to current United States Department of Housing and Urban Development (HUD) criteria for low-income housing).

- Does the project create or preserve affordable housing?

- All multi-family and commercial mixed-use properties with greater than 20 residential rental units are required to submit documentation showing the number of affordable units. Eligible properties must conform to current United States Department of Housing and Urban Development (HUD) criteria for affordable housing.
Priority Consideration Criteria

(E) Employment (Commercial buildings only)
The commercial or industrial project will primarily supply goods or services to residents of low and moderate income areas or provides employment of low and moderate income persons.

- Does the project serve residents in low and moderate income areas?
- Will the rehabilitation project itself or anticipated future uses of the property provide employment opportunities to people with low and moderate incomes?
Photographic Documentation

- All exterior elevations.
- Images that depict the need for substantial rehabilitation.
- All photos labeled with the property address, subject or room name, point of view, and date of photograph. For example, the top photo would be labeled: 1234 Main Ave., east elevation, view west, 4/19/2017
- At least one photo should be an image of the street facing elevation of the primary structure on the property. Make sure that the structure fills the frame.
- Please limit photos to 20 images.
Permit Records

- Submit copies of all permits for the property via email.
- Recent permit records are available through ZIMAS/Jurisdictional/Building Permit Info/View. [http://zimas.lacity.org/](http://zimas.lacity.org/)
- Historical building permit records are available online from Los Angeles Department of Building and Safety. [http://www.ladbs.org/services/check-status/online-building-records](http://www.ladbs.org/services/check-status/online-building-records)
- Permit records can be requested from the Los Angeles Department of Building and Safety. [https://www.ladbs.org/docs/default-source/forms/administrative/research-request-form-ad-form-01.pdf?sfvrsn=15](https://www.ladbs.org/docs/default-source/forms/administrative/research-request-form-ad-form-01.pdf?sfvrsn=15)
October 28, 2009

Dear Mr. Irvine,

This letter is in regards to the existing condition and proposed rehabilitation of the Phil’s Diner car, currently located at Hollywood, CA. Pursuant to NYA’s 10-14-09 letter, and the directive from the CRA meeting held on 10-19-09, NYA has produced a limited-intrusion test plan. It is the team’s desire to find the extent of damage to the wood.

NYA proposes the following items are reviewed and documented by the contractor. The testing parameters of this letter are general in nature. Should more stringent tests be required by the owner, NYA can recommend professional testing and inspection companies for the procedures. The following test plan is in conjunction with the attached sketches SSK-2 and 3, dated 10-28-09. NYA recommends the damaged areas be spray painted by the contractor so as to identify the areas requiring demolition in the future. Pictures should also be taken of the affected areas:

1. Review the extent of 4x8 sill plate dry rot damage. Preliminary dry rot tests can be conducted by boring a 16d nail lightly into the wood member. An experienced carpenter should be able to tell the ease at which the nail penetrates the wood surface, and whether the wood has experienced significant damage. All 4x4 supporting beams under the diner should be tested, at 3ft o.c. minimum. NYA expects the concentration of damage to be nearest the exterior.

2. Review the extent of 1x6 floor sheathing dry rot damage. Preliminary dry rot tests can be conducted by boring a 16d nail lightly into the wood member from below the diner. An experienced carpenter should be able to tell the ease at which the nail penetrates a healthy wood surface, and whether the wood has experienced significant damage. Every 3rd 1x6 under the diner should be tested, at 3ft o.c. minimum. NYA expects the concentration of damage to be nearest the exterior.

3. Perform light exploratory demolition of the front wall as needed to confirm the configuration of the wood studs and window sills. Contractor should create a sketch of the as-built size and configuration of one typical stud, sill, and header. Verify the existing top plate configuration.

4. Remove a small number of wood ceiling sheathing pieces, as required to verify the configuration of the roof support beams and connections. Preserve the removed pieces for reattachment. Look for signs of water seepage or dry rot. Test one support beam for dry rot, similar to methods stated above.

5. Locate 5 bolts from the wood members to the steel support members below the diner. Wire brush free any rust and determine the condition of the bolts. Bolts nearest the exterior on opposite sides of the diner should be checked.

Feel free to call with questions or comments at any time.

David Funk, P.E.
Senior Project Engineer
Nabih Youssef Associates
Application Fee

- Application fee: $650
- All checks are payable to "City of Los Angeles" and must be dated when submitted.
Staff Review

Office of Historic Resources will review applications based on:

- Completeness of Application
- Necessity of Work Required vs. Completed Work
  - Was work completed by previous or current owner?
- Rehabilitation vs. Remodel
  - Does work involve or enhance any historic materials or character-defining features?
- Substantial Rehabilitation vs. Maintenance
  - Does work proposed include roof, exterior wall finishes, fenestration, foundation, and/or systems upgrades?
Staff Determination Letter

**Sent by March 13, 2020**

- Applicants will be notified of their eligibility via e-mail

- If property determined ineligible, the owner may appeal to the Cultural Heritage Commission

- Fee for appeal is $1,532

- Appeal requests and appeal fees must be submitted in person by 4:00 pm on March 23, 2020
Contract Development

Due May 5 - May 6, 2020

- Historical Property Contract
- Notary Acknowledgement Form
- Rehabilitation/Restoration/ Maintenance Plan
- Maintenance and Rehabilitation Standards and Conditions
- Tax Adjustment Worksheet
- Full Photographic Documentation
- Site Plan
- Tax Bill and Grant Deed
- Exemption application & fee, if applicable
- Historic Structure Report, if applicable
**Historical Property Contract**

- Must complete all portions of this document.
- Owner(s) name as listed on grant deed
- Property address (# and street)
- Designation information
- Owner(s) mailing address and signatures
- Signature on the last page must be notarized.
It is critical that owner name is written exactly the same on Notary Acknowledgement Form and Historical Property Contract. Notary stamp must be legible.
Tax Adjustment Worksheet

- Provides an estimate for the potential property tax savings for the first year in the program.
- Is not a guarantee of tax savings.
- City uses this form to estimate potential lost revenue.
- Will require information regarding property type and estimated rental income for property.
- More information on this topic later in the presentation.

### CITY OF LOS ANGELES
HISTORICAL PROPERTY TAX ADJUSTMENT WORKSHEET GUIDE

| Property Address: (Number and Street Name) |

### A: DETERMINE ANNUAL INCOME AND ANNUAL OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Gross Income (Monthly Rent x 12)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less 3% Vacancy &amp; Collection</td>
<td></td>
</tr>
<tr>
<td><strong>Effective Annual Income</strong> =</td>
<td></td>
</tr>
<tr>
<td>Less 20% Expenses</td>
<td></td>
</tr>
<tr>
<td><strong>Annual Net Income</strong> =</td>
<td></td>
</tr>
</tbody>
</table>

### B: DETERMINE CAPITALIZATION RATE

<table>
<thead>
<tr>
<th>2020 Interest Component</th>
<th>4.25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical Property Risk Component</td>
<td>4% or 2%</td>
</tr>
<tr>
<td>Property Tax rate</td>
<td>1.02%</td>
</tr>
</tbody>
</table>

Amortization Component

(Improvement Value/Land Value) x 0.03
Values are found on the tax bill

| Capitalization Rate (sum of the above) = |  |

### C: CALCULATE MILLS ACT ASSESSED VALUE

| Annual Net Income/Capitalization Rate = |  |

### D: DETERMINE ESTIMATED TAX REDUCTION

<table>
<thead>
<tr>
<th>Current Taxes (Current Assessed Value x 0.0102)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Mills Act Taxes (Mills Act Value x 0.0102)</td>
<td></td>
</tr>
</tbody>
</table>

| Potential Mills Act Property Tax Savings = |  |
Maintenance & Rehabilitation Standards & Conditions

- It must be printed and submitted with your contract.

Secretary of the Interior's Standards for Rehabilitation

1. A property will be used as it was historically or be given a new use that requires minimal change to its
   distinctive materials, features, spaces, and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or
   alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false
   sense of historical development, such as adding conjectural features or elements from other historic
   properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and
   preserved.
5. Distinctive materials, finishes, and construction techniques or examples of craftsmanship that
   characterize a property will be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration
   requires replacement of a distinctive feature, the new feature will match the old in design, color, texture,
   and, where possible, materials. Replacement of missing features will be substantiated by documentary
   and physical evidence.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible.
   Treatments that cause damage to historic materials will not be used.
8. Archeological resources will be protected and preserved in place. If such resources must be disturbed,
   mitigation measures will be undertaken.
9. New additions, exterior alterations, or related new construction will not destroy historic materials, features,
   and spatial relationships that characterize the property. The new work shall be differentiated from the old
   and will be compatible with the historic materials, features, size, scale and proportion, and massing to
   protect the integrity of the property and its environment.
10. New additions and adjacent or related new construction will be undertaken in such a manner that, if
    removed in the future, the essential form and integrity of the historic property and its environment would be
    unimpaired.

Property Maintenance

All buildings, structures, yards and other improvements shall be maintained in a superior manner. All current
building and zoning codes will be enforced. The following conditions are prohibited:

a. Dilapidated buildings or features such as fences, roofs, doors, walls and windows
b. Abandoned or discarded objects, equipment or materials such as automobiles, automobile parts, furniture,
   appliances, containers, lumber or similar items stored outside but within property lines.
c. Stagnant water or open excavations
   d. Any device, decoration or structure, which is unsightly by reason of its height, condition or location.
   e. Peeling exterior paint or unrepaired/undecked graffiti
   f. Overgrown landscaping, exposed bare areas with injury or dirt grounds and broken landscape features which
      could cause injury
   g. Other substandard conditions as cited by the Cultural Heritage Commission, the Director of Planning, or the
      City's Office of Historic Resources.

Conditions

This Historical Property Contract provides the potential for property tax reduction in exchange for agreement to
rehabilitate and maintain an historic building. Existing conditions not in conformance with the Secretary of the
Interior’s Standards may be required to be removed and the original conditions remade as part of this contract.
Exemption Requirements

- Exemption Application Form and fee of $2,266

- Historic Structure Report
  - Guidance available online at:
    - https://www.nps.gov/dscw/hsr-overview.htm
Rehabilitation/Restoration/Maintenance Plan

Use this form to propose all preservation work necessary to rehabilitate the property. In this plan, include all of the expected maintenance, restoration and replacement of historic features on the property, not modernization or construction of new elements. Although modernization may be an important part of your rehabilitation project, this form is meant to specifically capture the preservation work involved and not anything else. Copy this page as necessary to include all items that apply to your property. Begin by listing recently completed preservation work (if applicable) and continue with work proposed to complete within the next ten years arranging in order of priority.

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<table>
<thead>
<tr>
<th>Building Feature:</th>
<th>Cost $________ (round to nearest dollar)</th>
<th>Contract Year of Proposed Work Completion:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of work:</td>
<td></td>
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<td>Description of work:</td>
<td></td>
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</table>
123 Calle Angelino

Select **Rehabilitation/Restoration** for recently completed and proposed projects specific to preserving historic architectural features.

Select **Maintenance** for recurring maintenance items, like cleaning gutter and downspout systems.
Rehabilitation/Restoration/Maintenance Plan

123 Calle Angelino

Use this form to propose all preservation work necessary to rehabilitate the property. In this plan, include all of the expected maintenance, restoration and replacement of historic features on the property, not modernization or construction of new elements. Although modernization may be an important part of your rehabilitation project, this form is meant to specifically capture the preservation work involved and not anything else. Copy this page to another page of your property. Begin by listing recently completed preservation work (if applicable) and work that you plan to complete within the next ten years arranging in order of priority.

**Foundation**
- **Completed** 2019

**Gutters and Downspouts**
- **Proposed** 2022

Select **Completed** if task was completed in the last couple years.
Select **Proposed** if task is proposed for the future.
# Rehabilitation/Restoration/Maintenance Plan

**Property Address:**
123 Calle Angelino

**Building Feature:**
- **Foundation**
  - Cost: $4,000.00
  - Contract Year of Proposed Work Completion: 2019
  - Description of Work: Bolt residence to foundation.

- **Gutters and Downspouts**
  - Cost: $500.00
  - Contract Year of Proposed Work Completion: 2022
  - Description of Work: Inspect gutters and downspouts, make repairs and clean of debris.

*In Description of Work, succinctly describe task addressing associated Building Feature.*
Secretary of the Interior’s Standards

- Preservation
- Rehabilitation
- Restoration
- Reconstruction
Rehabilitation

Rehabilitation is the act or process of making possible a compatible use for a property through repair, alterations, and additions while preserving those portions or features which convey its historical, cultural, or architectural values.

Emphasis:
- **Retain and repair** existing historic materials
- **Avoid removal** or alteration of distinctive materials and features
- Avoid changes that create a *false sense of historic development*
- Perform chemical treatments using *gentlest possible means*
- New additions will be *contemporary, compatible, and reversible*

Avoid:
- “gutting”
- “remodeling”
- “sandblasting”
Rehabilitation/Restoration/Maintenance Plan

**Foundation/Structure**

- Based on the recommendations in your structural engineering report, tasks may include foundation bolting or construction of concrete shear walls and moment frames.

- Prioritize implementation of proposed structural work so that it occurs within first five years of Contract.
Los Angeles City Planning

Exterior (Cladding, Porches, Balconies)

- Retain and repair early wood siding or stucco to the greatest extent feasible. Where deterioration necessitates replacement, replace in-kind to match adjacent.
- Investigate condition of mortar at brick veneer/walls; repoint as necessary.
- Engage a materials conservator to consult on rehabilitation of masonry and architectural terra-cotta.
- Avoid sandblasting!
Rehabilitation/ Restoration/ Maintenance Plan

**Roof**

- Locate and address leaks.
- Ensure continuous waterproof layer; maintain flashing.
- Maintain original roof materials if extant.
  - Terra cotta tile
  - Wood shakes
  - Slate
- Consolidate original materials to street-facing elevations if necessary.
- If no historic materials remain, select new roofing material that is compatible with style and colors of the property.
Rehabilitation/Restoration/Maintenance Plan

**Chimney(s)**

- Based on report from structural engineer or qualified chimney specialist, translate recommendations into work plan items.
- Retain and repair distinctive materials like clinker brick or stonework.
- Prioritize implementation of proposed structural work at chimney so that it occurs within first five years of Contract.
Los Angeles City Planning

Windows/Doors

- For early wood and steel sash windows, retain and repair wood/steel elements to the greatest extent feasible. Replace wood/steel elements in-kind if deterioration necessitates replacement.

- Maintain leaded glass windows; add strengthening bars to mitigate settlement.

- Remove incompatible jalousie and aluminum or vinyl sliding windows when these are not character-defining features. Use extant historic windows as inspiration for replacement historic window design.

- When installing new wood sash windows, avoid dual glazing, as muntins are generally thicker than what is appropriate.
Rehabilitation/Restoration/Maintenance Plan

Jalousie Windows

Vinyl Windows

Common inappropriate windows that require replacement
Rehabilitation/ Restoration/ Maintenance Plan

Interior (Flooring, Doors, Fireplace, Decorative Features)

- Retain and repair historic materials (wood flooring, tile, plaster, decorative features) to the greatest extent feasible. Where necessitated by deterioration, replace finishes and features in-kind.

- Consult with conservator on conservation of murals.

- Retain and maintain alterations that have taken on significance over time.
- Complete comprehensive inspection of all plumbing systems to determine and address cause of water leakage.
- When replacing systems, penetrations in interior walls should be avoided or minimized to the greatest extent feasible. Where necessary, penetrations should be patched seamlessly to exactly match adjacent material.
Rehabilitation/Restoration/Maintenance Plan

Site (Hardscape, Landscape, Ancillary Buildings, Retaining Walls)

- Rehabilitate and maintain ancillary buildings.
- Existing concrete should be retained to the greatest extent feasible and replaced in-kind if necessary.
- Develop a comprehensive landscape plan to address existing conditions, proposed changes, retaining walls and drainage.
- Sensitively remove vines clinging to buildings.
- Develop a no-plant zone around structures.
- Engage arborist to evaluate historic trees.
Los Angeles City Planning

Commercial/Multi-Family Properties

- Historic signage must be preserved or rehabilitated.
- The sidewalk and sidewalk vaults will be maintained and rehabilitated by the property owner.
- Tenant improvements must conform the Secretary of the Interior’s Standards.
- Occupied roof space must be designed to allow foot traffic and ensure the roofing material is not damaged.
- Window mounted air-conditioning units are not allowed.

Rehabilitation/Restoration/Maintenance Plan
Rehabilitation/Restoration/Maintenance Plan

Unacceptable Work Plan items:
- Do not include items that do not address rehabilitation, restoration, and maintenance of building features.
- Should future owners be required to implement these items?

Items commonly deleted during Contract Review:
- Install swimming pool/spa
- Expand closet
- DWP bill
- Gas bill
- Gardener
- Insurance
- Burglar alarm
- Maid service
- Handyman
- Additions
Pre-Approval Inspection

Audrey Sato, Architect
GPA Consulting
- June – August 2020
- Inspections clustered geographically
- Property owner attendance is mandatory
Inspections

- Length: 45 minutes – 1 hour
- Format: owner-led tour of property; question and answer
- Access: exterior, interior, crawl space/basement, landscape, garage, additional dwelling units, perimeter fence
- View: recently completed, in-progress, and proposed future work
Conditions of Approval

Common Conditions

- Prioritize implementation of structural and waterproofing tasks.
- Replace incompatible windows.
- Remove non-original paint.
- Remove vines clinging to building. While not encouraged, if replanting of vines is pursued, a plan for ongoing maintenance should be implemented. This may involve constructing a trellis or green screen.
- Remove foundation plantings requiring substantial water close to the residence exterior. If new plants are added, they shall be set back from the residence exterior. A less water intense landscape is encouraged.
Denial Recommendation

Common Reasons for Denial

- Extensive removal of historic fabric.
- Completed work does not conform with Secretary’s Standards and would not have been approved by OHR if proposed after Contract execution.
- Construction of incompatible additions.
- Necessity is questionable; work does not extend beyond routine maintenance or lacks historic preservation intent.
- Work completed without HPOZ approval.
- Existing code violations
The Mills Act Historical Property Contract Program allows qualifying owners to receive a potential property tax reduction and use the savings to help rehabilitate, restore, and maintain their buildings.
VALUATION AND SAVINGS

- Older base years will usually not benefit from the Mills Act valuation.

- The Mills Act program is especially beneficial for recent buyers of historic properties and for current owners of historic buildings who have made major improvements to their properties.
The Assessor is required to review all Mills Act parcels annually. They are valued by three different methods:

**A: TRENDED BASE VALUE (PROP 13)**

Purchase price trended to roll being prepared. New construction is added on to the trended base value.

**B: ESTIMATED CURRENT FAIR MARKET VALUE**

Direct Sales Comparison

**C: INCOME APPROACH TO VALUE (MILLS ACT VALUE)**

All sources of income (potential rent, movie rentals, etc.), minus expenses, with capitalization rate applied.
Proposition 13 Value

Base Year = Fair Market Purchase Price

Base Year is trended in subsequent years by the Consumer Price Index (CPI) or 2%, whichever is lesser.

Example:

- Purchased on July 1, 2018 for $500,000.
- 2019 Base Year Value (July 1, 2018 to June 30, 2019) = $500,000
- 2020 Trended Base Value = $500,000 * 1.02 = $510,000
**Estimated Current Fair Market Value**

Market Value derived by comparable sales as of the Lien Date (January 1\textsuperscript{st}).

**Market Value:**
- Select 2 to 3 comparable sales
- Make adjustments to comparable sales as necessary
- Derive an opinion of market value as of the Lien Date
Net Operating Income divided by the Capitalization Rate (Cap Rate) =

INCOME APPROACH VALUE
(Mills Act Restricted Value)

- Gross Revenue (includes all sources)
- Less vacancy allowance
- Less estimated ordinary operating expenses (excludes property taxes & mortgage expense)
- Equals NET OPERATING INCOME (NOI)
- NOI divided by CAP RATE
- Equals INCOME APPROACH VALUE
## EXAMPLE: INCOME APPROACH VALUE

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Potential Gross Income ($5,000/month)</td>
<td>$60,000</td>
</tr>
<tr>
<td>Less 5% Vacancy</td>
<td>-3,000</td>
</tr>
<tr>
<td>Effective Gross Income</td>
<td>57,000</td>
</tr>
<tr>
<td>Less 25% Operating Expense</td>
<td>-14,250</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$42,750</td>
</tr>
</tbody>
</table>

Divided by Cap Rate $\div 11.45\%$

Capitalized Property Value $\approx 373,000$
What makes up the Cap Rate?

SBE INTEREST COMPONENT  
+  
RISK COMPONENT  
(OWNER OCCUPIED = 4%, NON-OWNER OCCUPIED = 2%)  
+  
IMP TO BASE VALUE % X BLDG AMORIZATION COMPONENT  
+  
TAX RATE (TRA) COMPONENT

Example:  SBE Int | Risk | Imp% | Amort | TRA | Cap Rate
4.75% + 4.00% + (60% x 2.5%) + 1.20% = 11.45%

Estimated Life is 40 Years: 1/40 = 2.5% per year
R&T Code Section 439.2(d) states that the taxable value ... shall be the lowest of its restricted value, current market value, or factored base year value.

A: TRENDED BASE VALUE (PROP 13)

B: ESTIMATED CURRENT FAIR MARKET VALUE

C: INCOME APPROACH TO VALUE (MILLS ACT VALUE)

The lowest of the three values is enrolled as the Assessed Value for the subject parcel for the tax year.
VALUATION AND SAVINGS

The new assessment will be reflected on the subsequent property tax bill issued in October, with the first installment delinquent if not received by December 10.

There are no retroactive provisions.
Question and Answer Session