Restricted Historical Properties

General
Government Code section 50280 provides that an owner or agent of an owner of a qualified historical property may enter into a contract with the legislative body of a city, county, or city and county restricting the use of that property in exchange for valuation according to a statutorily prescribed capitalization of income method. Such contracts are commonly referred to as "Mills Act" contracts. For assessment purposes, qualified historical property under such a contract is referred to as "restricted historical property." Section 50280.1 provides that in order for a property to qualify as historical property, it must be listed on the National Register of Historic Places or be listed on a state, county, or city register as historically or architecturally significant.

Restricted historical properties are assessed annually at the lowest of the factored base year value, the current market value, or the restricted value. The restricted value must be determined by the income capitalization method, as provided in section 439.2. In this method, a fair or market rent less "ordinary and necessary" expenses is capitalized by a rate that is not derived from the market but is a summation of:

- An interest component that is determined annually by the BOE;
- A risk component of two percent (four percent if the property is owner-occupied);
- A component for property taxes; and
- A component for amortization of the improvements.

Scope of Review
The BOE's assessment practices survey team evaluates the assessor's practices and procedures with respect to the assessment of restricted historical properties.

The specific areas of review may include, but are not limited to, the following:

General Program Elements

- How many properties in the county are subject to historical property (Mills Act) contracts? What is the total assessed value?
- Does the assessor have written procedures, policies and/or forms regarding the assessment of restricted historical properties?
- Does the assessor obtain a copy of the historical property contract for each property?
Valuation

- How does the assessor determine the annual restricted value of historical properties?
- How does the assessor determine the income and expenses used in valuing restricted historical properties?
- What risk component is used in the valuation process?
- How does the assessor determine the amortization component?
- Does the assessor use the formula “Value=Income/Rate” when valuing restricted historical properties?
- How does the assessor calculate the factored base year value of restricted historical properties?
- Does the assessor annually compare the current market value, factored base year value, and restricted value for each historical property to ensure that the lowest of the three values is enrolled?
- Are any of the restricted historical properties considered “mixed use” properties? If yes, how are these types of properties valued?
- Are there any restricted historical properties in the county that contain both restricted and unrestricted portions? If yes, how are these types of properties valued?

Nonrenewal

- Are any historical property contracts in nonrenewal? If yes, how are these types of properties valued.

Assessment

- Does the assessor enroll supplemental assessments for restricted historical properties that experience a change in ownership?
- For restricted historical properties that have undergone new construction:
  - Does the assessor confirm the new construction was covered by the historical property contract?
  - If the contract does not cover the new construction, does the assessor issue a supplemental assessment?