

# Restricted Historical Properties

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## 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**
- **Valuation**
- **Nonrenewal**
- **Assessment**