

Appendix E

Incentives for Historic Properties

The following is a listing of currently available incentives for the preservation of historic properties in Santa Ana.

Available incentives are dependent upon currently available local, state and federal resources and may change over time. Please consult with City of Santa Ana Planning Division for the most current incentives available.



*The George House
Mills Act Contract*

E.1 Local Programs

City Awards for Outstanding Historic Preservation Projects

This facet of the incentives program is designed to recognize those property owners who have demonstrated outstanding achievement in historic preservation. The City Award for Outstanding Preservation Projects gives property owners a sense of pride in their achievements. This incentive also provides for a method of public education regarding historic preservation in the community through the presence of such projects in their own neighborhood.



*Anne Harder, Santa Ana History Room
Award of Merit*

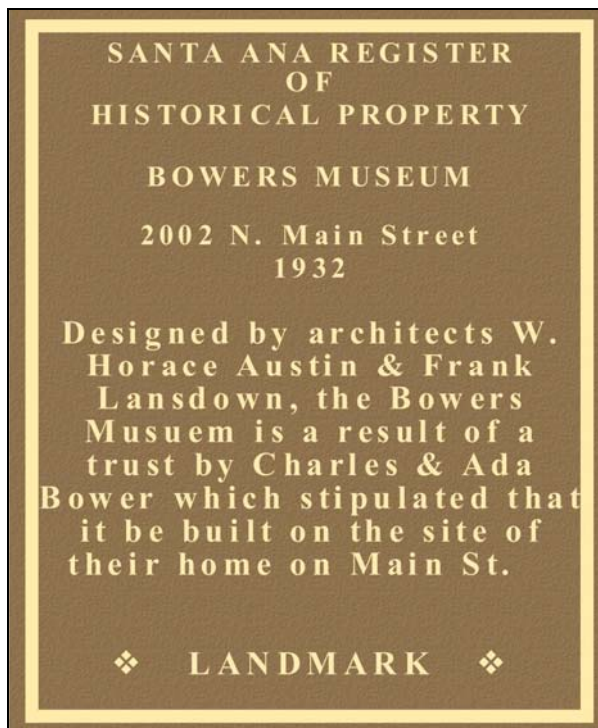


*Davis/Hoy Residence
Restoration Award-Mills Act Contract*

Historic Designation Marker Program

A Historic Designation Marker Program is a way to promote and educate the public regarding the value of historic preservation. This component of the incentives program encourages public awareness of local historic properties and gives property owners a sense of pride.

Each of the first 217 properties listed on the Santa Ana Register of Historical Properties will be awarded a plaque.



Sample Plaque

If your property is not among those awarded a plaque, but would like to order one for your historic property, you may contact the Planning Division at (714) 647-5804.

E.2 State Programs

The Mills Act

The Mills Act grants property tax relief. It is given for homeowners of qualified historic properties. Historic properties that are owner-occupied single-family residences and income producing commercial properties are recognized under the Act. The property tax relief is given to encourage property owners to maintain and preserve their historic properties. The property owner enters into a formal agreement with the City to establish conditions for the rehabilitation, restoration or maintenance of their property.



*F.S. Bishop House
Rehabilitation Award-Mills Act Contract.*

The amount of tax savings varies, but Mills Act Agreements can be up to 50% tax savings. The types of preservation conditions established by the Mills Act Agreement also enable the City to specify the standards and conditions of the property's preservation. The property owner

initiates application for entering into a Mills Act Agreement and acceptance by the City requires approval through the Historic Resources Commission and acceptance by the City Council.

State Historic Building Code (SHBC)

Local building officials may use the State Historic Building Code when reviewing projects for historic structures on the local, state, and/or national register as enabled by the State Health and Safety Code. This incentive gives the property owner relief from the strict interpretation of the code while maintaining overall safety standards, which in turn enables a property owner to maintain a structure's unique historic features.



*The Phillips Block
Rehabilitation Award*

E.3 Federal Programs

Tax Incentives

The Tax Reform Act of 1986 makes tax credits to encourage preservation. These include:

- 20% rehabilitation tax credit equal to 20% of the amount spent in a certified rehabilitation of a certified historic structure or;
- 10% rehabilitation tax credit equal to 10% of the amount spent in a certified rehabilitation of a non-historic structure that was built prior to 1936.

A tax credit is different from a tax deduction because a deduction lowers the amount of income that is ultimately taxed, but a credit lowers the amount of tax owed. For both credits, the rehabilitation must be a substantial one (i.e., exceeds \$5,000.00 or the adjusted basis of the property, whichever is greater), and must involve a depreciable building. This incentive is sponsored and implemented by the federal government. The two tax credits are mutually exclusive, so a property owner cannot use both for the same building.

To utilize the 20% tax credit, the property owner must file a two-part application with the National Parks Service. Part I of the application ensures that the building is a certified historic structure used for a commercial purpose. This certification indicates that the property contributes to the historic district in which it is located OR that the building is individually listed or eligible for listing on the National

Register. Part II of the application certifies that the rehabilitation work meets the Secretary of the Interior's Standards. These standards are nationally accepted guidelines concerning any work to be performed on a property designated as historic. A lessee may be eligible for the tax credits if their lease term is for thirty-nine (39) years or more.



*Old City Hall
Federal Income Tax Credit*

To be eligible for the 10% tax credit, the building must not be historic, but the building must be used for a commercial purpose, and built prior to 1936. Property owners apply directly to the federal government in order to participate, and must also file Parts I and II of the application. In this

case, Part I of the application certifies that the structure is not historic, or does not contribute to a historic district. Although non-historic buildings are not required to meet the Secretary of the Interior's Standards, Part II of the application for the 10% credit ensures that the project meets the following physical requirements:

- at least 50% of the building's walls existing at the time the rehabilitation began must remain in place as external walls at the work's conclusion, and
- at least 75% of the building's existing external walls must remain in place as either external or internal walls, and
- at least 75% of the building's internal structural framework must remain in place.

For both the 10% and 20% tax credits, preliminary fees for the applicant range from \$250 to \$2500 depending upon the cost of the rehabilitation. Preliminary fees are deducted from the final fee. Applicants are **strongly encouraged** to submit applications describing proposed work and to receive approval from the National Parks Service prior to the start of construction. Owners who undertake rehabilitation projects without prior approval do so at their own risk. Additionally, applicants should consult with current tax laws and other applicable legislation.



Ebell Club Presidents - Award of Merit

Additional Programs and Incentives

For the most current information on programs and incentives, please contact the City of Santa Ana Planning Division at (714) 647-5804.