

Calculation of Estimated Reduced Property Taxes for Properties Subject to Historical Property Contracts

Address: 424 Harrison Avenue

Current Property Owners: Riley Richards and Avalon Alva-Richards

Upon approval of a historical property contract, the county assessor determines the reasonable expected yield by analyzing rental income of similar properties in the area or, if available, what the property would yield under prudent management. Reasonable expected yield for income-producing property is based on rents actually received and typical rents received for similar property in similar use, less maintenance and operating expenses.

The Mills Act capitalization rate is calculated by adding four component percentages including:

- An interest rate based on the Federal Home Loan Bank rate (as published by State Board of Equalization) on conventional mortgages (6.25% for 2025)
- The historical property risk (4% for owner-occupied single-family dwellings)
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A percentage equal to the reciprocal of the remaining life of the structure. The typical remaining life for a wood frame building is 20 years ($1/20 = 5\%$) and for masonry building is 50 years ($1/50 = 2\%$); however, typical remaining life for most buildings is 50 years ($1/50 = 2\%$) if adequate care is applied.

- The percentage of the tax rate times the assessment ratio (typically 1%).

The Capitalization Rate is used to calculate the estimated annual savings to the homeowner and estimated annual cost to the City, as noted in the table below:

Existing Property Value Calculations

\$900,000	County Assessed Value
\$9,000	Property tax (1% of value)
\$1,044	Claremont's share of property tax (11.6% of property tax)

Estimated Rental Calculations

\$4,000	Estimated monthly rent
\$48,000	Annual rent
\$5,000	Annual rent expenses (M&O costs)
\$43,000	Annual rent less expenses

Capitalization Rate

6.25%	Federal home loan interest rate (State Board of Equalization 2025)
4.00%	Historical property tax
2.00%	Amortization - 50 year life
1.00%	Tax rate
13.25%	Capitalization rate

New Property Value Calculation Under Mills Act Contract

\$324,528	New estimated property value (Annual rent less expenses/capitalization rate)
- \$7,000	Homeowner's Exemption
\$317,528	Taxable Value
\$3,175	New estimated property tax (1% of new taxable value)
\$5,825	Owner's annual savings
\$58,247.17	Owner's savings for first 10 years
\$368	Claremont's share of reduced property tax (11.6% of new property tax)
\$676	Estimated annual loss to Claremont

Notes

This Calculation does not include any special assessment district fees included in annual tax

This Calculation is an estimate, and is for a reference purpose only