

Mills Act Draft Policy Updates and Ordinance Amendments

Cultural Heritage Commission
April 24, 2025

Overview & Background

Ken Bernstein, AICP, Principal City Planner

Mills Act Overview

- California's and Los Angeles's leading financial incentive program for historic preservation
- Initiated in 1996; first year of contracts recorded in 1997, with 947 current contracts
- Revolving 10-year contract between the City and property owner. Contracts automatically renew annually and transfer to new owners
- Incentivizes restoration, rehabilitation, and maintenance of eligible properties through a potential property tax abatement
- Potential property tax savings intended to partially offset the costs associated with work outlined in the contract

Background

2022 Assessment Report

- City Planning commissioned assessment to evaluate sustainability and equity of the City's Mills Act Historical Property Contract program
- Authored by historic preservation consultant, Chattel, Inc. and AECOM
- Analyzed a variety of program components, including staffing requirements, revenue streams to support the program, data management, and the allocation of property tax savings among existing contracts to determine the geographic distribution of program participation
- Found that there are insufficient dedicated financial and staffing resources to effectively manage the program and an unequal distribution of program benefits across the city

Background

2022 Assessment Report

- Public workshops held in July and August 2022
- Public comment on the report findings were accepted through September 2022
- City Planning presented feedback received to the Cultural Heritage Commission in December 2022

Background

City Council Motion

- Adopted by City Council in May 2023 ([Council File No. 23-0331](#))
- Directed City Planning to prepare a report with **recommendations, ordinance amendments, and administrative changes** based off the assessment report and community input for review and consideration by the Cultural Heritage Commission
- Directed the Cultural Heritage Commission to submit its recommendation to the City Council for its consideration

Current Proposal

- **Administrative changes, amendments to the Mills Act Ordinance** (Los Angeles Administrative Code Division 19, Chapter 14), and **resource allocations** with the goals of long-term sustainability of the program and a more equitable distribution of program benefits throughout the city
- Address program capacity, fiscal sustainability, contract enforcement, and program management
- Help foster the retention and preservation of affordable multi-family housing and expansion of the program in geographically underserved communities
- City Planning has not accepted applications for new contracts while the program assessment and development of policy and ordinance amendment recommendations have been underway

Administrative Changes

Lambert Giessinger, Senior Architect

Fee Collection

1. Collect Existing Contract Maintenance Fees

- Council-approved fees that currently exist for the program:
 - Application fees
 - Contract maintenance fee (*not currently collected*)
- Contract maintenance fee is to support the costs of compliance inspections
 - As of July 1, 2024, the fee is \$2,924 every five years
- City Planning does not have a structure in place for collecting fees once a contract has been recorded

Fee Collection

2. Refine existing fee schedule in Section 19.01 F. of the Los Angeles Municipal Code to address variable costs associated with the periodic inspections of different property types

- Current contract maintenance fee structure consists of one fee for all property types
- Proposed two-tier fee structure: one for single-family residential properties and multi-family residential properties with less than four units, and a separate fee for multi-family residential properties with five or more units and other property types

Fee Collection

3. Amend pre-2014 Mills Act contracts to enable fee collection

- Contracts executed between 1997 and 2013 do not have provisions enabling collection of a contract maintenance fee
- Fee collection language introduced in contracts beginning in 2014
- To treat all Mills Act contract holders consistently, City Planning will coordinate with City Attorney's Office and City Council to amend pre-2014 Mills Act contracts to add enabling language for fee collection

Program Management

4. Create a database system to manage and track individual contracts

- Proposed that the City collect, manage, and track data, including fees, digitally through a database system that enables program administrators to document communication, notifications, inspection records, compliance timeframes, and updated owner contact information

5. Maintain an online list of Mills Act Properties

- To increase transparency and accountability, City Planning will maintain a publicly accessible, online list of properties with a Mills Act contract

Contract Enforcement

6. Enhance enforcement of contract compliance

- State law mandates that the City inspect the interior and exterior of all properties with Mills Act contracts prior to a new contract being awarded. Mills Act contracts then provide for inspections every five years thereafter to ensure compliance
- Properties not in compliance are given 30 days to bring the property into compliance; however, staff expect to be in communication with the owner to develop a plan to bring the property into compliance during this time. Owners who may not respond are considered in breach of their contract and are subject to potential contract cancellation.

Contract Enforcement

6. Enhance enforcement of contract compliance (cont'd)

- Staff proposes a more rigorous approach to contract enforcement including; additional post-inspection follow-up, coordinating meetings with owners, imposing a non-compliance penalty fee (see item 7), and in severe cases, taking legal action to enforce contract compliance
- In cases where unpermitted work is observed, City Planning will coordinate with the Department of Building and Safety and the Los Angeles Housing Department to investigate potential code violations and issue Orders to Comply, if appropriate
- Additional staff is needed for contract enforcement (see Resource Allocation)

Contract Enforcement

7. Develop additional fee for contract non-compliance

- City Planning proposes to initiate a fee study that will determine the staff time required to process non-compliant properties; this will determine the fee amount that will ultimately require approval from the City Council. City Planning will also work with the City Attorney's Office to add enabling language to the standard contract

8. Pursue contract cancellation for habitually non-complaint properties

- In situations where an owner remains unresponsive after six months of attempted communication and/or is not diligently acting to cure a breach or default of the Mills Act contract, the City would declare the property in default under the terms of their Mills Act contract and pursue cancellation

Non-Renewal of Contracts

9. Non-Renewal of Contracts

- Non-renewal would enable the program to be more sustainable and potentially free up capacity for new contracts
- Non-renewal begins a 10-year wind down during which time property taxes gradually increase until they reach Prop 13 value
- Assessment report recommendation was to limit contract term to 20 years for new contracts and to not renew existing contracts older than 10 years
 - Some contract holders and members of the public voiced concerns

Non-Renewal of Contracts

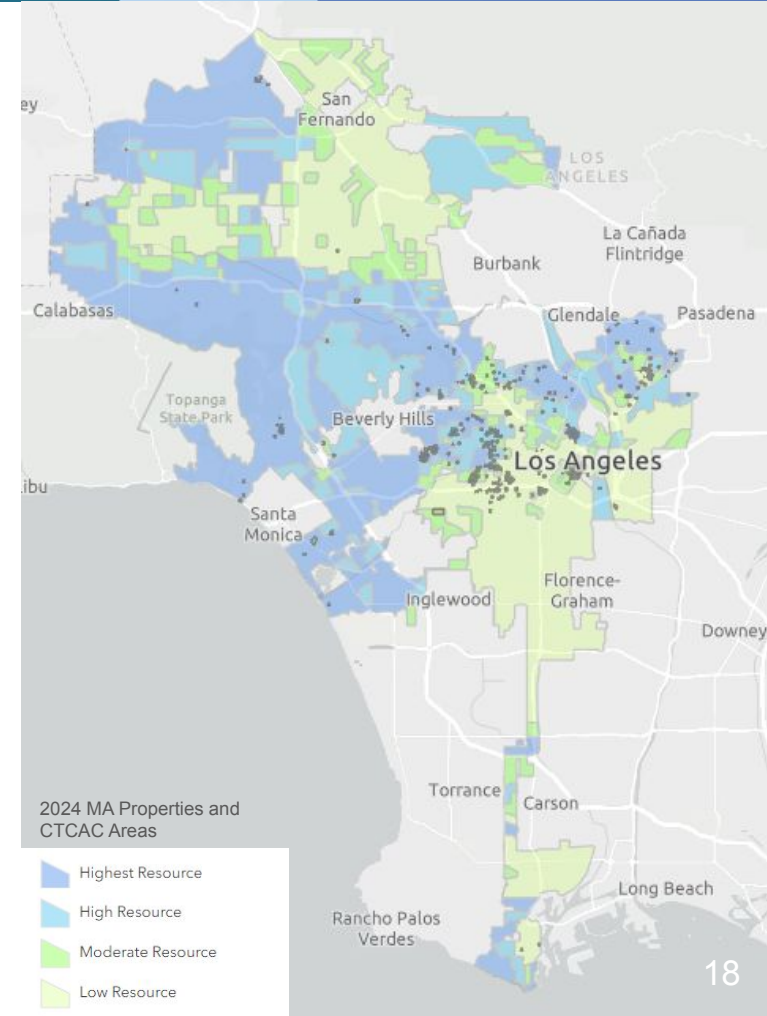
9. Non-Renewal of Contracts

- Purpose of the contract is to incentivize a scope of historic rehabilitation work to be completed over an initial 10-year period; any property tax savings is meant to offset the costs of implementing the contract-mandated work
- 10 year wind down under potential non-renewal would provide ongoing incentives for maintenance of the rehabilitation work
- Two approaches:
 - Opportunity Map Approach
 - Contract Length Approach

Non-Renewal of Contracts

Opportunity Map Approach

- [2024 California Tax Credit Allocation Committee Opportunity Map](#) data takes into account economic and educational indicators relative to other neighborhoods
- Mills Act originally intended to incentivize preservation of historic, multi-family housing (currently only 23% of contracts are multi-family)
- 494 contracts (>50%) of contracts are located in High and Highest resource areas



Non-Renewal of Contracts

Opportunity Map Approach (Cont'd)

- Initial focus would be on existing single-family residences with contracts located in the Highest and High Resource areas (365 properties, 39 percent of the program)
- Other factors:
 - Length of time contract has been in effect
 - Property type and number and range of affordable rental units
 - Completion of contract-mandated work
 - Additional, substantial investment required for rehabilitation beyond contract scope
 - Current tax savings
 - Outstanding code enforcement issues

Non-Renewal of Contracts

Contract Length Approach

- Mills Act contract tax savings decrease over time, unless the property is sold
- Long term contracts (10-15 years old) are typically minimally saving or receive no tax benefit from the program
- Many newer owners with older contracts see substantial savings despite all contract work being completed

Contracts 10 years or older	767 (80%)
Contracts 20 years or older	223 (24%)

*Number of contracts updated to reflect 2025 data

Non-Renewal of Contracts

Contract Length Approach (Cont'd)

- Contracts 20 years and older would be the first priority for non-renewal
- Other factors:
 - Completion of contract-mandated work
 - Additional substantial rehabilitation needed beyond contract scope
 - Current amount of tax savings
 - Property type and number and range of affordable rental units
 - Outstanding code enforcement issues

Program Outreach

10. Identify dedicated equity-related funding sources and partnerships

- To provide funding necessary to do outreach in Low Resource areas as described on the Opportunity Map, City Planning will investigate equity-focused funding sources, new partnerships with community-based organizations, and work with Council Offices to expand outreach efforts

11. Prepare and implement a strategic outreach plan that provides education, access, and multilingual support to encourage program participation in Low Resource Areas

Program Accountability

12. Provide for program assessments every five years to ensure program goals are being met

13. Communicate annually with all Mills Act Program participants to confirm contact information

Ordinance Amendments

Melissa Jones, City Planner

Ordinance Amendments

1. Update Mills Act Ordinance to eliminate the annual threshold of unrealized property tax revenue

- City Council approved a not-to-exceed threshold of \$2,000,000 of unrealized City property tax revenue for all executed Mills Act contracts
 - As of 2023, unrealized property tax for all executed Mills Act contracts was \$2,702,349
- Year-to-year changes in revenue loss are unpredictable, carrying based on prevailing real estate market trends and capitalization rates
- City Planning will report annually to the Cultural Heritage Commission, Mayor, and City Council on the projected unrealized property tax revenue anticipated by new contracts

Ordinance Amendments

2. Separate pre-contract assessed value limits for multi-family buildings from commercial and industrial buildings, and increase pre-contract value limits for multi-family buildings to \$10,000,000

- Program currently limits pre-contract assessed property values to \$1.5 million for single-family residential properties and \$3 million for multi-family residential, commercial, and industrial properties
- Proposal separates pre-contract assessed value limits for multi-family residential properties from commercial and industrial properties. This would allow for larger multi-family properties to more easily access the program

Ordinance Amendments

3. Eliminate the current valuation exemption areas, and apply the exemption from property valuation limits to Adaptive Reuse Ordinance (ARO) projects citywide

- Valuation limits do not apply to properties located in Greater Downtown Los Angeles and the Figueroa Corridor Economic Strategy areas, and the Hollywood Boulevard Commercial and Entertainment National Register Historic District
- ARO projects currently make up 6 of the 10 Mills Act properties with the largest amount of tax savings
- Expanding program access to designated historic ARO resources citywide would increase interest in the development of ARO projects and result in two-fold benefits for the city: creation of additional housing and historic preservation

Ordinance Amendments

4. Exempt properties in Low Resource areas from the assessed valuation limits citywide

- An exemption to the current pre-contract assessed property value limits requires an additional fee of \$3,355 as of July 2024, the preparation of an Historic Structure Report, and approval from the Cultural Heritage Commission based on the exemption criteria
- Exemption of Low Resource areas removes the barrier of applying for an exemption from the pre-contract assessed valuation limits for single-family properties or multi-family properties containing restricted affordable units

Ordinance Amendments

5. Add new Priority Consideration Criteria for properties in Low Resource areas

- Currently, the Ordinance requires that an application demonstrate that the property meets a minimum of three out of five Priority Consideration Criteria to be eligible for the program: **Necessity, Uniqueness, Investment, Affordability, and Employment**
- The proposal would **expand the Criteria to include identification of the property within Low Resource areas** as indicated on the Opportunity Map
- Proposal would potentially increase and diversify the distribution of public benefits access the city and help improve neighborhoods in these areas through preservation and retention of historical resources

Ordinance Amendments

6. Reduce or eliminate application fees for properties located in Low Resource areas

- As of July 2024, the application fee for a Mills Act Contract is \$736 and, upon approval of an application, the contract execution fee is \$3,088
- City Planning will develop criteria for creating a fee waiver program that would require adoption by the City Council, recognizing that fee waivers would require a subsidy from the General Fund

Ordinance Amendments

7. Revise the eligibility requirements to include National Register- and California-Register listed properties

- To be eligible to apply for a Mills Act contract, currently a property must be designated as a Los Angeles Historic-Cultural Monument or a Contributor to an Historic Preservation Overlay Zone
- Expanding eligibility for National Register- and California Register-listed properties would extend financial benefits of the program

Ordinance Amendments

8. Prioritize application for multi-family properties and ARO projects with affordable housing components located in Low Resource areas

- Better integrate a key, founding goal of the Mills Act program to retain and preserve affordable, multi-family housing as well as to ensure equity
- City Planning will conduct a more in-depth review of the requirement under the affordability component of the Priority Consideration Criteria for new contract applications

Resource Allocation

Ken Bernstein, AICP, Principal City Planner

Resource Allocation

Expand Staffing

- Staffing is insufficient to manage the Mills Act program
- Currently only 2 staff members work less than part-time on the program
- At least 3 full-time staff members are needed to effectively manage the program
- Existing and proposed fee revenue will help support the increased staffing

Program Assessment Timeline

WE ARE HERE:



Research and Groundwork

- Preparation of assessment report



Initial Outreach

- Outreach to contract holders
- Cultural Heritage Commission and public workshop presentations
- Outreach to City Council offices and stakeholder groups
- Solicit feedback



Draft Policy Updates and Ordinance Amendments

- Post draft document for review
- Solicit feedback



Consult

- Outreach to City Council offices and stakeholder groups
- Cultural Heritage Commission and public workshop discussions



Refine and Revise

- Revise draft policy updates and ordinance amendments



Recommendations and Adoption

- Cultural Heritage Commission
- City Council Planning and Land Use Management (PLUM) Committee
- City Council
- Prepare final policy document and ordinance



Implementation

- Implement administrative changes
- Implement ordinance amendments
- Restart accepting new contract applications

Questions?

Comments and Questions

- We invite you to provide comments on the Draft Policy Updates and Ordinance Amendments document through the [feedback form](#) linked to from the QR code
- **Please provide comments by May 23, 2025**
- Questions?

[Frequently Asked Questions](#)

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