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Submitted Electronically

Ken Bernstein
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Email: ken.bernstein@lacity.org

RE: City of Los Angeles Mills Act Program Assessment and Equity Analysis

Dear Ken Bernstein:

On behalf of the Los Angeles Conservancy, I'm writing to provide comments on the *City of Los Angeles Mills Act Program Assessment and Equity Analysis* (Assessment), prepared for the City of Los Angeles by Chattel, Inc. with AECOM Technical Services, Inc.

We greatly appreciate that the City is looking at new ways to make this long-standing financial incentive program more equitable, and to sustain and ensure it is able to meet its core objectives. As the largest-operating (948 contracts) Mills Act program in California, we also recognize that amending this successful program will likely have broader implications. Other California communities, including those throughout L.A. County, will look to Los Angeles as a model, and may propose similar updates. For these reasons, it is critically important to strike a balance and ensure any amendments to the program are fully contemplated (in terms of potential, unintended consequences). The purpose of this program is to advance preservation priorities and directly assist in the physical preservation of historic resources.

For the past two years, L.A.'s Mills Act program has not accepted any new applicants, therefore there is pent-up interest within the larger community to reactivate this program and allow for new Mills Act contracts. As a fundamental incentive tool, the Conservancy hopes the City will establish a process by which draft amendments can be provided in a timely manner while still allowing for meaningful public input and participation. Our understanding is this program may not be up and running again until possibly late 2023 or the beginning of 2024.



I. Assessment Goals

The consultant’s assessment report used two overarching goals to guide their analysis and recommendations. These goals are program sustainability and equity. The Conservancy understands that it is imperative that the program become compliant to ensure its effectiveness. At present, the City has only conducted twenty-five percent of its inspections due to the lack of staff assigned to the Mills Act program. Because of the inability of the City to complete the required inspections roughly twenty percent of all contracts have fallen out of compliance. Without specifications for bringing these properties back into compliance, we run the risk of existing contracts being threatened with cancellation. Based on this pattern and limited staff resources, it is apparent that current practices are not sustainable for the long-term.

Program equity is important to ensure this program is capable of benefitting all, from participation to achieving property tax savings. Having good data helps us all better understand how the City’s Mills Act program is, or is not currently meeting this goal. The majority of the existing contracts (71 percent and 659 properties) are single-family houses yet most of the savings achieved (75 percent) originate from multi-family and commercial properties. This is especially true for Downtown properties that have been adaptively reused and converted for housing (approximately 12,000 new housing units), in large part due to the passage of the Adaptive Reuse Ordinance (ARO) in 1999. This data helps illustrate how the Mills Act program organically evolved and operates now since its establishment in 1996.

II. Conservancy Recommendations

The Conservancy is focusing on several core areas of the Mills Act program and recommendations from the assessment that we believe warrant further consideration and attention. As stated previously, the City will need to carefully consider the assessment recommendations and potential, unintended implications (both positive and negative) that might arise as a result.

Program Sustainability Recommendations:

A. Goals 1, 2 and 3: Improve Fiscal Sustainability; Facilitate compliance with State Law and Mills Act Ordinance; and Expand Program Staffing

Paying for and effectively administering the Mills Act program is a priority. The Conservancy strongly supports establishing mechanisms by which fees are collected, tracked, and set aside specifically in the budget for the management and operation of this program. The Department of City Planning’s Office of Historic Resources is severely understaffed and this source of revenue will provide a direct nexus to ensure the program is meeting the intended needs. We support the identified strategies to collect fees for all existing and future Mills Act contracts, and proposed cost-recovery remedies to retrieve administrative costs for noncompliant Mills Act contracts.



B. Goal 4: Refine Program Capacity

This goal is perhaps the most controversial, in terms of the outreach to date and responses we have heard regarding changes to the Los Angeles Mills Act program. This is for good reason as it contemplates capping the total number of Mills Act contracts, cancelling and reducing the length of time per contract, and greatly expanding program eligibility criteria.

The Conservancy is consistently hearing concerns about capping the number of existing Mills Act contracts or cancelling them. Even though it would not take effect immediately, it would start the “wind down” process. We think this approach is a mistake and should not be pursued, as it will leave many historic resources vulnerable in the future, and goes against the original intent of the Mills Act program. It will unwind more than twenty-five years of progress and a legacy and system by which historic resources are afforded strong protections through a direct partnership with the City.

If this goal and series of strategies are considered by the City, this recommendation requires much greater scrutiny and analysis to determine when and if cancelling a Mills Act contract is best for preservation long-term as a citywide program. While a property and owner that has benefitted from a Mills Act contract for many years will experience diminishing financial returns over time, it also becomes less of a “drain” on the overall program. However, when and if a longtime Mills Act contract property is sold, the benefit of this is twofold: one, as an incentive to a new owner to do right by the historic property and continue preservation stewardship; and two, ensuring this transition period from a longtime to new owner is stable.

Oftentimes it is during the sale of an historic property that it is most at risk. The Mills Act program functions in a way that stifles this transition period and potential for volatile changes, including inappropriate alterations, demolition by neglect, and even demolition. While Historic-Cultural Monument (HCM) status alone will continue to provide some protection from these actions, the pairing with the Mills Act is much stronger by offering an incentive (leverage) to ensure preservation is more likely an outcome. Cancelling and/or limiting the length of time for Mills Act contracts will also likely result in irreparable harm and adverse, unintended impacts. This may involve the destruction of interior spaces not specifically called out or protected by HCM status, and an increase in rents passed onto tenants of historic multi-family properties.

Historic buildings will always require maintenance and upkeep, and the Mills Act helps property owners afford these necessary investments, now and in the future. Eastern Columbia Lofts, a beloved and iconic L.A. landmark, helps illustrate this point. As a longtime Mills Act contract property, residents are about to commence on a comprehensive and costly restoration of the deteriorated architectural terra cotta façade. As a condominium building with multiple property owners benefitting from the Mills Act program, the cumulative savings afforded through the Mills Act is directly proportionate to how much can be spent on restoration.

The Conservancy supports aspects of the recommendation calling for an expansion of the Mills Act eligibility criteria. We agree with increasing the pre-contract assessed value limit for both single-family and multi-family properties and applying an exemption for Adaptive Reuse Ordinance (ARO) projects. These actions ensure eligibility for additional important historic



resources and with ARO projects could incentivize the creation of more housing in existing buildings.

However, the Conservancy is concerned about expanding the eligibility criteria to National and California Register Properties, SurveyLA-identified eligible properties, and CPA-, CPIO-, CDO-identified properties. We understand the intent behind this recommendation but believe eligibility expansion will potentially dilute the overall effectiveness of the Mills Act and Historic-Cultural Monument (HCM) programs. As it operates currently, and in most California communities, the Mills Act incentive is offered only for properties that have been locally designated. As a financial incentive and reward, the Mills Act supports and helps expand the HCM program.

While well intended, opening the eligibility criteria broadly will potentially undermine the effectiveness of the HCM program, and result in property owners receiving a benefit without being fully committed toward historic preservation priorities. Given the desire to better manage the program, we also believe this type of expansion will place greater pressure on the City by more than tripling the number of potentially eligible properties. Therefore we do not support expanding the eligibility criteria beyond properties designated as an HCM.

Program Equity Recommendations:

A. Goals 1 and 2: Retain and Preserve Affordable Multi-Family Housing; and Expand Mills Act Benefit in areas facing higher Barriers to Opportunity

The Conservancy strongly supports greater flexibility for the Los Angeles Mills Act program, and to be more intentional and focused on priorities that matter. This may include establishing annual goals and priorities to preserve more affordable housing and/or offer the program in areas of the city that have been traditionally underserved and face barriers to opportunity. In doing this and ensuring broad participation and transparency, one question is how priorities are identified, selected, and communicated to the general public? Approaching this process through a diversity, equity, inclusion and access (DEIA) lens could be helpful, and align the Mills Act program with larger citywide priorities.

One caution or concern we raise is that this may also attract attention by the speculative development community, and unintentionally spark or speed up displacement practices in a given community. To illustrate, the Mills Act is financially advantageous primarily at the time when first acquiring a property, such as an historic multi-family apartment building. This may lead to a desire to push out existing tenants and result in a domino effect. If the City were to set Mills Act priorities for affordable housing or ARO conversions, there should be some safeguards implemented as a companion piece, such as ineligibility when Ellis Act or “Cash-for-Keys” buyout practices occur. We fully agree with Strategy 2, and the need to implement tenant anti-displacement safeguard measures.



III. Conclusion

To summarize the Conservancy's position regarding any proposed amendments to the Mills Act program, below are the core areas we focused on as part of the *City of Los Angeles Mills Act Program Assessment and Equity Analysis* (Assessment):

- It is critically important to strike a balance and ensure any amendments to the Mills Act program are fully contemplated, in terms of potential, unintended either positive and/or negative consequences;
- Program equity is important to ensure this program is capable of benefitting all, from participation to achieving property tax savings.
- Establishing mechanisms by which fees are collected, tracked, and set aside is critical and generated funds should be specifically allocated within the City budget for the management and operation of this program.
- Cancelling existing Mills Act contracts, reducing the length of period, and capping the total number of properties will leave many historic resources vulnerable in the future, and goes against the original intent of the Mills Act program; this will also likely result in irreparable harm and adverse, unintended impacts.
- Increasing the pre-contract assessed value limit for both single-family and multi-family properties, and eliminating this for ARO properties will enable additional eligible historic places to participate in the program.
- Expanding the eligibility criteria broadly will place more pressure on the Mills Act program, and potentially undermine the effectiveness of the HCM program; this will result in property owners receiving a benefit without being fully committed toward historic preservation priorities.
- Greater flexibility for the Los Angeles Mills Act program, and to be more intentional and focused on priorities that matter, including DEIA and affordable housing, is a positive direction.

Please do not hesitate to contact me at (213) 430-4203 or afine@laconservancy.org should you have any questions or concerns.

Sincerely,



Adrian Scott Fine
Senior Director of Advocacy

