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April 17, 2025

Cultural Heritage Commission
Attn: Denise Otero
200 N. Spring St., 10th Floor, Room 1010
Los Angeles, CA 90012
chc@lacity.org

Re: 2025 Mills Act Update – Draft Policy Updates and Ordinance Amendments

Dear Members of the Cultural Heritage Commission,

The Mills Act is the most important and accessible incentive tool for preserving and maintaining cultural resources throughout Los Angeles. It has been used to leverage costly preservation and rehabilitation projects, ensuring the economic viability of adaptive reuse and creating good paying construction jobs in the process. It has played a very important role in the reinvestment of LA's urban core, particularly in areas like Downtown and Hollywood.

Following a nearly five-year hiatus, the Conservancy is pleased the Mills Act will be reactivated and updated to address current needs for Los Angeles and this essential program. We support efforts to make the program more equitable and distribute its application to Low Resource areas. Some of these positive changes include adding priority consideration criteria and eliminating application fees for properties in Low Resource areas to more equitably distribute the benefits of the program across the city.

In reviewing the proposed recommendations, we have identified several areas that need further consideration and provide suggested recommendations. This includes concerns about proposed changes that we believe will be detrimental to existing Mills Act property owners and other aspects that may actually undermine the overall effectiveness of Los Angeles' preservation program.



The Conservancy requests the Commission carefully evaluate the impact of each proposed change, and weigh the comments from those in the public who would be most affected. We urge caution in adopting any proposed program until the following issues are addressed.

Distribute the Collection of Fees Equitably

While fees are essential to maintaining the program, as outlined in Administrative Change 2, they should be distributed fairly. Fees set too high will weaken the impact of the overall program as they directly offset the savings from property tax reductions. Creating a two-tier fee structure could be especially problematic if fees originated by larger multifamily buildings establish a disincentive to participate in the program.

The Office of Historic Resources may have to play a more active role in managing the contract for a 40-unit loft building than a single-family home, but the hours dedicated do not scale linearly. In fact, there are significant time savings and efficiencies in managing these larger buildings. Currently the fee for all contracts is \$2,924. If this were applied on a per unit basis to the same, modestly sized 40-unit building mentioned earlier, it would equate to fees of \$99,760. Many Mills Act properties are significantly larger than this, containing hundreds of units, such as the Pacific Electric Building, containing 314 lofts.

We recommend that properties of five or more units receive a steep discount on fees compared to other residential properties to ensure that fees are reasonable. We also suggest that a cap be established to encourage denser buildings to apply to the program. Fees should be appropriate and not excessive to the point that they discourage or deter owners of multifamily housing from participation in the Mills Act program.

Maintain Current Contract Period and Renewal Policies

Administrative Change 9 recommends a 20-year time limit for all new Mills Act contracts and winding down existing contracts that have been in place for over 10 years. We are concerned that this substantial change will severely undermine the overall effectiveness of the program, and here's why. Existing and long-standing Mills Act contracts benefit both existing and future property owners to help in the ongoing maintenance needs of an historic building and allows them to reinvest property tax savings back into the historic building. This need for upkeep and reinvestment does not diminish over time, and actually only grows.

While it is true that a Mills Act contract and associated tax benefits will be less valuable in direct relationship to the tenure of an owner, this recommendation is not accounting for real estate transfers. A Mills Act contract is extremely valuable for a new owner of an historic property where the assessment will increase relative to the sales price. Therefore, the Conservancy



strongly opposes this change, and suggests all contracts be held in perpetuity unless they are cancelled for non-compliance (per Administrative Change 8) or opted out of.

Of particular concern are the Downtown Adaptive Reuse Ordinance (ARO) historic buildings, some of which are at or nearing the 20-year limit but still have ongoing and high maintenance requirements. A good example is the Eastern Columbia Building which was initially converted for residential use in 2006, and just undertook a multi-million dollar rehabilitation of the distinctive terra cotta façade. The Mills Act savings helped enabled the HOA to plan and pay for this costly but important endeavor. Sun-setting and removing Mills Act contracts from these buildings will send an adverse economic shock to an already soft Downtown real estate market, and at a time when all available incentive tools need to be on the table.

We strongly recommend that the current 10-year contract term be maintained, and that subsequent 10 year contract renewals be granted to properties until they opt-out or are cancelled.

Enable Fee Collection Only During Renewal Window

Administration Change 3 suggests amending pre-2014 Mills Act Contracts to enable fee collection, due to the current inability of earlier contracts to impose fees. Since 2014 however, Mills Act contracts contain language that allow the collection of fees. The Conservancy is skeptical about inserting enabling language in pre-existing contracts. If pursued, however, we ask that it only be initiated during the 10-year contract renewal period. Some long term property owners, who are taking advantage of Proposition 13 valuations, may opt-out of the program to avoid paying fees. Others may choose to renew and pay the maintenance fees if they are planning to sell in the near-term and understand that the Mills Act may benefit future owners. This will likely reduce the total number of Mills Act through opt-outs, but leaves the decision to homeowners and property owners to make.

Increase Single-Family Valuation Cap to \$2.5M

Per Ordinance Amendment 2, the Conservancy supports lifting the pre-contract assessed valuation for multifamily properties to \$10M but there is no recommended change for single-family residences, currently set at \$1.5M. We strongly encourage the value cap on assessed single-family residences to be increased from \$1.5M to \$2.5M, consistent with the initial assessment report recommendation. This more closely aligns with neighboring Mills Act programs operated by Los Angeles County (\$2.1M for single-family residences listed in the County Register) and Pasadena (\$2M). The existing \$1.5 value cap was last updated in 2008, when the median home value in the City was \$562,307, compared to approximately \$1M today. In Medium Resource neighborhood tracts, real estate sales of larger historic homes consistently



exceed this \$1.5M threshold. With such a low cap, which has not been updated in 17 years or adjusted to recent inflation, it will exclude many historic single-family residences from participating in the Mills Act program.

We strongly oppose any changes to eliminate the value exemption areas, outlined in Ordinance Amendment 3. Both Downtown and Hollywood have seen success in using the Mills Act to stabilize their communities and add much-needed housing. Yet these neighborhoods also struggle with high vacancy rates, assessed property valuations that are not appreciating as quickly as other parts of the City, or in some cases declining, and significant challenges post-COVID. This is not the time to abandon an effective stimulus policy and significant historic neighborhoods. With the Downtown and Hollywood Community Plans recently implemented, these two neighborhoods serve as major job centers and produce an outsize share of the City's housing requirements. The Mills Act will continue to be an important financial tool in achieving these goals, and without it, we fear that Downtown and Hollywood's hard-fought progress may be curtailed.

Exempt Multifamily, Commercial and Industrial Properties from a Value Cap in Low Resource Area

The Conservancy supports efforts to expand equity in Low Resource areas with some targeted amendments to help stabilize communities and prevent speculation. Ordinance Amendment 4, proposes changes that will encourage new contracts and investment in Low Resource areas. We suggest a simpler process, exempting multifamily, mixed-use, and commercial properties from the value cap in these areas. These new contracts will create local jobs, provide necessary funding, and help stabilize housing in Low Resource areas. It expands the success of the successful Downtown program. We do not feel it is necessary to provide additional exemptions for single-family homes in these areas if a citywide value cap of \$2.5 million, as suggested earlier, is implemented.

Expand Eligibility for Multifamily Properties Listed in the California and/or National Register

The Conservancy urges caution in expanding eligibility for the Mills Act to National Register and California Register listed properties, as it could undermine Los Angeles' local designation program. The Mills Act is currently one of the main driving factors in promoting the designation and creation of Historic-Cultural Monuments and Historic Preservation Overlay Zones (HPOZ). Opening the Mills Act to California Register or National Register Districts could discourage growth of HCMs and HPOZs, and likewise the important protections and design review afforded to local designation.



However, we do recognize the need for tax relief in the multifamily housing space. We would be supportive of expanding program eligibility to multifamily properties listed in the California or National Registers. Several multifamily districts have been nominated to the National Register within the past decade, including the Beverly-Fairfax, Miracle Mile Apartments, and Citrus Square National Register Historic Districts. These districts contain considerable amounts of naturally occurring affordable housing, increasingly at risk through tenant displacement and redevelopment. The Mills Act would offer a meaningful incentive and allow the housing to be preserved while encouraging reinvestment and proper maintenance.

Include Rent Stabilization Ordinance (RSO) Housing in Multifamily Prioritization

The Conservancy believes that existing multifamily housing can be supported and stabilized through Ordinance Amendment 8, which would prioritize applications for multifamily residential properties and ARO projects with affordable housing components located in Low Resource areas areas. We ask that units subject to Los Angeles' Rent Stabilization Ordinance (RSO) qualify as affordable units for the purposes of this program. Many of these older apartment buildings are owned by long-term mom-and-pop landlords, who maintain low property tax assessments through Proposition 13. However, when the property is sold, property taxes are reassessed, pushing new owners to remove the units from the rental market or cut back on maintenance. The Mills Act can serve to support new owners and tenants by reducing this pressure.

Discourage Use of the Ellis Act on Mills Act Properties

Though the Mills Act can be used to stabilize existing housing, in some cases, we have seen owners of Mills Act properties use the Ellis Act to displace tenants from these same historic multifamily buildings. We think this should be actively discouraged. We ask that Mills Act contracts be cancelled for any property that pursues Ellis Act evictions of its tenants. We hope this prevents a common practice of restoring a multifamily housing building and evicting its tenants to sell to higher income group. We see the Mills Act as an important tool in stabilizing and uplifting neighborhoods. It should not be used to uproot the very people who make up that neighborhood.

Conclusion

The Mills Act is a critical component in preserving places in Los Angeles, and a strong financial asset. We support changes to make the program more equitable but feel some of the changes proposed will be detrimental to the program's success. As outlined above, we recommend the following amendments to the Draft Policy Updates and Ordinance Amendments:

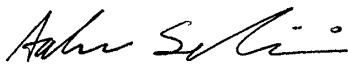


- Administrative Change 2 – Provide significant fee discounts for multifamily properties and introduce a cap to prevent excessive fee collection on larger buildings.
- Administrative Change 3 – Consider amending older Mills Act contracts *only* during 10 year renewal window.
- Administrative Change 9 – Retain current perpetual renewal practice for Mills Act contracts, discarding proposed 20 year phase-out.
- Ordinance Amendment 2 – Increase assessed value limits for single-family homes citywide to \$2.5 million to account for inflation.
- Ordinance Amendment 3 - Maintain valuation exemption areas in Downtown & Hollywood. Additionally grant a citywide exemption for ARO properties.
- Ordinance Amendment 4 – Exempt multifamily, commercial and industrial properties from valuation caps in Low Resource areas.
- Ordinance Amendment 7 – Expand eligibility of California and National Register properties only to multifamily properties.
- Ordinance Amendment 8 – Prioritize RSO properties in Low Resource areas as a form of naturally occurring affordable housing.
- Additional Ordinance Amendment - Cancel Mills Act contracts for properties using the Ellis Act to remove RSO units from the rental market.

About the Los Angeles Conservancy:

The Los Angeles Conservancy is the largest local historic preservation organization in the United States, with nearly 5,000 member households throughout the Los Angeles area. Established in 1978, the Conservancy works to preserve and revitalize the significant architectural and cultural heritage of Los Angeles County through advocacy and education.

Sincerely,



Andrew Salimian
Director of Advocacy

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