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March 14, 2023

Cultural Heritage Commission,
Los Angeles Department of City Planning

Ken Bernstein
Director,
Office of Historic Resources,
Los Angeles Department of City Planning

Lambert Giessinger
Historic Preservation Architect,
Office of Historic Resources,
Los Angeles Department of City Planning

VIA EMAIL

Re: Proposed Mills Act Amendment

To Whom It May Concern:

At a special public meeting on **March 14, 2023**, the Board of Directors of the Downtown Los Angeles Neighborhood Council ("DLANC") voted to provide the following comments on the City's assessment of the Mills Act Historic Contract Program, now underway:

Since the creation of the Adaptive Reuse Ordinance (ARO) in 1999, Downtown Los Angeles has transformed into a 24-hour community with many historic and architecturally significant structures saved, rehabilitated, and adaptively reused as housing and other mixed-uses. The ARO, coupled with the historic preservation incentive and financial assistance of the Mills Act program, have facilitated the revitalization and positive transformation of our community and has further allowed for an increase in Affordable Housing, the creation of new businesses, and an increase in first-time property ownership for many residents in Los Angeles that now occupy spaces in Downtown Los Angeles' many historic buildings.

While DLANC and its constituents recognize the need for reforms to the Mills Act program, particularly with regard to costs associated with its administration and enforcement, DTLA constituents have concerns about the adoption of several recommendations proposed by Chattel, Inc., in their recently completed Assessment. Concerning recommendations include: the unconditional revision of all existing contracts; the revocation of automatic, annual renewals of the contracts for a term of ten (10) years to be replaced with a “sunset” clause after 20 years, thereby limiting a property’s participation in the Mills Act program; and the elimination of the existing valuation exemption.

The high costs associated with historic rehabilitation require that property owners rely on bank loans to maintain and restore LA’s historic buildings. Participation in the Mills Act Program is a significant factor in banks’ determination of making loans. Specifically, the calculation of loan amounts for building rehabilitation are based on a bank’s appraised value of the building, a valuation that will be critically reduced if the building’s participation in the Mills Act Program doesn’t automatically renew. If the City cancels the automatic renewal feature of the current Program banks will lend fewer dollars, which will stifle historic preservation downtown buildings, including residential, commercial, and mix-used. (see the attached Exhibit 1 for further reference). Given these not obvious economic factors, it is in the best interest of the public to exempt buildings within the Historic Core and Greater Downtown Area from the proposed termination of automatic contract renewals. These renewals are imperative to incentivizing development of historic properties in DTLA.

In a time of renowned unaffordability in housing and economic uncertainty, we encourage the City to consider the broader historic preservation, economic and social benefits of the program. By mitigating for owners the high costs associated with historic rehabilitation and maintenance, the City helps depress the costs of renting, both residential and commercial. The Program’s role in increasing housing stock Downtown cannot be overstated, nor can its success of diversifying neighborhoods be heralded enough. Through the Mills Act Program, the City has incentivized owners to bring vacant properties back into the market who make these properties affordable to tenants of varying income. In their 2020 Preservation Positive report, LA Conservancy found that since 2013, the Mills Act program has helped facilitate an increase of 19,342 apartments in Downtown and the future preservation of the buildings that have existing contracts as well as those that have yet to be rehabilitated in the future with the incentive and financial assistance that is the primary purpose of the Mills Act program. The Mills Act Program is the only financial incentive that the City of Los Angeles offers for the preservation of its historic properties. Many are concerned about the impact that a decision to “sunset” all contracts after 20 years will have on the continued growth of housing downtown. And if an affordable housing mandate is imposed as a requirement for all properties participating in the Program, then development costs will be substantially increased, which will undoubtedly quash the renaissance of Downtown Los Angeles.

The proposed elimination of existing valuation exemptions is another threat to the continued preservation of the historic building stock across the Downtown area and the revitalization of Downtown’s many neighborhoods. LA Conservancy’s report also found that the average cost of historic rehabilitation to be \$198.43 per square foot. However, when added to the \$30 - \$100 per square foot cost of complying with the City’s 2015 Non-Ductile Concrete (NDC) Ordinance, costs to rehabilitate Downtown historic properties can reach as high as \$298 per square foot.¹ The City’s NDCO working group cited the Mills Act as an important, “economic incentive,” that helps offset these costs. By removing the valuation exemption the City would effectively disqualify most historic buildings in DTLA.

¹ Omgivning, “Non-Ductile Concrete Buildings White Paper,” City of Los Angeles Non-Ductile Concrete Working Group, October 2021.

By limiting participation for eligible DTLA properties to 20 years, ending automatic renewals, and eliminating valuation exemptions, the City will cripple future historic preservation efforts across downtown. In addition, this would depress economic activity and will impede the City's effort to protect character-defining and culturally significant buildings, homes, and places in our community.

Therefore, DLANC recommends OHR and the CHC consider the following recommendations:

Funding

- Ask the City Council to approve and allocate a budget increase to OHR for increased staffing and administration of the Program.
- Recommend the creation of a Mills Act Reserve Fund in which all fees generated by the Program are deposited and for which the only eligible uses are for expenses related to the facilitation of the program.

Property Eligibility Requirements

- Investigate less burdensome eligibility requirements to reduce the barrier of entry for under-represented and other at-risk communities.
- The Exemption for Downtown LA should not be removed.
- Affordable housing requirements should remain separate from the Program.
- Include Qualified Census Tracts as a Priority Consideration Criteria as defined in LAAC Sec. 19.142.
- Issue waivers to new caps (years and building value) to historic buildings within an LA JEDI Zone.
- Create provisions in the Mills Act program to factor inflation and rising costs for historic preservation - this can include an audit of the program by OHR every 5 years to assess the program's health.

Administration & Program Transparency

- Continue the 10 Year Automatic Renewals of the Program within the Downtown Community Plan.
- Work with the Department of Building & Safety and the City Attorney to develop a cohesive enforcement strategy through the creation of an Ordinance to create a cohesive contract termination and citation structure for properties not in compliance.
- Create robust tenant anti-displacement measures to protect multi-family and affordable housing units that participate in the Mills Act program, particularly with properties seeking entry into the program.
- Create an Open Data system to show the department's distribution of participating properties, inspections, and non-compliance/enforcement efforts.
- Seek alternatives to the contract-renewal process to develop a framework/timeline for proposed improvements to historic properties due to the cost, time, and technical challenges related to historic preservation.
- Recommend that properties that are determined to be out of compliance with the provision of the contract are removed from the program and contracts be terminated without a ten-year sunset requirement. Incomplete work does not have to be completed. This allows for more new applicants and properties to enter into the program.
- Audit the performance of consultants hired to perform, on the City's behalf, tasks associated with the Program, including annual compliance inspections and program administration.

Recognizing the importance of the program, we support City Planning's timeline of restarting the program in January of 2024. Thank you for your consideration.

* SUBJECT TO APPROVAL BY DLANC BOARD OF DIRECTORS ON MARCH 14, 2023 *

Sincerely,

Claudia Oliveira
President,
DLANC

Ryan Afari
Chair,
DLANC Planning & Landuse Committee

Cc: Office of Historic Resources, Department of City Planning (via email)
External Affairs Unit, Department of City Planning (via email)
Council District 14 (via email)
Council District 1 (via email)