



# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** William A. Gilchrist  
Director, Planning and  
Building Department

**SUBJECT:** Mills Act Contracts

**DATE:** August 23, 2021

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City Administrator Approval 

Date: September 7, 2021

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## RECOMMENDATION

**Staff Recommends That The City Council Adopt A Resolution, As Recommended By The Landmarks Preservation Advisory Board, Approving Five (5) Mills Act Contracts Between The City Of Oakland And The Properties At 1420 Magnolia Street, 1120 Chester Street, 1020-22 Bella Vista Avenue, 671 Longridge Road, And 901 Trestle Glen Road, Pursuant To Ordinance No. 12987 C.M.S., To Provide Property Tax Reductions In Exchange For Owners' Agreement To Repair And Maintain Historic Properties In Accordance With Submitted Work Programs And Approving Total City Tax Revenue Reduction Estimated To Be Below \$25,000 Per Year.**

## EXECUTIVE SUMMARY

Approval of this resolution will authorize agreements between the City of Oakland and the five historic properties recommended for approval by the Landmarks Preservation Advisory Board at its July 12, 2021 meeting (**Attachment A**). This is the fourteenth year of the Oakland Mills Act program. All five of this year's applications are owner-occupied homes: two in West Oakland, two in Lakeshore-Trestle Glen, and one in Bella Vista.

Upon receipt of each property's executed contract, the Alameda County Assessor is directed by State law to re-assess the property according to the formula established in the Mills Act, which will likely result in a reduction of property tax. As discussed further below, the City's share of property tax revenue would likely reduce by approximately \$12,390 total for the first year for the five properties.

Unless contracts are terminated, properties remain subject to the Mills Act assessment formula and contract obligations in perpetuity. Since the Mills Act contract commits an owner to a ten-year work program of improvements that might not otherwise have been made, taxes gradually rise even under the Mills Act formula to reflect those improvements and compensate for the initial revenue reduction.

Oakland's historic buildings are concentrated in older neighborhoods—especially West Oakland, with 19 Mills contracts to date—that have long housed lower-income and minority residents. To avoid complexity and expense, the application is designed to be prepared and

City Council  
September 21, 2021

submitted by the property owner with assistance from staff. Though the Mills Act program is small, revitalization of historic properties supports pride of neighborhood and community, sometimes directly alleviates blight, and serves as a catalyst and example for other work in the neighborhood.

The properties recommended for Mills Act contracts are:

- **1420 Magnolia Street** (Council District 3, Fife)
- **1120 Chester Street** (Council District 3, Fife)
- **1020-22 Bella Vista Avenue** (Council District 2, Fortunato Bas)
- **671 Longridge Road** (Council District 2, Fortunato Bas)
- **901 Trestle Glen Road** (Council District 2, Fortunato Bas)

## **BACKGROUND / LEGISLATIVE HISTORY**

The Mills Act program is a preservation incentive created by the State of California in 1972-76 (Sections 50280-90 of the California Government Code and Section 439.2 of the California Revenue and Taxation Code) that allows reductions of property tax assessments for historic properties if the owner contracts with the local government to preserve the property, maintain its historic characteristics and, if necessary, restore it.

Over 90 California cities and counties are using the Mills Act as a catalyst for neighborhood preservation and revitalization. While there have been Federal tax credits and local façade improvement grants for commercial properties, the Mills Act program is one of the few preservation incentives that is also available to owner-occupied residential properties. The California State Office of Historic Preservation says: “The Mills Act is the single most important economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners” ([http://ohp.parks.ca.gov/?page\\_id=21412](http://ohp.parks.ca.gov/?page_id=21412)).

Adoption of a Mills Act program in Oakland was one of the incentives recommended in the Historic Preservation Element of the Oakland General Plan adopted by City Council in 1994 (Resolution No. 70807 C.M.S.; Action 2.6.1 of the Element). Investigation of a Mills Act program was one of the mitigations in both the West Oakland and Central City East Redevelopment plans in the early 2000s, partly to address community concerns about housing, blight, and displacement.

Finding that the Mills Act program meets numerous General Plan Land Use goals and policies, including housing rehabilitation, preservation of community character and identity, sustainability, revitalization, and image, and that the property tax revenue loss was negligible in light of the benefits, Oakland adopted a pilot Mills Act program in 2006-07 (Ordinance No. 12784 C.M.S.) and a permanent program in 2009-10 (Ordinance No. 12987 C.M.S.).

Oakland’s 2009 Mills Act ordinance limits City tax revenue reductions from new contracts to \$25,000 per year outside Redevelopment areas, plus additional revenue reductions in Redevelopment areas (\$25,000 per Redevelopment area per year up to \$250,000, and an additional \$250,000 in the Central Business District). The ordinance provides that Mills Act

revenue reductions may exceed the limits with City Council approval. Due to rising Oakland property values, growing interest in the Mills Act program, and the elimination of separate Redevelopment Agency tax revenues, approval was sought and received in 2018, 2019, and 2020 to exceed the \$25,000 "City revenue" limit to accommodate several large-scale adaptive reuse projects.

Important aspects of the Mills Act program include:

- The Mills Act program is a voluntary program.
- The Mills Act contract is between the City and the owner of a designated historic structure.
- The initial contract is for ten years. At the end of each year, the term is automatically extended one year, unless the owner or the City gives notice not to renew. If notice of non-renewal is given, the contract remains in effect for the balance of the current ten-year term.
- The basic State requirement is that the owner preserve, rehabilitate, and maintain the historical and architectural character of the property. Oakland's program further requires that the entire property tax savings be invested back into the property according to an approved work program that is recorded as part of the contract.
- The contract and assessment formula run with the property, that is, obligations automatically transfer to each new owner and the property is not reassessed to market value upon sale.
- The contract provides for periodic inspections to determine the owner's compliance with the terms of the agreement.
- By State law, the penalty for breach of contract is 12.5 percent of the current property value.
- The Mills Act assessment formula is established by State law and applied by the County Assessor. It is based on the income method of appraisal, adjusting the capitalization rate for "historic property risk" by 2 percent for income properties and 4 percent for owner residential.
- The largest reductions usually occur for properties bought or reassessed in recent years and at high market values. For existing low assessments, such as long-term owners under Proposition 13, taxes cannot increase due to a Mills contract, but will likely not decrease.

Oakland's first seven Mills Act contracts were adopted in 2008 and went into effect with the 2009-2010 tax assessment year. To date 82 contracts have been approved and executed. The proposed five new contracts, if approved, will go into effect for the 2022-2023 tax assessment year and will bring the total to 87. The owners will experience tax reductions estimated to total approximately \$45,418, and because the City's share of ad valorem property taxes is 27.27

percent, the estimated first-year City revenue reduction would be around \$12,390. This estimate is well below the limit of \$25,000 per year City revenue reduction for new Mills Act contracts.

A basic premise of the Mills Act is that improvements made by reinvesting the tax savings will gradually raise assessed values and cancel out the initial losses, even at the lower Mills Act tax rate. In addition, it is expected that construction work performed under the contracts will support the local economy and that improvements will inspire other projects in the neighborhood. Two early Mills Act projects for large Central Business District properties (Cathedral Building, 1605 Broadway, Mills Act 2010; Girls Inc., 512 16th Street, Mills Act 2011) provided almost immediate revenue gains to the City as these long-underutilized buildings were purchased, improved, and reassessed under the income-based Mills formula. More recently, 4690 Tompkins Avenue, a 40,000 square foot former missionaries' home above Mills College, long a problem property in the neighborhood, joined the program in 2018 and has re-opened as 80 apartments with a restored 1920s exterior. The landmark Safeway Headquarters building at 5701 International Boulevard received a Mills contract for historic restoration and live-work conversion in 2019. For small residential properties that entered the program from 2008 to 2019, online tax histories and owners' reports confirm the expected pattern of a significant reduction followed by gradually increasing assessments as improvements are made.

The properties proposed for 2021 Mills Act contracts are all owner-occupied residences of one or two units. All are City of Oakland Designated Historic Properties, a prerequisite for Mills participation. Four were designated as Heritage Properties by the Landmarks Preservation Advisory Board on July 12, 2021, in conjunction with the Mills applications; one was already designated in 2003 as a contributor to the Oak Center S-20 historic district. Short summaries of each property are given below. Photos and more detail can be found in the Landmarks Board staff reports (*Attachment A*).

## **ANALYSIS AND POLICY ALTERNATIVES**

This is the fourteenth year of Oakland's ongoing Mills Act program. The program was adopted in 2007-2010 in part due to the lack of assistance for preservation of owner-occupied homes, which in contrast to commercial properties that could at that time benefit from extensive Federal tax credits as well as Oakland's Façade Improvement grants and other Redevelopment funding. After 2012 and the end of Redevelopment, City home loans and housing rehabilitation programs have been effectively eliminated, leaving the Mills Act as a unique though small resource that has been especially well used in West Oakland (21 out of 87 applications since the beginning). Mills Act participants to date have corrected deferred maintenance, reversed inappropriate modernizations, and carried out major adaptive reuse projects, furthering General Plan and Council goals and policies including housing rehabilitation, neighborhood preservation, sustainability, revitalization, and **housing, economic and cultural security**. The program is open to all types of tax-paying properties, though the assessment formula favors owner-occupied residences.

The 2021 properties are varied, interesting, and well qualified. Construction dates range from 1886 to 1941. Neighborhoods represented are West Oakland (two properties), Lakeshore-Trestle Glen (two), and Bella Vista (one). In addition to landmark significance and physical needs of the buildings, eligibility evaluations seek and encourage strengths such as catalyst potential for neighborhood improvement, development and sharing of technical building

experience, and recognition of the many layers of history since these buildings housed their first Oaklanders 80 to 135 years ago.

The applications were all written by the owners themselves, with coaching from staff. They build on research begun in earlier Cultural Heritage Survey phases in West Oakland and San Antonio, on previous Mills Act applications, on hands-on familiarity with the buildings, and on resourceful use of newly available online research sources during a time when libraries and archives were not accessible. The applications are all extremely well researched and presented, distinctive in style, and make valuable contributions to wider knowledge of Oakland history, buildings, neighborhoods, and research techniques. The complete 2021 Mills Act and Heritage Property applications and staff reports are available online at the [July 12, 2021 Landmarks Preservation Advisory Board page](#).

*Summary of Proposed Properties, in chronological order of construction*

**1420 Magnolia Street, Ellen Wyrick-Parkinson house, 1886-87**

This Stick-Italianate cottage has been a Designated Historic Property since 2003, as a contributor to the Oak Center Historic District (S-20 Preservation Combining Zone). Tax records and directories date it c.1886-87. The first owner and resident was Thomas Blachowski, a carpenter with the Southern Pacific Railroad. From about 1976 to 2017 the owner and resident was community activist Ellen Wyrick-Parkinson, who “spent six decades standing up to bureaucracy” to protect and enhance West Oakland’s neighborhoods, tamed the redevelopment of Oak Center, served on countless civic bodies, and organized the historic district designation. The new owner’s proposed Mills Act work program includes seismic retrofit from basement to chimney, replacing aluminum-sash windows with period appropriate wood sash, replacing roof and gutters, repair of ornamental woodwork, and paint.

**1120 Chester Street, George & Mollie Carter house, 1887-88**

This two-story and raised basement Stick-Eastlake house in the Oakland Point neighborhood is one of a row of near-quadruplets that form a prominent streetscape feature and illustrate the elaborate woodwork vocabulary of the late 19th century. The owner, resident, and developer, George Carter, was an engineer at the Oakland Planing Mill and likely had access to the latest and best millwork and materials. After the Irish-American Carters, subsequent 20th century owners’ names (among them Hernandez and Mustafa) reflect the astonishingly rich ethnic history of the neighborhood. Oakland Point (Prescott) is a Local and California Register historic district strongly associated with Oakland’s role as terminus of the transcontinental railroad. The work program includes seismic retrofit, replacing aluminum sash with double-hung wood sash, repairing and painting siding and trim, rebuilding front stairs and railings, and rebuilding and restoring the entry door and transom area.

**1020-22 Bella Vista, J.S. Myers - Fred & Elizabeth Taylor house, 1900-01**

This distinctive and prominently sited Colonial-Craftsman house was designed by inventive Oakland architect Leo Nichols and solidly built by C.M. “One Nail” MacGregor for developer J.S. Myers. The Bella Vista tract above Park Boulevard was marketed for “beautiful residences” near the Borax Smith estate and built up gradually from about 1890 to 1916 with distinctive suburban homes. The property was owned by Fred Taylor, president of Bowman Drug Company, one of many prosperous businesspeople who settled in Bella Vista. As the suburbs moved outward, by 1936 the house had become two flats, and expanded into three apartments by 1946. The work

program includes seismic retrofit of foundation and rear porch, repair of original windows and replacement of non-originals, and exploratory assessment and removal of asbestos siding followed by repair and/or replacement of siding, shingles, and wood trim.

**671 Longridge Road, Dowell-Chambliss house, 1919-20**

This elegant Beaux-Arts eclectic house by society architect Albert Farr is one of the earlier homes in the Lakeshore Highlands tract and helped set its design standards. The Realty Syndicate promoted the tract's easy trolley access to San Francisco and its Olmsted-designed park-like setting, and well-off clients responded with both architect-designed and builders' houses. Residents of 671 Longridge through the years were professionals and businesspeople active in arts and civic causes. From 1963 to 1988 it was home to Robert and Charlotte Chambliss, early Black homeowners in Lakeshore in the waning years of restrictive covenants. Charlotte Chambliss, Ed.D., was a graduate of California College of Arts & Crafts and taught at Prescott and McClymonds. The owners' work program includes seismic retrofit and hillside stabilization, and photo-documented reconstruction of dozens of wood casement windows that were replaced with incongruous synthetic sash in 2013.

**901 Trestle Glen Road, Arthur and Ada Tucker ("Garden") house, 1941**

This unusual Normandy Revival house was built at the end of the Period Revival heyday between the World Wars, by Oakland's leading Period Revival architect William Schirmer. Schirmer's French, English, and Mediterranean houses are notable for authentic traditional detailing and highest quality materials and workmanship. Designed when Schirmer was also working on Moderne civic projects like the Alameda County Courthouse, 901 Trestle Glen has streamlined touches that tie it to the Hollywood Regency style. Its site over culverted Trestle Glen creek was previously a large garden for the Tuckers' 1926 Schirmer house to the east (demolished when the Macarthur Freeway cut through the neighborhood in the early 1960s). The work program includes foundation and sitework, roof replacement, repairs to doors, windows, and chimney, and repair of the original copper porch light.

*Mills Act Contract Obligations*

The Model Mills Act Agreement (**Attachment B**), which is used by the City, spells out obligations and procedures:

... Both Owner and City desire to enter into an Agreement to preserve the Property so as to retain its characteristics of cultural, historical and architectural significance and to qualify the Property for an assessment of valuation pursuant to Section 439.2(a) of the Revenue and Taxation Code of the State of California...

**4) Preservation/Rehabilitation and Maintenance of Property (California Government Code Section 50281(b)1) ...**

a. Owner(s) agree to preserve/rehabilitate and maintain cultural, historical and architectural characteristics of the Property during the term of this Agreement as set forth in the attached schedule of improvements, which has been reviewed by the Landmarks Preservation Advisory Board and approved by the City Council .... No demolition or other work may occur which would adversely impact the cultural, historical and architectural characteristics of the Property during the term of this Agreement.

b. All work on the Property shall meet, at a minimum, the Secretary of Interior's Standards for Rehabilitation of Historic Properties ... and all required review and conditions of the Landmarks Preservation Advisory Board, the Planning Commission, the City Council, and/or the Department of Planning and Building of the City of Oakland.

Participation in a Mills Act program is voluntary for both the property owner and the City. The contract, including the work program, is recorded on the property title. As long as the contract is in effect, taxes are assessed at the lowest of three possible assessments: the rent-based Mills Act formula, factored base year ("Prop. 13", the likely current assessment), and market value. The owner is obligated to invest the entire tax savings in carrying out the work program. The contract, tax formula, and work program all remain with the property if it is sold or transferred.

Contracts are for a ten-year term, automatically renewed annually for an additional year. Either the City or the property owner may elect not to renew for any reason, which would terminate the agreement at the end of the current ten-year term (in other words, termination requires ten years' notice). During the remainder of a non-renewed term, taxes increase gradually to the normal level. By State law, the owner can be subject to a substantial penalty, 12.5 percent of market value, if a contract is canceled with less than ten years' notice, either at the owner's request or by the City for owner's noncompliance. Otherwise the contract is in perpetuity, though additional work items are not normally added after the first ten years.

Staff is careful to warn applicants about potential risks, and works with each applicant to develop a realistic work program. So far two Oakland contracts have required adjustment of the work program and schedule, one where a new owner's use of the building differed from that proposed by the original applicant and one where the owner suffered an incapacitating illness. A few owners, for various reasons, have gone through the entire application and approval process but did not record their executed contracts with the County and therefore did not receive the Mills Act tax reduction. However, those properties retain their Heritage Property designations and could apply again.

## **FISCAL IMPACT**

A simplified calculator on the City website <https://www.oaklandca.gov/resources/historic-preservation> allows applicants to make a *rough estimate* of tax outcomes. **Table 1** below shows estimated tax reductions to applicants and estimated revenue reductions to the City resulting from the Mills Act contracts recommended for 2021, based on Alameda County records and information from applicants. Column 2 lists the 2020-21 assessed value and Column 3 lists current property taxes. Column 4 lists the *estimated* Mills Act property taxes, applying the income-based assessment formula with the Mills Act Calculator on the City website. The Mills assessment formula is based on actual or hypothetical rental income, with an adjustment for "historic property risk." Column 5 lists the difference between current property taxes and the *estimated* Mills Act taxes, i.e., the applicant's projected tax savings, which must all be spent on restoring and maintaining the property. Column 6 lists the estimated reduction of property tax revenue to the City, which is 27.28 percent of the total estimated reduction. Note that the Mills Act reduction applies only to the ad valorem property tax, not to any special assessments or other charges.



**TABLE 1: ESTIMATED TAX RESULTS, 2021 MILLS ACT APPLICATIONS**

| 1<br>Mills Act Application                      | 2<br>Assessed Value<br>2021 (land &<br>imps - county<br>record) | 3<br>Current ad<br>valorem property<br>tax (county rec.) | 4<br>Mills ad valorem tax<br>from calculator<br>(based on owner's<br>rent estimate) | 5<br>Change in taxes<br>(current less<br>Mills estimate) | 6<br>City Revenue<br>Loss, Year 1<br>(27.28% of tax<br>change) |
|---|---|--|---|--|--|
| 1420 Magnolia Street                            | \$834,000   | \$9,933  | \$3,267   | (\$6,666)  | (\$1,818)  |
| 1120 Chester Street                             | \$645,000   | \$8,339  | \$2,756   | (\$5,583)  | (\$1,523)  |
| 1020-22 Bella Vista Av.                         | \$1,150,000   | \$15,701   | \$6,406   | (\$9,295)  | (\$2,536)  |
| 671 Longridge Road                              | \$1,908,778   | \$26,221   | \$9,044   | (\$17,177)   | (\$4,686)  |
| 901 Trestle Glen Road                           | \$1,052,383   | \$14,457   | \$7,760   | (\$6,697)  | (\$1,827)  |
| <b>TOTAL estimated taxes<br/>and reductions</b> |   | <b>\$74,651</b>  | <b>\$29,233</b>   | <b>(\$45,418)</b>  | <b>(\$12,390)</b>  |

The calculator provided to applicants and all calculations based on it are subject to this disclaimer:

*The online calculator that produced these estimates is an interactive spreadsheet based on the Mills Act formula for tax assessments, which uses a modified version of the income method of appraisal. It gives a rough estimate of potential tax savings. The City makes no warranties or representations about the accuracy of the calculator—it is an information tool that applicants may use at their sole risk, and does not replace legal counsel or a financial advisor. Actual tax reductions, if any, will be calculated by the County Assessor's Office after the Assessor has received the executed Mills Act contracts at the end of the calendar year.*

The spreadsheet calculator is an update of one originally designed for the City in 2006 by Economic and Planning Systems (EPS) consultants. Some applicants have refined their calculations based on conversations with the Assessor or research into market rents. New owners and applicants with major rehab projects rely on their best estimates of future assessments and taxes. All of these can only be rough figures, especially as 2021-22 assessments have not been published at the time of this report and the 2022-23 Mills Act assessments based on market rents will not be calculated by the County and billed to owners until late 2022.

In the decades since the Mills Act program was created by the legislature in the early 1970s, and even since Oakland's program was adopted, tax outcomes of the Mills formula have been affected by the changing California real estate market. Rising real estate prices and the Proposition 13 system (1978) under which properties are reassessed to market value only at change of ownership mean that new owners are likely to benefit much more from a Mills contract than long-established owners. In addition, because the Mills Act assessment formula is based on the income method of appraisal (using a hypothetical market rent for owner-occupied homes), a spike in rental prices means that Mills Act savings may be less than in earlier years.



As explained by the Assessor's office, "higher rents will have an impact on Mills Act restricted assessments. The restricted [Mills Act] assessment will be calculated using market rent as of January 1. An increase in market rents would yield a higher restricted assessment" and therefore a smaller tax reduction. Recent applicants have been advised to put a higher rent per square foot in the calculator (at least \$2.50 to \$3 in 2021, vs. \$1.25 when the calculator was designed in 2006). Lower Mills Act savings for owners would, of course, also mean less revenue reduction for the City. In 2006 the staff report for the Mills pilot program stated that the "\$25,000 tax loss amounts to 0.03 percent of the annual [property] tax revenues which total \$85 million." The City's published 2019-2024 five-year forecast projects \$222 million in annual property tax revenue, almost three times what it was when Oakland's Mills Act program was designed (0.03 percent would be approximately \$67,000).

An estimated City revenue reduction of \$12,390 (column 6) for the five small residential properties applying this year is well below the annual limit of \$25,000 for new contracts. Until 2017, total first-year City revenue loss estimates for new contracts were consistently far below even the \$25,000 limit, ranging from \$1,885 in 2011 to \$10,740 in 2015. In 2018, 2019, and 2020 the \$25,000 limit was exceeded, with Council approval, to support rehabilitation of several large and sometimes distressed properties. Such projects are usually completed early in the contract term, and the City benefits from taxable value added by the Mills rehabilitation work even with the Mills tax reduction, as well as other benefits from returning problem properties to use. These revitalizations might never have been undertaken, or might have been undertaken at a lesser quality, without the Mills Act.

The City's share of ad valorem property tax revenue, and therefore of any tax reduction for the owners, is 27.28 percent. Property owners must reinvest the *entire* tax saving in the restoration program, so the City tax reduction leverages almost four times its value in reinvestment in Oakland's historic buildings. The proposed 2021 contracts obligate owners to reinvest over \$45,000 a year in materials, wages, and other costs of restoration.

### **PUBLIC OUTREACH / INTEREST**

A map in the Landmarks Board Mills Act and Heritage Property staff report (***Attachment A***) shows the location of Mills Act participants to date. The geographic distribution generally reflects the location of Oakland's oldest buildings and neighborhoods, as well as neighborhoods where property prices have risen fastest and potential tax reductions—at least for recent buyers—are greatest. Since the beginning of the program, applications and contracts have been most numerous in Council Districts 2 and 3, in West, Central, and North Oakland, Lakeshore, and San Antonio, with far fewer contracts in East Oakland. This year there are two applications from District 3 (both in West Oakland) and three from District 2 (Lakeshore-Trestle Glen and Bella Vista).

When the Mills Act program was initiated in 2006-07, the City mailed information to owners of approximately 10,000 designated or identified historic properties citywide and several hundred real estate brokers and agents. The West Oakland and Central City East Redevelopment Project Area Committees were significant vehicles for publicizing the program until the end of Redevelopment in 2012. Outreach now takes place primarily when permit applicants, owners, and real estate agents contact Planning staff about potentially historic buildings. Inquiries may be permit-related or may begin as a search for information like construction date or past uses.

Permit applicants concerned about cost of foundation or window or siding repairs are provided with program information by the case planner or preservation staff. Unfortunately, long-term owners are less likely to benefit in the current real estate market. Neighbors tell neighbors about the program, neighborhood and preservation organizations and real estate agents publicize it, and staff has announced it at public meetings of the Prescott and Clawson neighborhood associations, Landmarks Board, and Planning Commission. There is also a Mills Act section on the City's historic preservation web page, <https://www.oaklandca.gov/resources/historic-preservation>.

Every year staff receives dozens of spontaneous Mills Act inquiries from owners who have heard about the program, and staff helps them determine if their properties are a good fit, considering tax status (usually related to length of ownership), type and amount of work the building needs, and the owner's assessment of their personal commitment to restoration, tolerance of risk, and capacity to carry out a long-term work program. Reminders are sent when the application period opens in January. Applicants come to the program with widely differing levels of experience in historical documentation and building rehabilitation, but all are encouraged to prepare their own applications rather than hiring consultants. This removes financial barriers to joining the program as well as leading owners to a deeper understanding of their building, its significance, and its needs. Staff works closely with potential applicants to develop their Mills Act and Heritage Property applications, so that virtually all who decide to apply have been accepted. There is an informal limit of ten contracts per year, based on City tax loss limits and staff capacity, but twelve were submitted in 2019, all were qualified, and all were accepted. No large-scale reuse projects applied this year, in part due to COVID-19 uncertainty.

The five 2021 Mills Act applications were publicly presented and discussed at the Landmarks Preservation Advisory Board's online meeting on July 12, 2021. The Landmarks Board unanimously recommended that the City Council authorize Mills Act contracts for all five applicants and approve the potential approximately \$12,390 City revenue reduction. The applications and Landmarks Board recommendation were presented and accepted as an Informational Report at the July 21, 2021, online meeting of the Planning Commission.

## **COORDINATION**

This report and legislation have been reviewed by the Office of the City Attorney and the Budget Bureau.

## **PAST PERFORMANCE, EVALUATION AND FOLLOW-UP**

The Mills Act agreement provides for periodic inspections to determine owners' compliance with the terms of the agreement and progress on the work program. In the 13 years of Oakland's program, 82 Mills Act participants have corrected deferred maintenance, reversed inappropriate alterations, stabilized roofs and foundations, and carried out full-scale adaptive reuse projects. Due to limited staffing, inspections have generally taken the form of email surveys, self-reporting, and contacts when permit applications are made or when properties change ownership. With an additional preservation planner on staff this year it may become possible to keep in closer touch with existing Mills Act properties.

Tax histories of participating properties confirm the expected pattern of a reduction upon entering the program, followed by gradual increases. Since 2016 some participants have reported that their property taxes are rising faster than expected, due to high market rents upon which Mills assessments are based. Some owners are concerned that the tax reductions may no longer support the expenses projected for their work programs. Depending on the future of the real estate market, this situation may correct itself, or some existing work programs may need to be revised, or the Mills Act program may become less attractive to applicants—time will tell.

## **SUSTAINABLE OPPORTUNITIES**

***Economic:*** Historic rehabilitation provides opportunities for professional service and construction jobs for the Oakland community, often involving specialty trades, skilled craftspeople, and specialty products and suppliers. By having additional tax savings to invest in rehabilitation work, the Mills Act work programs increase opportunities for this sector of the construction industry.

Preservation and rehabilitation help revitalize historic buildings and neighborhoods citywide. Applicants come from all areas of the City, and each single project acts as a catalyst for revitalization of its neighborhood, as Mills Act participants illustrate the benefits of maintaining and restoring properties. As improvements are made, tax revenues follow.

Older buildings typically provide more affordable housing and commercial space than new construction. The relatively small tax savings under the Mills Act allow property owners with finite means to carry out work in ways that are durable and historically respectful rather than merely affordable.

***Environmental:*** Preservation conserves materials and energy embodied in existing building stock, improves healthful living conditions, saves resources, reduces solid waste, and in a broader sense, sets an example for rejecting the throw-away economy.

***Race and Equity:*** Revitalization and recognition of historic properties supports pride of neighborhood and community, and sometimes directly alleviates blight and hazards. A respected and proud neighborhood is a safer and happier neighborhood, anywhere in the city.

Historic buildings reinforce a community's connection to its past and place. Neighborhood history in the buildings and streetscapes has educational value for all ages and honors the succession of people and cultures that make the neighborhoods what they are. Besides physical preservation, documentation in owner-prepared Heritage Property and Mills Act applications deepens public knowledge of Oakland's many-layered history.

The Oakland Mills Act application is designed to be completed by the property owner (with staff coaching as desired), without need to hire consultants. This lessens financial barriers to entering the program, and also creates lasting expertise within the neighborhood to guide future applicants.

Oakland's historic buildings are concentrated in older neighborhoods—especially West Oakland—that have long housed lower-income and minority residents. Although long-time

owners with very low tax assessments receive less benefit from the program, the Mills Act incentive may make homes in these neighborhoods marginally more attractive and affordable for new or recent owners, and Mills projects stand as examples and a preservation knowledge base even for non-participant neighbors.

At least for the time being, older buildings and neighborhoods offer “naturally affordable” housing and commercial space to Oaklanders of all ages and ethnicities. The Mills Act program, though small, is one vehicle for maintaining and rehabilitating these essential built resources.

### **CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)**

Approval of Mills Act applications is Categorically Exempt per CEQA Guidelines Sections: 15301 (Existing Facilities); 15305 (Minor Alterations in Land Use Limitations); 15306 (Information Collection); 15308 (Actions by Regulatory Agencies for Protection of the Environment); 15331 (Historical Resource Restoration/ Rehabilitation).

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution, As Recommended By The Landmarks Preservation Advisory Board, Approving Five (5) Mills Act Contracts Between The City Of Oakland And The Properties At 1420 Magnolia Street, 1120 Chester Street, 1020-22 Bella Vista Avenue, 671 Longridge Road, And 901 Trestle Glen Road, Pursuant To Ordinance No. 12987 C.M.S., To Provide Property Tax Reductions In Exchange For Owners' Agreement To Repair And Maintain Historic Properties In Accordance With Submitted Work Programs And Approving Total City Tax Revenue Reduction Estimated To Be Below \$25,000 Per Year.

For questions regarding this report, please contact Betty Marvin, Historic Preservation Planner, at (510) 238-6879 or bmarvin@oaklandca.gov.

Respectfully submitted,



WILLIAM A. GILCHRIST  
Director, Department of Planning and Building

Reviewed by:  
Edward Manasse, Deputy Director/City Planner,  
Bureau of Planning

Prepared by:  
Betty Marvin, Historic Preservation Planner  
Bureau of Planning

Attachments (2):

A: July 12, 2021, Landmarks Preservation Advisory Board Mills Act Staff Report  
The complete 2021 Mills Act and Heritage Property applications can be seen at: [City of Oakland | July 12, 2021 Landmarks Preservation Advisory Board... \(oaklandca.gov\)](#)

B: Model Mills Act Agreement  
This agreement, along with the "Preservation Work Program and Timeline" (page 2 of each individual Mills Act application), is recorded on the title to each participating property.