



ASSEMBLY MEMBER

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DISTRICT 54



AB 2909: Mills Act Program - Adaptive Reuse

Bill Summary

[AB 2909](#) expands the Mills Act to incentivize the conversion of commercial buildings to residential uses.

Existing Law

Grants participating local governments the authority to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of their historic properties while receiving property tax relief (Gov. Code Sec. 50280 – 50290, RTC Sec. 439 – 439.4)

Background

Enacted in 1972, the Mills Act offers a unique tool for historic preservation through a revolving 10-year contract between participating local governments and owners of “qualified historic properties.” Mills Act contracts are for 10 years initially with automatic yearly extensions and stay with the property when transferred. Subsequent owners are bound by the contract and have the same rights and obligations as the original owner who entered into the contract. The program’s strength is that it incentivizes – through a property tax abatement – significant investment in historic preservation to retain and protect historic resources.

The Mills Act allows local governments to design preservation programs to accommodate specific community needs and priorities for rehabilitating entire neighborhoods, encouraging seismic safety programs, contributing to affordable housing, promoting heritage tourism, or fostering pride of ownership.

The City of Los Angeles has the largest Mills Act Historical Property Contract program in California, and it is the most significant financial incentive for historic preservation citywide. The City of Los Angeles’ Mills Act program was established in 1996 with the retention and preservation of affordable, multi-family housing being a key founding goal. In Los Angeles, multi-family residential properties, excluding condominium buildings, represent 20 percent of the program (185 properties), accounting for 25 percent of Mills Act savings. Commercial properties represent 5 percent of the program (47 properties), accounting for 17 percent of Mills Act savings. Recreational and industrial properties make up the remaining 1 percent of the program (13 properties).

In addition, 50 percent of Mills Act savings went to Mills Act properties located in Downtown Los Angeles, which has the highest concentration of Adaptive Reuse Ordinance (ARO) multi-family rental, condominium, and commercial properties, such as hotels. Of the top 10 Mills Act contracts with the largest amount of savings, eight properties were ARO projects.

Need for AB 2909

The City of Los Angeles is currently in the process of updating their Adaptive Reuse Ordinance and Mills Act Program. According to a [2022 Assessment Report](#) from the City’s Department of City Planning, expanding access to the Mills Act for ARO properties would increase interest in the development of ARO projects and result in twofold benefits to the city: creation of additional housing units and preservation of historic buildings.

The COVID-19 pandemic spurred a significant shift in the way people work, reducing the amount of time spent working in offices and increasing the amount of work done on a hybrid schedule or entirely remotely. Shifts in current and projected office demand have led to concerns that declining commercial office building valuations may pose fiscal challenges for local governments, which rely heavily on property taxes levied on commercial real estate to provide public goods and services.

Adaptive reuse of underutilized commercial buildings has the potential to provide quality, infill residential units, particularly in places that lack vacant sites for new housing developments, offering a potential solution to meeting both housing supply and environmental sustainability goals. However, adapting existing commercial buildings to residential developments can be costly, particularly when unexpected expenses (e.g., seismic retrofitting or environmental remediation) are taken into account. The Mills Act Program has already demonstrated the ability to facilitate adaptive reuse projects in the City of Los Angeles and has the potential to catalyze commercial to residential conversions across California.

AB 2909 would, beginning January 1, 2026, expand the definition of “qualified historic properties” to include buildings that are at least 30 years old and located in commercial zones (Gov. Code Sec. 65912.111), making these properties eligible for Mills Act contracts. Contracts pertaining to this expanded definition require that property tax savings be reinvested in retrofitting and repurposing existing buildings to create new residential rental units.

Support

Central City Association of Los Angeles (Sponsor)

For More Information

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