



STAFF REPORT

To the Honorable Mayor and City Council
From the City Manager

DATE: March 9, 2026

SUBJECT

Proposed suspension of Mills Act Contract application intake

SUMMARY

The report summarizes Redwood City's current Mills Act Contract program and recent feedback from the December 8th City Council Study Session. In addition, the report outlines potential next steps and areas of further study, including research on existing programs found elsewhere in the state. Staff recommend an immediate suspension of the intake of new applications until an update to the Historic Preservation Ordinance (HPO) is completed, which staff estimates will take approximately one to one and a half years to complete. Staff are not recommending any changes to existing Mills Act Contracts at this time.

RECOMMENDATION

By motion, direct staff to 1) pause the intake of new Mills Act Contract applications, 2) study and analyze potential updates to the Historic Preservation Ordinance and Mills Act Contract program, and 3) return to the City Council with recommendations on such updates.

STRATEGIC PLAN GUIDING PRINCIPLE

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MILLS ACT CONTRACT PROGRAM

BACKGROUND

The Mills Act, enacted by the State in 1972, and implemented by Redwood City in 1990, is an economic incentive program for the restoration and preservation of qualified historic buildings by private property owners. The Mills Act legislation grants local governments (cities and counties) the authority to enter into contracts with owners of qualified historic properties who actively participate in the rehabilitation, restoration, preservation, and maintenance of their historic properties. Since there are considerable costs associated with this work, the property owner receives a 40-60% property tax discount in turn to offset some of these costs.

The current Mills Act program was originally adopted by City Council resolution in 1990. The Redwood City Mills Act program follows the minimum standards set forth in state law, as the City's Historic Preservation Ordinance (HPO) does not include any special provisions, or specific guidance on eligible projects, nor does it contain any requirement for the content of the Mills Act maintenance contract, inspections, or additional limits (e.g., "caps" on tax discounts, total number of applications per year) for such contracts within the City. Since the first Mills Act Contract was approved in 1990, a total of 41 contracts has been approved.

Under the current program, in accordance with State law, contracts include a schedule of proposed maintenance and improvements that the owner agrees to complete, which may be spread over the 10-year period (the minimum Contract duration). After 10 years, one additional year is automatically added to the contract term every year unless the City and/or property owner elect to not renew. No new improvements are required to be identified upon completion of the Contract, but the property must continue to be maintained per the City's historic designation criteria ([Section 40.6](#)) and Secretary of Interior's Standards for Rehabilitation. The City may cancel the agreement for breach of Contract or failure to protect the historical property. If necessary, the City may also take legal action to enforce the Contract.

Contracts run with the land in the event the property is sold or otherwise transferred to another party. Subsequent property owners are responsible for maintaining/complying with the terms of the agreement.

At the [December 8, 2025](#) City Council meeting, staff presented an update on the Mills Act program and Historic Resource Advisory Committee's (HRAC) Work Plan for Fiscal Years 2025-26 and 2026-27. The City Council approved the HRAC workplan unanimously 7-0. At the [same meeting](#), four new Mills Act contracts (979 Arlington Road, 731 Edgewood Road, 1018-1020 Main Street, and 839 Blandford Boulevard) were considered and approved by a vote of 5-2 with Councilmembers Chu and Sturken opposed. The City Council's discussion that evening included the following comments regarding potential program changes for staff to consider bring back to the City Council:

- Limit new contracts to 10 years, without automatic yearly renewal, and reapplication requirements for new improvements.
- Address concerns with large tax breaks for properties in wealthy areas.
- Require more frequent inspections/check-ins – potentially every 3 years instead of 5.

- Consider limitations to the program to offer Mills Act Contracts to structures that are only publicly accessible.
- Assist and encourage residents of low income within eligible historic homes to participate in the program.
- Reevaluate the program and look at more specific Redwood City requirements; currently, the program is primarily based on State minimum standards.
- Consider whether there should be different regulations for commercial and residential properties.
- Consider updating cost recovery for applications.
- Address concerns with the loss of the property tax.
- Address concerns about updating the rules mid-cycle.

ANALYSIS

City staff has recently begun the process of updating the Historic Preservation Ordinance (HPO), which will address some of the considerations and concerns expressed by City Council on the City's current approach to the Mills Act Contract program. Furthermore, staff is in the process of gathering research on other [jurisdictions' Mills Act programs](#) and notes that some cities have implemented several similar ideas to those Council have identified for exploration. Staff is researching and considering the following ideas and plans to conduct further analysis and outreach on the following:

- Requiring active rehabilitation during the initial 10-year term
- Establishing specific 10-year contract guidelines (list of qualifying maintenance projects and/or restrictions on certain types of improvements)
- Requiring a formal renewal process after the initial 10-year contract period, ensuring additional improvements are proposed
- Requiring more frequent inspections than state law requires, which is 5 years
- Establishing a maximum property tax loss per year (including a requirement for staff/property owner meeting with County to verify potential savings)
- Establishing property value limits to apply for Mills Act (e.g. limits for single-family, multi-family and commercial properties)
- Requiring that improvements generally meet or exceed the property tax reduction
- Requiring property visibility to the public right of way and limiting obstructions, fencing, vegetation/trees
- Establishing a maximum number of contracts per year or total contracts allowed (citywide)
- Establishing fines for non-compliance

Planning staff have received inquiries from 3 to 4 owners interested in new Mills Act contracts within the past few months. Staff have informed these potential applicants that the City Council brought up several concerns during the consideration of the Mills Act requests at the December 2025 meeting. Staff also informed these property owners that the program may be paused. Applications for Mills Act contracts must be submitted by July 1st, 2026.

Following the December 2025 meetings, staff updated the Mills Act application form to request more details regarding the 10-year schedule for improvements, including providing cost estimates for each improvement and the most recent property assessment value. Since there are no minimum standards for these values in the current program, this data is provided for informational purposes only. Current practice has been to recommend that prospective applicants prioritize the more significant improvements, for example, roof replacement or seismic or structural upgrades, early in the 10-year plan, where possible.

At this time, staff are not recommending any changes to the status of the City's 41 existing Mills Act Contracts. These contracts include those within their initial 10-year maintenance and improvement plan (16 contracts) and those beyond that period which are automatically renewed on a yearly basis (25 contracts). All existing contracts are required to provide annual self-reporting of the status of their program and are inspected every 5 years as outlined in their current contract. Further study will determine how change to the program would impact existing contracts.

Staff estimates it will take approximately one to one and a half years to update the HPO – built in to this timeline is a robust community outreach process that will help staff develop policy recommendations for the City Council to consider.

EQUITY IMPACT STATEMENT

The Mills Act Contract program (the "Program") was created for and remains open to all properties that meet Redwood City's historic designation criteria. Most of the Mills Act contract locations are in a relatively concentrated area of the city where older construction and notable architecture have been documented; however, the HRAC has identified a need to further publicize the program to a wider geographical reach of the city where the tax benefits of the program could be better served. As part of the recently adopted HRAC work plan, a specific goal is to identify opportunities to increase awareness of the Mills Act program to underrepresented areas of the City. The HRAC recognizes the costly initial investment to hire a consultant to perform historical evaluations and seeks to establish a less costly screening process to reduce the initial investment that could result in a wider application pool. The Program will be further studied when updating Historic Preservation Ordinance. Staff will determine how best to assess equitable access and outcomes as part of that study.

FISCAL IMPACT

There is currently a fee of \$780 to apply for a Mills Act Contract, which is a partial recovery fee. According to the City's most recent comprehensive user fee study (approved in FY2023-24), the estimated staff cost to process a Mills Act application is approximately \$6,500, reflecting about 32 hours of staff time. The current fee recovers only about 12% of this cost, meaning that roughly 88% of each application is subsidized by the General Fund. This calculation does not include additional costs for consultants that are

used for historic evaluations of potentially historic structures, which are fully paid for by the property owners through deposit-based fees.

While staff have historically recommended keeping Mills Act application fees low in order to encourage participation in the program and as a mechanism to assist lower income households; the application fee will be further reevaluated as part of the Historic Preservation Ordinance update.

For FY2024-25, Redwood City's total property tax revenue was roughly \$82.5M. The City's share of lost property tax revenue due to Mills Act Contracts is estimated at \$123,000, while the school district share of lost revenue is approximately \$313,000. Other taxing entities' share of lost revenue amounts to approximately \$178,000.

For property owners, the tax savings are between 40-60%. As an example, for three properties that recently were approved with a Mills Act contract, the average tax savings are \$34,928 annually.

ENVIRONMENTAL REVIEW

The proposed action is not considered a project within the meaning of the California Environmental Quality Act (CEQA), because the action involves organizational or administrative activity that will not result in direct or indirect physical changes in the environment per CEQA Guidelines Section 150378 (b).

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

ALTERNATIVES

Direct staff to continue the intake of new Mills Act Contract applications through current practice.

ATTACHMENTS

None.

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