

Opinion: City must end tax breaks for ‘historic’ homes. They cost too much.

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“Is anybody running this city?”

The question was asked by Michael Zucchet, general manager of the city’s largest employee union, at a recent City Council committee meeting to deal with the city of San Diego’s dire budget deficit.

Not without irony, his question preceded the termination of the city’s chief operating officer, Eric Dargan, by Mayor Todd Gloria, who assumed Dargan’s responsibilities of operating the city’s vast bureaucracy.

With a projected budget deficit of \$258 million and the possibility of deep long-lasting cuts to city services, it’s time that the city—with support from the public—look for city programs that while beneficial in times of surpluses seem decadent during times of financial crisis.

One such program that must be seriously reconsidered is the Mills Act property tax reduction law.

Named after former state senator Jim Mills, the Mills Act is a California state law passed in 1972 that allows cities “to enter into contracts with property owners of qualified historic properties.”

Most of the more than 1,800 designated Mills Act homes listed in San Diego are located in the wealthy, single-family neighborhoods of La Jolla, Mission Hills, Kensington and the neighborhoods around Balboa Park.

Under the Mills Act, those homeowners are entitled to a sizable reduction in their property taxes, an average of 50%.

Yes, really.

Allowing such property tax relief to homeowners with homes that have an average market value of between \$2 million to \$4 million, and higher, is not only unequitable but highly unconscionable at a time of unprecedented budget deficits.

Exact estimates of how much money the city forgoes due to the Mills Act is hard to come by, but a Voice of San Diego article from 2023 reported that the city gives up “at least \$20 million annually.”

Maybe no match for \$258 million, but it’s no small sum.

Personally, I’d rather see that \$20 million largesse go into the city’s general fund, meaning more firefighters, police officers, new parks, more sidewalks and new streetlights.

Sadly, and without much reflection, the city's Historical Resource Board recently approved the addition of three new homes for historic designation.

Allowing these homes to be designated historical—homes that Zillow estimates range in price from as low as \$2.215 million in Uptown up to \$5.25 million in La Jolla—make them eligible for the Mills Act property tax relief program, further removing much-needed monetary resources from the city's operating budget.

Equally disturbing, the city allows entire neighborhoods to be designated as historical and thus eligible for the Mills Act property tax reduction.

Earlier this year, the city approved Historic Districts containing up to 541 properties, all of them now eligible for property tax reductions ranging from 20% to 70%.

The city's main sources of revenue are property taxes, sales taxes and hotel taxes, with property taxes as the largest source of revenue for the city—double the second largest revenue source—sales taxes.

During the COVID-19 lockdowns, when sales taxes and hotel taxes dropped precipitously, property taxes were deferred but still collected.

It's fair to say that during that unprecedented time, it was property taxes that kept the city afloat.

To contain potentially severe service cuts and in the spirit of common sense, the city should immediately stop the processing of all historic designation applications and end all Mills Act property tax relief being provided to the 1,800 or more wealthy homeowners.

Historic designation is important to the cultural fabric of our city—but not at the expense of functioning city services like the fire department and much-needed infrastructure like new parks and sidewalks.

Only when the city's budget is restored and enhanced should the City Council and mayor consider restoring property tax relief to individual homeowners in these predominantly upscale neighborhoods.

Zucchet's question laid bare a city that benefits some of us at the expense of the rest of us. The same can be said for the city's historic designation program.

It's long past time that we pause this program—or end it completely.

“Is anybody running this city?”

Flores is executive director of Local Initiatives Support Corporation San Diego (LISC) and lives in Kensington.