

2018 Mills Act Contracts

Government Audit and Oversight Committee Review

November 7, 2018



SAN FRANCISCO
PLANNING DEPARTMENT

What is the Mills Act?

- California's leading financial incentive program for historic preservation since 1972.
- Contract between the City and property owner that allows for a potential reduction in property taxes.
- Tax savings will be used to offset cost of rehabilitation, restoration, and maintenance work in conformance with the Secretary's Standards.
- Only local financial incentive program for restoring, rehabilitating, and maintaining eligible properties to promote appreciation of the City's architecture, history, and culture.



Active Mills Act Contracts



2019 Mills Act Application Changes

1. Qualified historic properties must also meet **Priority Consideration Criteria** in order to be considered for a Mills Act Contract:
 - (a) Necessity
 - (b) Investment
 - (c) Distinctiveness
 - (d) Legacy Business
 - (e) Recently Designated City Landmarks (requires amendment to Administrative code)

2. Properties with **outstanding violations are not eligible to apply** for the Mills Act.

3. Mills Act Contracts must include **minimum scopes of work**, such as seismic work, accessibility, and life safety improvements.



4. Scopes of work **may be completed in the calendar year** the Mills Act application is made.

5. All proposed scopes of **completed during the first ten years** of the contract.

6. A Certificate of Appropriateness (COA) for scopes of work must be **filed and approved during the Mills Act application process.**

*Most of these policy changes may be made at the staff level.***



2253 Webster Street (built c. 1900)
Contributor to Webster Street Historic District



District 2



353 Kearny Street (built 1907)

Category IV – Contributory Building to Kearny-Market-Mason-Sutter Conservation District



District 3



465-467 Oak Street (built 1899)
Hayes Valley Residential California Register Historic District



District 5



587 Waller Street (built c. 1900)
Duboce Park Historic District



District 8



354-356 San Carlos (built 1877)
Liberty Hill Historic District (District 9)



Prior to rehabilitation.



Existing condition.
Rehabilitation completed 2015-2016.



811 Treat Avenue (built c. 1882)
National Register of Historic Places



District 9



A B C D E F G H I J K L M N

Three Way Value Comparison

Lesser of the 3 Comparisons

APN	Address	Property Type	Owner Occupied	Year Built	Square Feet	Factored Base Year Value	Restricted Value by Income	Market Value	Taxable Mills Act Value	Reduction in Assessed Value	Percentage % Reduction From FBV	2018 Property Tax Rate	Estimated Property Tax Savings
03-0270-001	353 Kearny (a)	Office/Retail	No	1907	9,729	\$ 6,800,000	\$ 4,500,000	\$ 7,200,000	\$ 4,500,000	\$ (2,300,000)	-33.82%	1.1630%	(\$26,749)
05-0612-001	2253 Webster	SFR	Yes	1880	1,604	\$ 2,142,872	\$ 970,000	\$ 2,150,000	\$ 970,000	\$ (1,172,872)	-54.73%	1.1630%	(\$13,641)
06-0840-017	465 Oak	2-units	Yes/No	1875	2,394	\$ 2,616,162	\$ 1,230,000	\$ 2,625,000	\$ 1,230,000	\$ (1,386,162)	-52.98%	1.1630%	(\$16,121)
06-0865-021	587 Waller (b)	SFR	Yes	1900	2,785	\$ 2,400,000	\$ 1,000,000	\$ 2,750,000	\$ 1,000,000	\$ (1,400,000)	-58.33%	1.1630%	(\$16,282)
24-3609-093	354-356 San Carlos	2-units	Yes/No	1900	2,070	\$ 1,543,282	\$ 1,156,661	\$ 1,650,100	\$ 1,156,661	\$ (386,621)	-25.05%	1.1630%	(\$4,496)
24-3613-053	811 Treat (b)(c)	7-units	No	1900	5,793	\$ 1,424,030	\$ 1,392,679	\$ 3,260,000	\$ 1,392,679	\$ (31,351)	-2.20%	1.1630%	(\$365)

(a) Income value is \$7,500,000 with temporary lease-up value of \$4,500,000

Market value is \$10,250,000 with temporary lease-up value of \$7,200,000

(b) Current condition of property warrants a lesser remaining economic life and improvement allocation

(c) Lease-up \$140,000

Interest Rate 4.00% for 2018 (BOE LTA 9/13/2017)
 + Risk Rate 4.00% for owner occupied and 2.00% for non-owner occupied
 + Property Tax Rate 1.1723% (used 2017 tax rate because 2018 tax rate will not be announced until late Sept. 2018)
 + Amortization Rate for Improvements (1/REL) x % of total property value allocated to improvements
 = **Restricted Capitalization Rate**

353 Kearny Retail occupied and Offices vacant. Office space to undergo significant renovation - windows, roof, elevator, exterior repair, interior flooring, ceiling lighting, HVAC, bathroom upgrades, and tenant improvements. Anticipated to take 2-years at an estimated cost of \$2.7 million

811 Treat Two buildings on one lot with a total of 7 units. The front building consisting of 5 units is subject to the Mills Act Contract. The rear building containing 2 units is not part of the contract.