

File No. 130506

Committee Item No. 4

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 12/16/2013

Board of Supervisors Meeting

Date: _____

Cmte Board

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Completed by: Victor Young Date December 12, 2013
 Completed by: Victor Young Date _____

1 [Mills Act Historical Property Contract - 1019 Market Street]

2
3 **Resolution approving a Mills Act historical property contract, under Administrative**
4 **Code, Chapter 71, between 1019 Market St. Properties, LLC, the owners of 1019 Market**
5 **Street, and the City and County of San Francisco; and authorizing the Planning**
6 **Director and Assessor to execute the Mills Act historical property contract.**

7
8 WHEREAS, The California Mills Act (Government Code Section 50280 et seq.)
9 authorizes local governments to enter into a contract with the owners of a qualified historical
10 property who agree to rehabilitate, restore, preserve, and maintain the property in return for
11 property tax reductions under the California Revenue and Taxation Code; and

12 WHEREAS, San Francisco contains many historic buildings that add to its character
13 and international reputation and that have not been adequately maintained, may be
14 structurally deficient, or may need rehabilitation, and the costs of properly rehabilitating,
15 restoring, and preserving these historic buildings may be prohibitive for property owners; and

16 WHEREAS, Chapter 71 of the San Francisco Administrative Code was adopted to
17 implement the provisions of the Mills Act and to preserve these historic buildings; and

18 WHEREAS, 1019 Market Street is a Category II building under Article 11 of the
19 Planning Code and a contributor to the National Register of Historic Places Market Street
20 Theater and Loft District and thus qualifies as an historical property as defined in
21 Administrative Code Section 71.2; and

22 WHEREAS, A Mills Act application for an historical property contract has been
23 submitted by 1019 Market Street Properties, LLC, the owners of 1019 Market Street, detailing
24 completed rehabilitation work and proposing a maintenance plan for the property; and
25

1 WHEREAS, As required by Administrative Code Section 71.4(a), the application for the
2 historical property contract for 1019 Market Street was reviewed by the Assessor's Office and
3 the Historic Preservation Commission; and

4 WHEREAS, The Assessor has reviewed the historical property contract and has
5 provided the Board of Supervisors with an estimate of the property tax calculations and the
6 difference in property tax assessments under the different valuation methods permitted by the
7 Mills Act in its report transmitted to the Board of Supervisors on December 10, 2013, which
8 report is on file with the Clerk of the Board of Supervisors in File No. 130506 and is hereby
9 declared to be a part of this motion as if set forth fully herein; and

10 WHEREAS, The Historic Preservation Commission recommended approval of the
11 historical property contract in its Resolution No. 714, which Resolution is on file with the Clerk
12 of the Board of Supervisors in File No. 130506 and is hereby declared to be a part of this
13 resolution as if set forth fully herein; and

14 WHEREAS, The draft historical property contract between 1019 Market Street
15 Properties, LLC, the owners of 1019 Market Street, and the City and County of San Francisco
16 is on file with the Clerk of the Board of Supervisors in File No. 130506 and is hereby declared
17 to be a part of this resolution as if set forth fully herein; and

18 WHEREAS, The Board of Supervisors has conducted a public hearing pursuant to
19 Administrative Code Section 71.4(d) to review the Historic Preservation Commission's
20 recommendation and the information provided by the Assessor's Office in order to determine
21 whether the City should execute the historical property contract for 1019 Market Street; and

22 WHEREAS, The Board of Supervisors has balanced the benefits of the Mills Act to the
23 owner of 1019 Market Street with the cost to the City of providing the property tax reductions
24 authorized by the Mills Act, as well as the historical value of 1019 Market Street and the
25 resultant property tax reductions; now, therefore, be it

1 RESOLVED, That the Board of Supervisors hereby approves the historical property
2 contract between 1019 Market Street Properties, LLC, the owners of 1019 Market Street, and
3 the City and County of San Francisco; and, be it

4 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Planning
5 Director and the Assessor to execute the historical property contract; and, be it

6 FURTHER RESOLVED, That within thirty (30) days of the contract being fully executed
7 by all parties, the Director of Planning shall provide the final contract to the Clerk of the Board
8 for inclusion into the official file.

CARMEN CHU
ASSESSOR-RECORDER



SAN FRANCISCO
OFFICE OF THE ASSESSOR-RECORDER

MEMORANDUM

Date: December 12, 2013
To: Victor Young, Board of Supervisors
From: Michael Jine, Assessor-Recorder
Subject: Mills Act Values

Victor:

Attached is a spreadsheet of the estimated Mills Act value and property tax savings for the following properties:

1. 1019 Market
2. 3769 20th
3. 2550 Webster
4. 1772 Vallejo
5. 50 Carmelita
6. 56 Pierce
7. 56 Potomoc
8. 64 Pierce
9. 66 Carmelita
10. 66 Potomoc
11. 70 Carmelita

Remarks:

- (a) The original values for #1 (1019 Market), #2 (3769 20th), and #4 (1772 Vallejo) have been revised due to a change in the tax rate to 1.188% from 1.1691%.
- (b) The original value for #3 (2550 Webster) has been revised due to a change in the tax rate to 1.188% from 1.1691% and a change in the use to owner occupied from non-owner occupied.

Lesser of the 3 Comparisons

Address	Property Type	Owner Occupied	Three Way Value Comparison				Taxable Mills Act Value	Reduction in Assessed Value	Percentage Reduction From FBV	2013 Property Tax Rate	Estimated Property Tax Savings
			2013 Factored Base Year Value	Restricted Value by Income	Market Value	Restricted Value by Income					
1019 Market	Office	No	\$ 17,500,000	\$ 16,540,000	\$ 25,180,000	\$ 16,540,000	\$ (960,000)	-5.49%	1.188%	(\$11,405)	
3769 20th	SFR	Yes	\$ 1,785,000	\$ 932,783	\$ 1,780,000	\$ 932,783	\$ (852,217)	-47.74%	1.188%	(\$10,124)	
2550 Webster	SFR	Yes	\$ 2,924,570	\$ 2,523,438	\$ 10,670,000	\$ 2,523,438	\$ (401,132)	-13.72%	1.188%	(\$4,765)	
1772 Vallejo	SFR	Yes	\$ 6,250,000	\$ 2,220,625	\$ 6,350,000	\$ 2,220,625	\$ (4,029,375)	-64.47%	1.188%	(\$47,869)	
50 Carmelita	SFR	Yes	\$ 2,620,582	\$ 970,000	\$ 2,600,000	\$ 970,000	\$ (1,650,582)	-62.99%	1.188%	(\$19,609)	
56 Pierce	3 units	No	\$ 1,535,568	\$ 910,000	\$ 1,490,000	\$ 910,000	\$ (625,568)	-40.74%	1.188%	(\$7,432)	
56 Potomac	SFR	Yes	\$ 1,064,403	\$ 630,000	\$ 1,700,000	\$ 630,000	\$ (434,403)	-40.81%	1.188%	(\$5,161)	
64 Pierce	SFR	Yes	\$ 2,526,192	\$ 950,000	\$ 2,500,000	\$ 950,000	\$ (1,576,192)	-62.39%	1.188%	(\$18,725)	
66 Carmelita	SFR	Yes	\$ 1,999,993	\$ 720,000	\$ 2,100,000	\$ 720,000	\$ (1,279,993)	-64.00%	1.188%	(\$15,206)	
66 Potomac	SFR	Yes	\$ 1,895,874	\$ 900,000	\$ 2,400,000	\$ 900,000	\$ (995,874)	-52.53%	1.188%	(\$11,831)	
70 Carmelita	SFR	Yes	\$ 635,263	\$ 780,000	\$ 2,200,000	\$ 635,263	\$ -	0.00%	1.188%	\$0	



SAN FRANCISCO PLANNING DEPARTMENT

Historic Preservation Commission Resolution No. 0714 HEARING DATE OCTOBER 16, 2013

Hearing Date: October 16, 2013
Filing Date: May 1, 2013
Case No.: 2013.0576U
Project Address: 1019 Market St.
Conservation District: N/A
Article 11 Category: II (Significant)
National Register Listing: Market Street Theater and Loft District
Zoning: C-3-G (Downtown General)
120-X Height and Bulk District
Block/Lot: 3703/076
Applicant: Page & Turnbull
1001 Sansome St. #200
San Francisco, CA 94111
Staff Contact Susan Parks – (415) 575-9101
susan.parks@sfgov.org
Reviewed By Tim Frye – (415) 575-6822
tim.frye@sfgov.org

1650 Mission St.
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CA 94103-2479

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415.558.6409

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Information:
415.558.6377

ADOPTING FINDINGS RECOMMENDING TO THE BOARD OF SUPERVISORS APPROVAL OF THE MILLS ACT HISTORICAL PROPERTY CONTRACT, REHABILITATION PROGRAM, AND MAINTENANCE PLAN FOR 1019 MARKET:

WHEREAS, in accordance with Article 1.9 (commencing with Section 439) of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code, the City and County of San Francisco may provide certain property tax reductions, such as the Mills Act; and

WHEREAS, the Mills Act authorizes local governments to enter into contracts with owners of private historical property who assure the rehabilitation, restoration, preservation and maintenance of a qualified historical property; and

WHEREAS, Ordinance No. 191-96 amended the San Francisco Administrative Code by adding Chapter 71 to implement California Mills Act, California Government Code Sections 50280 *et seq.*; and

WHEREAS, the existing building located at 1019 Market Street and is listed on the National Register as a contributor to the Market Street Theater Loft District and is a Category II building pursuant to Article 11 of San Francisco Planning Code and thus qualifies as a historic property; and

WHEREAS, the Planning Department has reviewed the Mills Act application, historical property contract, rehabilitation program, and maintenance plan for 1019 Market Street, which are located in Case Docket No. 2013.0576U. The Planning Department recommends approval of the Mills Act historical property contract, rehabilitation program, and maintenance plan; and

WHEREAS, the Historic Preservation Commission (HPC) recognizes the historic building at 1019 Market Street as an historical resource and believes the rehabilitation program and maintenance plan are appropriate for the property; and

WHEREAS, at a duly noticed public hearing held on October 16, 2013, the Historic Preservation Commission reviewed documents, correspondence and heard oral testimony on the Mills Act application, historical property contract, rehabilitation program, and maintenance plan for 1019 Market Street, which are located in Case Docket No. 2013.0576U. The Historic Preservation Commission recommends approval of the Mills Act historical property contract, rehabilitation program, and maintenance plan.

WHEREAS, The Historic Preservation Commission determines 1019 Market Street meets the exemption criteria for a commercial property valued at \$5 million or more as it is a Category II building under Article 11 of the Planning Code and listed as a contributor to the National Register Market Street Theater and Loft District. The Historic Structures Report demonstrates substantial work to be performed to ensure continued preservation of the property.

THEREFORE BE IT RESOLVED that the Historic Preservation Commission hereby recommends that the Board of Supervisors approve the Mills Act historical property contract, rehabilitation program, and maintenance plan for the historic building located at 1019 Market Street.

BE IT FURTHER RESOLVED that the Historic Preservation Commission hereby directs its Commission Secretary to transmit this Resolution, the Mills Act historical property contract, rehabilitation program, and maintenance plan for 1019 Market Street, and other pertinent materials in the case file 2013.0576U to the Board of Supervisors.

I hereby certify that the foregoing Resolution was ADOPTED by the Historic Preservation Commission on October 16, 2013.

Jonas P. Ionin

Acting Commission Secretary

AYES: Hasz, Wolfram, Hyland, Johnck, Mastuda, Pearlman

NOES:

ABSENT: Johns

ADOPTED: 6-0



SAN FRANCISCO PLANNING DEPARTMENT

December 4, 2013

Ms. Angela Calvillo, Clerk
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Transmittal of Planning Department Case Number 2013.0576U
Mills Act Historical Property Contract Application
1019 Market Street

BOS File No: _____ (pending)

Historic Preservation Commission Recommendation: Approval

Dear Ms. Calvillo,

On October 16, 2013 the San Francisco Historic Preservation Commission (hereinafter "Commission") conducted a duly noticed public hearing at a regularly scheduled meeting to consider the proposed Mills Act Historical Property Contract Application;

At the October 16, 2013 hearing, the Historic Preservation Commission voted to approve the proposed Resolution.

The Resolution recommends that the Board of Supervisors approve the Mills Act Historical Property Contract, rehabilitation program and maintenance plan for the property at 1019 Market Street, an Article 11, Category II building and contributor to the National Register Market Street Theater and Loft District.

Please note that the Project Sponsor submitted the Mills Act application on May 1, 2013. Work has occurred to the building under a Minor Permit to Alter that was issued in July 2013.

The following components of the rehabilitation program are currently in progress:

- Repair of the exterior including a new ground floor storefront
- Repair of the upper story bays and terra cotta columns
- Restoring the sheet metal cornice
- Re-glazing all existing historic windows

The maintenance plan involves a cycle of annual inspections and maintenance and a longer-term maintenance cycle to be performed as necessary. The maintenance plan addresses the following components:

- Roofing,
- Sheet metal,
- Terra cotta

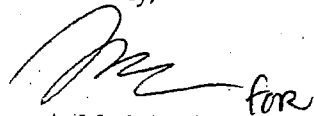
- Wood window sashes
- Sheet metal window mullions
- Parged concrete walls

The attached draft historical property contract will help the Project Sponsor mitigate these expenditures and will allow the Project Sponsor to maintain the property in excellent condition in the future.

As detailed in the Mills Act application, the Project Sponsor has committed to a maintenance plan that will include both annual and cyclical inspections. Furthermore, the Planning Department will administer an inspection program to monitor the provisions of the contract. This program will involve a yearly affidavit issued by the property owner verifying compliance with the approved maintenance and rehabilitation plans as well as a cyclical 5-year site inspection.

Please find attached documents relating to the Commission's action. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,



AriMarie Rodgers
Manager of Legislative Affairs

Attachments:

Historic Preservation Commission Resolution No. 0714

Mills Act Contract Case Report, dated May 1, 2013, including the following:

- Exhibit A: Mills Act Historical Property Contract
- Exhibit B: Historic Structures Report
- Exhibit C: Rehabilitation & Maintenance Plan
- Exhibit D: Market Analysis and Income Approach provided by the Assessor's Office
- Exhibit E: Mills Act Application



SAN FRANCISCO PLANNING DEPARTMENT

Mills Act Contracts Case Report

Hearing Date: October 16, 2013

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

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Information:
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a. Filing Dates: May 1, 2013
Case No.: 2013.0576U
Project Address: 1019 Market St.
Conservation District: N/A
Article 11 Category: II (Significant)
National Register Listing: Market Street Theater and Loft District
Zoning: C-3-G (Downtown General)
120-X Height and Bulk District
Block/Lot: 3703/076

b. Filing Date: May 25, 2012
Case No.: 2012.0679U
Project Address: 2550 Webster St.
Historic Landmark: Landmark #38, Bourn Mansion
Zoning: RH-2 (Residential House, Two Family)
40-X Height and Bulk District
Block/Lot: 0580/013
Applicant: Gregory McCandless
Pacific Heights, LLC
PO Box 1962
Los Altos, CA 94023

c. Filing Date: May 1, 2013
Case No.: 2013.0582U
Filing Date: May 1, 2013
Project Address: 3769 20th Street
Landmark District: Liberty-Hill Landmark District
Zoning: RH-2 (Residential House, Two Family)
40-X Height and Bulk District
Block/Lot: 3607/062
Applicant: Brian Jackson & Thomas Ranese
3769 20th Street
San Francisco, CA 94110

Staff Contact Susan Parks – (415) 575-9101
susan.parks@sfgov.org

Reviewed By Tim Frye – (415) 575-6822
tim.frye@sfgov.org

PROPERTY DESCRIPTION

- a. **1019 Market St.:** The subject property is located on the east side of Market Street between 6th and 7th Streets. Assessor's Block 3703, Lot 076. It is located in a C-3-G (Downtown General) Zoning District and a 120-X Height and Bulk District. The property was designated under Article 11 as Category II building. It is also listed on the National Register as a contributor to the Market Street Theater Loft District, the UMB survey, and the Planning Department 1976 Architectural Survey. The seven-story-over-basement, unreinforced masonry loft was built in 1909 by the McDonough Estate Company, and designed by architect George Applegarth, to house the Eastern Outfitting Company, which sold furniture, carpets, stoves and bedding through the 1930s. The interior and ground floor were remodeled in 1937 and the building was renovated again in 1970. The primary façade faces Market Street and is comprised of three sections: the ground floor storefront, the Chicago style bay window flanked by giant terra cotta Corinthian columns, and capped with a large decorative sheet metal cornice.
- b. **2250 Webster St.:** The subject property is located on the east side of Market Street between Broadway and Pacific Streets. Assessor's Block 0580, Lot 013. It is located in a RH-2 (Residential-House, Two Family) Zoning District and a 40-X Height and Bulk District. The property was designated under Article 10 as City Landmark #38. It is also listed in Here Today (page 24) and the Planning Department 1976 Architectural Survey. The three-story-over-basement, masonry residence was built in 1896 by William Bourne, President of the Spring Valley Water Company and designed by architect Willis Polk in the classical revival style.
- c. **3769 20th St.:** The subject property is located on the south side of 20th Street between Dolores and Guerrero Streets. Assessor's Block 3607, Lot 062. It is located in a RH-2 (Residential-House, Two Family) Zoning District and a 40-X Height and Bulk District. The property was designated under Article 10 as a contributor to the Liberty Hill Landmark District. It is also listed in Here Today (page 299) and the Planning Department 1976 Architectural Survey. The two-story-over-basement, frame residence was built in 1871 in the Italianate style.

PROJECT DESCRIPTION

This project is a Mills Act Historical Property Contract application.

MILLS ACT REVIEW PROCESS

Once a Mills Act application is received, the matter is referred to the Historic Preservation Commission (HPC) for review and recommendation on the historical property contract, proposed rehabilitation program, and proposed maintenance plan. The Historic Preservation Commission shall conduct a public hearing on the Mills Act application and contract and make a recommendation for approval or disapproval to the Board of Supervisors.

The Board of Supervisors will hold a public hearing to review and approve or disapprove the Mills Act application and contract. The Board of Supervisors shall conduct a public hearing to review the Historic Preservation Commission recommendation, information provided by the Assessor's Office, and any other information the Board requires in order to determine whether the City should execute a historical property contract for the subject property.

The Board of Supervisors shall have full discretion to determine whether it is in the public interest to enter into a Mills Act contract and may approve, disapprove, or modify and approve the terms of the contract. Upon approval, the Board of Supervisors shall authorize the Director of Planning and the Assessor's Office to execute the historical property contract.

MILLS ACT REVIEW PROCEDURES

The Historic Preservation Commission is requested to review each and make to recommendation on the following:

- The draft Mills Act Historical Property Contract between the property owner and the City and County of San Francisco.
- The proposed rehabilitation program and maintenance plan.

The Historic Preservation Commission may also comment in making a determination as to whether the public benefit gained through restoration, continued maintenance, and preservation of the property is sufficient to outweigh the subsequent loss of property taxes to the City.

APPLICABLE PRESERVATION STANDARDS

Ordinance No. 191-96 amended the San Francisco Administrative Code by adding Chapter 71 to implement the California Mills Act, California Government Code Sections 50280 *et seq.* The Mills Act authorizes local governments to enter into contracts with private property owners who will rehabilitate, restore, preserve, and maintain a "qualified historical property." In return, the property owner enjoys a reduction in property taxes for a given period. The property tax reductions must be made in accordance with Article 1.9 (commencing with Section 439) of Chapter 3 of Part 2 of Division 1 of the California Revenue and Taxation Code.

TERM

Mills Act contracts must be made for a minimum term of ten years. The ten-year period is automatically renewed by one year annually to create a rolling ten-year term. One year is added automatically to the initial term of the contract on the anniversary date of the contract, unless notice of nonrenewal is given or the contract is terminated. If the City issues a notice of nonrenewal, then one year will no longer be added to the term of the contract on its anniversary date and the contract will only remain in effect for the remainder of its term. The City must monitor the provisions of the contract until its expiration and may terminate the Mills Act contract at any time if it determines that the owner is not complying with the terms of the contract or the legislation. Termination due to default immediately ends the contract term. Mills Act contracts remain in force when a property is sold.

ELIGIBILITY

San Francisco Administrative Code Chapter 71, Section 71.2, defines a "qualified historic property" as one that is not exempt from property taxation and that is one of the following:

- (a) Individually listed in the National Register of Historic Places;
- (b) Listed as a contributor to an historic district included on the National Register of Historic Places;

- (c) Designated as a City landmark pursuant to San Francisco Planning Code Article 10;
- (d) Designated as contributory to an historic district designated pursuant to San Francisco Planning Code Article 10; or
- (e) Designated as significant (Categories I or II) or contributory (Categories III or IV) to a conservation district designated pursuant to San Francisco Planning Code Article 11.

All properties that are eligible under the criteria listed above must also meet a tax assessment value to be eligible for a Mills Act Contract. The tax assessment limits are listed below:

Residential Buildings

Eligibility is limited to a property tax assessment value of not more than \$3,000,000.

Commercial, Industrial or Mixed Use Buildings

Eligibility is limited to a property tax assessment value of not more than \$5,000,000.

Properties may be exempt from the tax assessment values if it meets any one of the following criteria:

- The qualified historic property is an exceptional example of architectural style or represents a work of a master architect or is associated with the lives of persons important to local or national history; or
- Granting the exemption will assist in the preservation and rehabilitation of a historic structure (including unusual and/or excessive maintenance requirements) that would otherwise be in danger of demolition, deterioration, or abandonment;

Properties applying for a valuation exemption must provide evidence that it meets the exemption criteria, including a historic structure report to substantiate the exceptional circumstances for granting the exemption. The Historic Preservation Commission shall make specific findings as whether to recommend to the Board of Supervisors if the valuation exemption shall be approved. Final approval of this exemption is under the purview of the Board of Supervisors.

PUBLIC/NEIGHBORHOOD INPUT

The Department has not received any public comment regarding the Mills Act Historical Property Contract.

STAFF ANALYSIS

The Project Sponsor, Planning Department Staff, and the Office of the City Attorney have negotiated the attached draft historical property contracts, which include a draft maintenance plan for the historic building. Department staff believes that the draft historical property contracts and maintenance plans are adequate.

a. 1019 Market St: As detailed in the Mills Act application, the Project Sponsor proposes to continue rehabilitation efforts approved administratively under Minor Permit to Alter in July 2013. Staff determined that the proposed work, detailed in the attached exhibits, is consistent with Secretary of Interior's Standards for Rehabilitation and for Restoration.

The subject property is currently valued by the Assessor's Office as over \$5,000,000 (see attached Market Analysis and Income Approach reports). The subject property qualifies for an exemption

as it is listed on the National Register as it is designated under Article 11 as a Category II building and is a contributor to the National Register-listed Market Street Theater and Loft District. A Historic Structures Report was required in order to demonstrate that granting the exemption would assist in the preservation of a property that might otherwise be in danger of demolition or substantial alterations. (See attached, 1019 Market St., Exhibit B)

The previously approved work program involves repair of the exterior including a new ground floor storefront; repair of the upper story bays and terra cotta columns, restoring the sheet metal cornice; re-glazing all existing historic windows. No changes to the use or configuration of the building are proposed. Please refer to the attached Rehabilitation Plan for a full description of the proposed work.

The maintenance plan involves a cycle of annual inspections and maintenance and a longer-term maintenance cycle to be performed as necessary. The maintenance plan addresses care of the roof, sheet metal, terra cotta, wood window sashes, sheet metal window mullions, and the parged concrete walls. The attached draft historical property contract will help the Project Sponsor mitigate these expenditures and will allow the Project Sponsor to maintain the property in excellent condition in the future.

b. 2250 Webster St.: The subject property is currently valued by the Assessor's Office as under \$3,000,000 (see attached Market Analysis and Income Approach reports). Therefore, the 2550 Webster Street Mills Act application does not require an exemption.

The rehabilitation program involves exterior work to the Bourn Mansion, including repairs, in-kind replacement of the historic slate roofing, structural framing and reinforcement, and repairs to historic windows; restoration of the conservatory roof and leaded glass windows. No changes to the use or configuration of the building are proposed. Please refer to the attached Rehabilitation Plan for a full description of the proposed work.

The maintenance plan involves a cycle of annual inspections and maintenance and a longer-term maintenance cycle to be performed as necessary. The maintenance plan addresses care of the roof chimneys, masonry, millwork and ornamentation; sheet metal; windows and doors. The attached draft historical property contract will help the Project Sponsor mitigate these expenditures and will induce the Project Sponsor to maintain the property in excellent condition in the future.

Staff determined that the proposed work, detailed in the attached exhibits, is consistent with Secretary of Interior's Standards for Rehabilitation and for Restoration.

c. 3769 20th St.: As detailed in the Mills Act application, the Project Sponsor proposes the rehabilitation efforts approved and completed under Certificate of Appropriateness in November 2012 (Motion No. 0177). Staff determined that the proposed work, detailed in the attached exhibits, is consistent with Secretary of Interior's Standards for Rehabilitation and for Restoration.

The subject property is currently valued by the Assessor's Office as under \$3,000,000 (see attached Market Analysis and Income Approach reports) and does not require an exemption.

The previously approved rehabilitation program involves in-kind replacement of historic elements and seismic improvements to the historic portions of the house. No changes to the use are proposed. Please refer to the attached Rehabilitation Plan for a full description of the proposed work.

The maintenance plan involves a cycle of annual inspections and maintenance and a longer-term maintenance cycle to be performed as necessary. The maintenance plan addresses maintenance of the wood siding, windows/glazing, roof, millwork and ornamentation; gutters, downspouts and drainage; and the foundation. The attached draft historical property contract will help the Project Sponsor mitigate these expenditures and will induce the Project Sponsor to maintain the property in excellent condition in the future.

PLANNING DEPARTMENT RECOMMENDATION

The Planning Department recommends that the Historic Preservation Commission adopt a resolution recommending approval of these Mills Act Historical Property Contracts, rehabilitation and maintenance plans to the Board of Supervisors.

ISSUES AND OTHER CONSIDERATIONS

The Assessor and Recorders Office has provided initial review. The Planning Department is continuing to working with the Assessor and Recorder's Office to finalize the final property tax valuations and savings.

HISTORIC PRESERVATION COMMISSION ACTIONS

Review and adopt a resolution for each property:

1. Recommending to the Board of Supervisors the approval of the proposed Mills Act Historical Property Contract between the property owner and the City and County of San Francisco;
2. Approving the proposed Mills Act rehabilitation and maintenance plan for each property.

Attachments:

a. 1019 Market St.

Draft Resolution

Exhibit A: Draft Mills Act Historical Property Contract

Exhibit B: Draft Historic Structures Report

Exhibit C: Draft Rehabilitation & Maintenance Plan

Exhibit D: Draft Market Analysis and Income Approach provided by the Assessor's Office

Exhibit E: Mills Act Application

b. 2550 Webster St.

Draft Resolution

Exhibit A: Draft Mills Act Historical Property Contract

Exhibit B: Draft Rehabilitation & Maintenance Plan

Exhibit C: Draft Market Analysis and Income Approach provided by the Assessor's Office

Mill Act Applications
October 16, 2013

2013.0576U; 2012.0679U; 2013.0582U
1019 Market St.; 2550 Webster St.; 3769 20th St.

Exhibit D: Mills Act Application

c. 3769 20th St.

Draft Resolution

Exhibit A: Draft Mills Act Historical Property Contract

Exhibit B: Draft Rehabilitation & Maintenance Plan

Exhibit C: Draft Market Analysis and Income Approach provided by the Assessor's Office

Exhibit D: Mills Act Application

Site Photo



Aerial Photo



Exhibit A: Draft Mills Act Historical Property
Contract



Recording Requested by, and
when recorded, send notice to:
Director of Planning
1650 Mission Street
San Francisco, California 94103-2414

**CALIFORNIA MILLS ACT
HISTORIC PROPERTY AGREEMENT
1019 MARKET STREET**

DRAFT AGREEMENT

SAN FRANCISCO, CALIFORNIA

THIS AGREEMENT is entered into by and between the City and County of San Francisco, a California municipal corporation ("City") and 1019 Market Street Properties, LLC ("Owner(s)").

RECITALS

Owners are the owners of the property located at 1019 Market Street, in San Francisco, California (Block 3703, Lot 076). The building located at 1019 Market Street is designated as a contributor to the Market Street Theater and Loft National Register District, is listed in Article 11 of the Planning Code as a Category II (significant) building, is "a historic resource pursuant to Article 10 of the Planning Code," and is also known as the "Eastern Outfitting Building" ("Historic Property").

Owners desire to execute a rehabilitation and ongoing maintenance project for the Historic Property. Owners' application calls for the rehabilitation and restoration of the Historic Property according to established preservation standards, which it estimates will cost approximately AMOUNT IN WORD FORMAT Dollars (\$AMOUNT IN NUMERICAL FORMAT). (See Rehabilitation Plan, Exhibit A.) Owners' application calls for the maintenance of the Historic Property according to established preservation standards, which is estimated will cost approximately AMOUNT IN WORD FORMAT Dollar (\$ [AMOUNT IN NUMERICAL FORMAT] s) annually (See Maintenance Plan, Exhibit B).

The State of California has adopted the "Mills Act" (California Government Code Sections 50280-50290, and California Revenue & Taxation Code, Article 1.9 [Section 439 et seq.]) authorizing local governments to enter into agreements with property Owners to reduce their property taxes, or to prevent increases in their property taxes, in return for improvement to and maintenance of historic properties. The City has adopted enabling legislation, San Francisco Administrative Code Chapter 71, authorizing it to participate in the Mills Act program.

Owners desire to enter into a Mills Act Agreement (also referred to as a "Historic Property Agreement") with the City to help mitigate its anticipated expenditures to restore and maintain the Historic Property. The City is willing to enter into such Agreement to mitigate these expenditures and to induce Owners to restore and maintain the Historic Property in excellent condition in the future.

NOW, THEREFORE, in consideration of the mutual obligations, covenants, and conditions contained herein, the parties hereto do agree as follows:

out of a breach hereof shall constitute a waiver of such breach or of the City's right to demand strict compliance with any terms of this Agreement.

24. Authority. If the Owners sign as a corporation or a partnership, each of the persons executing this Agreement on behalf of the Owners does hereby covenant and warrant that such entity is a duly authorized and existing entity, that such entity has and is qualified to do business in California, that the Owner has full right and authority to enter into this Agreement, and that each and all of the persons signing on behalf of the Owners are authorized to do so.

25. Severability. If any provision of this Agreement is determined to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each other provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

26. Tropical Hardwood Ban. The City urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

27. Charter Provisions. This Agreement is governed by and subject to the provisions of the Charter of the City.

28. Signatures. This Agreement may be signed and dated in parts

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as follows:

CITY AND COUNTY OF SAN FRANCISCO:

By: _____
Phil Ting
Assessor-Recorder

DATE: _____

By: _____
John Rahaim
Director of Planning

DATE: _____

APPROVED AS TO FORM:
DENNIS J. HERRERA
CITY ATTORNEY

By: _____
[NAME]
Deputy City Attorney

DATE: _____

OWNERS

By: _____
[NAME], Owner

DATE: _____

[IF MORE THAN ONE OWNER, ADD ADDITIONAL SIGNATURE LINES. ALL OWNERS MUST SIGN AGREEMENT.]

action necessary to enforce the obligations of the Owners set forth in this Agreement. The City does not waive any claim of default by the Owners if it does not enforce or cancel this Agreement.

16. Indemnification. The Owners shall indemnify, defend, and hold harmless the City and all of its boards, commissions, departments, agencies, agents and employees (individually and collectively, the "City") from and against any and all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses incurred in connection with or arising in whole or in part from: (a) any accident, injury to or death of a person, loss of or damage to property occurring in or about the Historic Property; (b) the use or occupancy of the Historic Property by the Owners, their Agents or Invitees; (c) the condition of the Historic Property; (d) any construction or other work undertaken by Owners on the Historic Property; or (e) any claims by unit or interval Owners for property tax reductions in excess those provided for under this Agreement. This indemnification shall include, without limitation, reasonable fees for attorneys, consultants, and experts and related costs that may be incurred by the City and all indemnified parties specified in this Paragraph and the City's cost of investigating any claim. In addition to Owners' obligation to indemnify City, Owners specifically acknowledge and agree that they have an immediate and independent obligation to defend City from any claim that actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false, or fraudulent, which obligation arises at the time such claim is tendered to Owners by City, and continues at all times thereafter. The Owners' obligations under this Paragraph shall survive termination of this Agreement.

17. Eminent Domain. In the event that a public agency acquires the Historic Property in whole or part by eminent domain or other similar action, this Agreement shall be cancelled and no cancellation fee imposed as provided by Government Code Section 50288.

18. Binding on Successors and Assigns. The covenants, benefits, restrictions, and obligations contained in this Agreement shall be deemed to run with the land and shall be binding upon and inure to the benefit of all successors and assigns in interest of the Owners.

19. Legal Fees. In the event that either the City or the Owners fail to perform any of their obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the prevailing party may recover all costs and expenses incurred in enforcing or establishing its rights hereunder, including reasonable attorneys' fees, in addition to court costs and any other relief ordered by a court of competent jurisdiction. Reasonable attorneys fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

20. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

21. Recordation. Within 20 days from the date of execution of this Agreement, the City shall cause this Agreement to be recorded with the Office of the Recorder of the City and County of San Francisco.

22. Amendments. This Agreement may be amended in whole or in part only by a written recorded instrument executed by the parties hereto in the same manner as this Agreement.

23. No Implied Waiver. No failure by the City to insist on the strict performance of any obligation of the Owners under this Agreement or to exercise any right, power, or remedy arising

Administrative Code Section 71.6. Owners shall promptly pay the requested amount within forty-five (45) days of receipt.

12. Default. An event of default under this Agreement may be any one of the following:

- (a) Owners' failure to timely complete the rehabilitation work set forth in Exhibit A in accordance with the standards set forth in Paragraph 2 herein;
- (b) Owners' failure to maintain the Historic Property in accordance with the requirements of Paragraph 3 herein;
- (c) Owners' failure to repair any damage to the Historic Property in a timely manner as provided in Paragraph 4 herein;
- (d) Owners' failure to allow any inspections as provided in Paragraph 6 herein;
- (e) Owners' termination of this Agreement during the Initial Term;
- (f) Owners' failure to pay any fees requested by the City as provided in Paragraph 11 herein;
- (g) Owners' failure to maintain adequate insurance for the replacement cost of the Historic Property; or
- (h) Owners' failure to comply with any other provision of this Agreement.

An event of default shall result in cancellation of this Agreement as set forth in Paragraphs 13 and 14 herein and payment of the cancellation fee and all property taxes due upon the Assessor's determination of the full value of the Historic Property as set forth in Paragraph 14 herein. In order to determine whether an event of default has occurred, the Board of Supervisors shall conduct a public hearing as set forth in Paragraph 13 herein prior to cancellation of this Agreement.

13. Cancellation. As provided for in Government Code Section 50284, City may initiate proceedings to cancel this Agreement if it makes a reasonable determination that Owners have breached any condition or covenant contained in this Agreement, has defaulted as provided in Paragraph 12 herein, or has allowed the Historic Property to deteriorate such that the safety and integrity of the Historic Property is threatened or it would no longer meet the standards for a Qualified Historic Property. In order to cancel this Agreement, City shall provide notice to the Owners and to the public and conduct a public hearing before the Board of Supervisors as provided for in Government Code Section 50285. The Board of Supervisors shall determine whether this Agreement should be cancelled.

14. Cancellation Fee. If the City cancels this Agreement as set forth in Paragraph 13 above, Owners shall pay a cancellation fee of twelve and one-half percent (12.5%) of the fair market value of the Historic Property at the time of cancellation. The City Assessor shall determine fair market value of the Historic Property without regard to any restriction imposed on the Historic Property by this Agreement. The cancellation fee shall be paid to the City Tax Collector at such time and in such manner as the City shall prescribe. As of the date of cancellation, the Owners shall pay property taxes to the City without regard to any restriction imposed on the Historic Property by this Agreement and based upon the Assessor's determination of the fair market value of the Historic Property as of the date of cancellation.

15. Enforcement of Agreement. In lieu of the above provision to cancel the Agreement, the City may bring an action to specifically enforce or to enjoin any breach of any condition or covenant of this Agreement. Should the City determine that the Owners has breached this Agreement, the City shall give the Owners written notice by registered or certified mail setting forth the grounds for the breach. If the Owners do not correct the breach, or if it does not undertake and diligently pursue corrective action, to the reasonable satisfaction of the City within thirty (30) days from the date of receipt of the notice, then the City may, without further notice, initiate default procedures under this Agreement as set forth in Paragraph 13 and bring any

cancellation fee set forth in Paragraph 14 of this Agreement. Upon such termination, the City shall assess the full value of the Historic Property without regard to any restriction imposed upon the Historic Property by this Agreement and Owners shall pay property taxes to the City based upon the valuation of the Historic Property as of the date of termination.

5. Insurance. Owners shall secure adequate property insurance to meet Owners' repair and replacement obligations under this Agreement and shall submit evidence of such insurance to the City upon request.

6. Inspections. Owners shall permit periodic examination of the exterior and interior of the Historic Property by representatives of the Historic Preservation Commission, the City's Assessor, the Department of Building Inspection, the Planning Department, the Office of Historic Preservation of the California Department of Parks and Recreation, and the State Board of Equalization, upon seventy-two (72) hours advance notice, to monitor Owners' compliance with the terms of this Agreement. Owners shall provide all reasonable information and documentation about the Historic Property demonstrating compliance with this Agreement as requested by any of the above-referenced representatives.

7. Term. This Agreement shall be effective upon the date of its recordation and shall be in effect for a term of ten years from such date ("Initial Term"). As provided in Government Code section 50282, one year shall be added automatically to the Initial Term, on each anniversary date of this Agreement, unless notice of nonrenewal is given as set forth in Paragraph 10 herein.

8. Valuation. Pursuant to Section 439.4 of the California Revenue and Taxation Code, as amended from time to time, this Agreement must have been signed, accepted and recorded on or before the lien date (January 1) for a fiscal year (the following July 1-June 30) for the Historic Property to be valued under the taxation provisions of the Mills Act for that fiscal year.

9. Termination. In the event Owners terminates this Agreement during the Initial Term, Owners shall pay the Cancellation Fee as set forth in Paragraph 15 herein. In addition, the City Assessor shall determine the fair market value of the Historic Property without regard to any restriction imposed on the Historic Property by this Agreement and shall reassess the property taxes payable for the fair market value of the Historic Property as of the date of Termination without regard to any restrictions imposed on the Historic Property by this Agreement. Such reassessment of the property taxes for the Historic Property shall be effective and payable six (6) months from the date of Termination.

10. Notice of Nonrenewal. If in any year after the Initial Term of this Agreement has expired either the Owners or the City desires not to renew this Agreement that party shall serve written notice on the other party in advance of the annual renewal date. Unless the Owners serves written notice to the City at least ninety (90) days prior to the date of renewal or the City serves written notice to the Owners sixty (60) days prior to the date of renewal, one year shall be automatically added to the term of the Agreement. The Board of Supervisors shall make the City's determination that this Agreement shall not be renewed and shall send a notice of nonrenewal to the Owners. Upon receipt by the Owners of a notice of nonrenewal from the City, Owners may make a written protest. At any time prior to the renewal date, City may withdraw its notice of nonrenewal. If in any year after the expiration of the Initial Term of the Agreement, either party serves notice of nonrenewal of this Agreement, this Agreement shall remain in effect for the balance of the period remaining since the execution of the last renewal of the Agreement.

11. Payment of Fees. Within one month of the execution of this Agreement, City shall tender to Owners a written accounting of its reasonable costs related to the preparation and approval of the Agreement as provided for in Government Code Section 50281.1 and San Francisco

1. Application of Mills Act. The benefits, privileges, restrictions and obligations provided for in the Mills Act shall be applied to the Historic Property during the time that this Agreement is in effect commencing from the date of recordation of this Agreement.

2. Rehabilitation of the Historic Property. Owners shall undertake and complete the work set forth in Exhibit A ("Rehabilitation Plan") attached hereto according to certain standards and requirements. Such standards and requirements shall include, but not be limited to: the Secretary of the Interior's Standards for the Treatment of Historic Properties ("Secretary's Standards"); the rules and regulations of the Office of Historic Preservation of the California Department of Parks and Recreation ("OHP Rules and Regulations"); the State Historical Building Code as determined applicable by the City; all applicable building safety standards; and the requirements of the Historic Preservation Commission, the Planning Commission, and the Board of Supervisors, including but not limited to any Certificates of Appropriateness approved under Planning Code Article 10. The Owners shall proceed diligently in applying for any necessary permits for the work and shall apply for such permits not less than six (6) months after recordation of this Agreement, shall commence the work within six (6) months of receipt of necessary permits, and shall complete the work within three (3) years from the date of receipt of permits. Upon written request by the Owners, the Zoning Administrator, at his or her discretion, may grant an extension of the time periods set forth in this paragraph. Owners may apply for an extension by a letter to the Zoning Administrator, and the Zoning Administrator may grant the extension by letter without a hearing. Work shall be deemed complete when the Director of Planning determines that the Historic Property has been rehabilitated in accordance with the standards set forth in this Paragraph. Failure to timely complete the work shall result in cancellation of this Agreement as set forth in Paragraphs 13 and 14 herein.

3. Maintenance. Owners shall maintain the Historic Property during the time this Agreement is in effect in accordance with the standards for maintenance set forth in Exhibit B ("Maintenance Plan"), the Secretary's Standards; the OHP Rules and Regulations; the State Historical Building Code as determined applicable by the City; all applicable building safety standards; and the requirements of the Historic Preservation Commission, the Planning Commission, and the Board of Supervisors, including but not limited to any Certificates of Appropriateness approved under Planning Code Article 10.

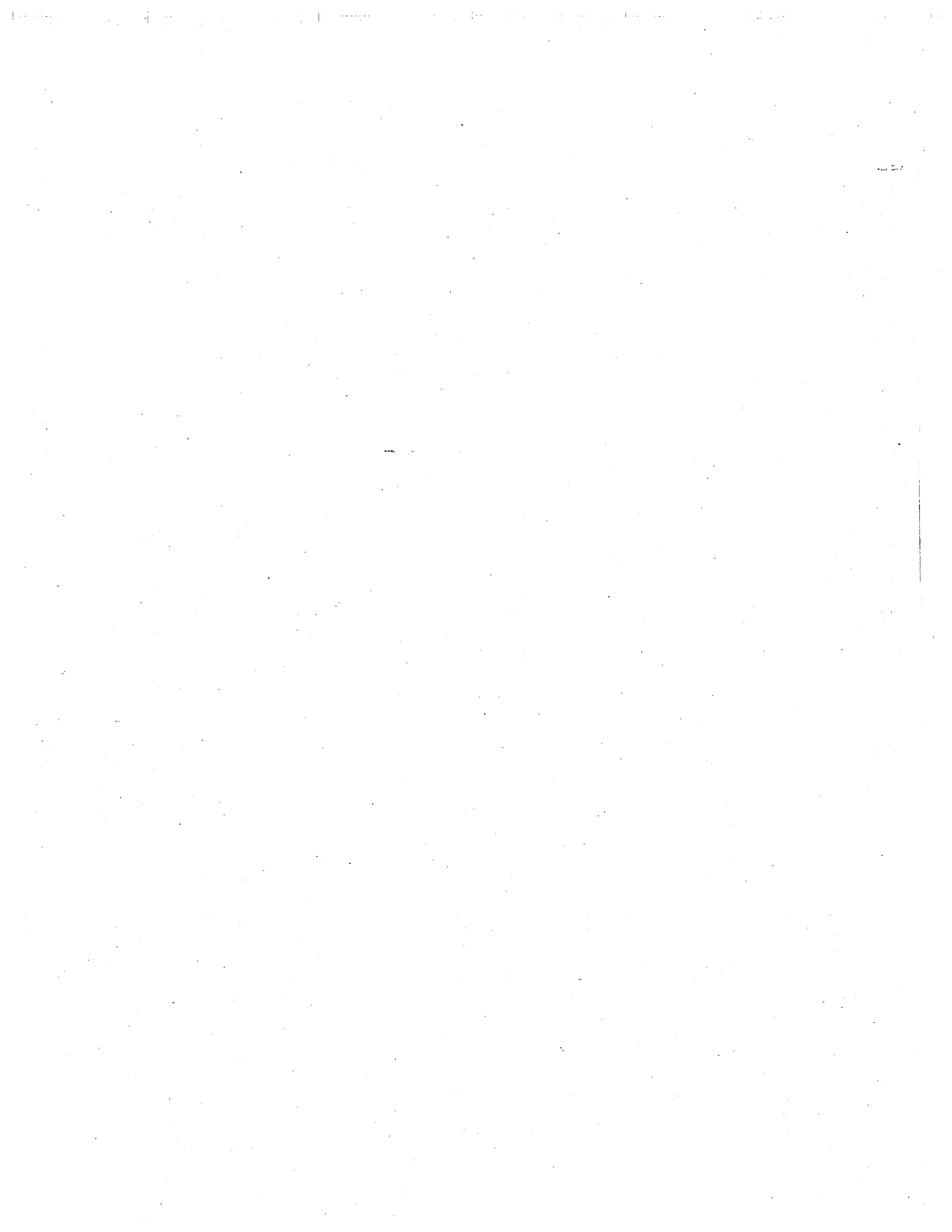
4. Damage. Should the Historic Property incur damage from any cause whatsoever, which damages fifty percent (50%) or less of the Historic Property, Owners shall replace and repair the damaged area(s) of the Historic Property. For repairs that do not require a permit, Owners shall commence the repair work within thirty (30) days of incurring the damage and shall diligently prosecute the repair to completion within a reasonable period of time, as determined by the City. Where specialized services are required due to the nature of the work and the historic character of the features damaged, "commence the repair work" within the meaning of this paragraph may include contracting for repair services. For repairs that require a permit(s), Owners shall proceed diligently in applying for any necessary permits for the work and shall apply for such permits not less than sixty (60) days after the damage has been incurred, commence the repair work within one hundred twenty (120) days of receipt of the required permit(s), and shall diligently prosecute the repair to completion within a reasonable period of time, as determined by the City. Upon written request by the Owners, the Zoning Administrator, at his or her discretion, may grant an extension of the time periods set forth in this paragraph. Owners may apply for an extension by a letter to the Zoning Administrator, and the Zoning Administrator may grant the extension by letter without a hearing. All repair work shall comply with the design and standards established for the Historic Property in Exhibits A and B attached hereto and Paragraph 3 herein. In the case of damage to twenty percent (20%) or more of the Historic Property due to a catastrophic event, such as an earthquake, or in the case of damage from any cause whatsoever that destroys more than fifty percent (50%) of the Historic Property, the City and Owners may mutually agree to terminate this Agreement. Upon such termination, Owners shall not be obligated to pay the

IV. EXHIBIT C: HISTORICAL PROPERTY CONTRACT

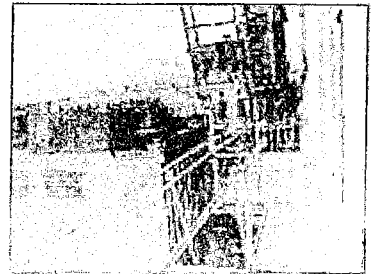


**OWNER(S)' SIGNATURE(S) MUST BE NOTARIZED.
ATTACH PUBLIC NOTARY FORMS HERE.**

Exhibit B: Draft Historic Structures Report



III. EXHIBIT B: FOCUSED HISTORIC STRUCTURE REPORT(HSR)



Beaux-Arts and Commercial Style

The Market Street Theater and Loft District, as it is today, largely developed as a result of the earthquake and fires of April 18, 1906. The area was reconstructed within the span of a few decades and became populated by stage and movie theaters as well as commercial buildings. Of the twenty buildings which contribute to the historic district, eight are loft buildings with large open floor plates. Because the loft buildings emerged in the midst of an entertainment district, they exhibit a particularly interesting hybrid of styles that merge aspects of the high-style Classical Revival style, as exemplified in the City Beautiful Movement, as well as ideals of functionalism. Post-1906 commercial buildings on this stretch of Market Street exemplify traditions of the Beaux-Arts movement, which had been prevalent in downtown San Francisco before the fire. Simultaneously, these buildings were designed to accommodate spatial parameters specific to commercial buildings. In this way, the loft buildings of the district reflect early components of modernism, specifically in their emphasis on straightforward and functional characteristics. 1019 Market Street is an exceptional example of this style as a hybrid of both Beaux-Arts Classicism and Commercial Style. The highly symmetrical façade with the two large Corinthian columns as well as cornice along the parapet describe a Beaux-Arts language. The Chicago bay windows and large expanses of glass on the other hand reflect a utilitarian style focused on industrial architecture.

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Parry, David "Pacific Heights Architect #2, George Applegarth." *McGuire Real Estate, Architects' Profile*, website accessed on April 15, 2013 from: <http://www.classicsproperties.com/>

While George Applegarth's contributions are numerous in San Francisco, he is best known for designing the California Palace of the Legion of Honor in Lincoln Park. Throughout his projects, the influence of his time at the Ecole des Beaux-Arts is noticeable in his use of symmetry, columned entries, and coffered ceilings.

In addition to his growing residential practice, Applegarth became president of the American Institute of Architects (AIA) from 1921-22 and took on public projects. He designed a curved parking garage at Mason and O'Farrell streets in downtown San Francisco, which later became a model for other parking garages. Additionally, he partnered with architect Bernard Maybeck on the town plan for Clyde, California, a company town built for employees of the Pacific Coast Shipbuilding Company. Applegarth passed away in 1972.⁶

George Applegarth's projects include:

- 3 Presidio Terrace (1906) 5 Presidio Terrace (1908)
- 27 Presidio Terrace (1909)
- 30 Presidio Terrace (1909)
- 34 Presidio Terrace (1910)
- 4 Presidio Terrace (1911)
- Holbrook Building, 58 Sutter Street (1912)
- Clift Hotel, 495 Geary Street (1913)
- 3730 Washington (1915)
- 2775 Vallejo Street (1915)
- 2785 Vallejo Street (1916)
- 1886 Pacific Heights (1916)
- 2206-12 Vallejo Avenue (1916)
- 1900 Broadway Street (1916)
- 2160 Pacific Avenue (1916)
- 1-11 3rd Avenue (1916)
- 201 Locust Street (1916)
- Downtown Parking Garage (1921)
- Palace of the Legion of Honor (1924)

S. Charles Lee, Architect

A renovation of 1019 Market Street, which occurred in the 1930s to accommodate the new Union Furniture company, was carried out by architect S. Charles Lee. S. Charles Lee was a practicing architect in California and often considered one of the most prolific theater designers of his time.⁷ His contributions in San Francisco include the Majestic Theater at 2465 Mission Street, later renamed "The Tower."

⁶ AIA Historical Directory of American Architects, Website accessed April 11, 2013 from: http://www.aiaa.org/sites/default/files/WWW_2013/Pages/Home.aspx

⁷ Powell, John Edward. "Biographies of Architects, Designers, and Builders: S. Charles Lee (1870-1924)" in *A Guide to Historic Architecture in Fresno, California*, Website accessed April 11, 2013 from <http://www.historicfresno.org/about-the-firm>

HISTORIC CONTEXT

Brief History of 1019 Market Street

1019 Market Street was built in 1909, designed by architect George Applegarth, co-founder of Applegarth and MacDonald. The building was originally owned and constructed by McDonough Estate Company. The McDonough estate was formed by the heirs of Joseph McDonough, who had earned some wealth in the mining industry, but mostly had inherited from his brother-in-law William S. O'Brien. O'Brien was an American business partner in the Consolidated Virginia Mining company, otherwise known as the group that discovered the Big Bonanza on the Comstock Lode.⁴

The Eastern Outfitting Company sold furniture, carpets, stoves and bedding at 1019 Market Street until the 1930s. In 1937 the ground floor and interior were remodeled by architect S. Charles Lee for the Union Furniture Company. As a result of the Market Street beautification project, the building was renovated in 1970.



Clippings from the San Francisco Call, 05
September 1909, 26 January 1911



From SF History Center, SF Public
Library
circa 1964



Postcard circa 1909

George Applegarth, Architect

Born of English parents in Oakland in 1875, George Applegarth was initially educated at the University of California, Berkeley and later trained at the Ecole des Beaux Arts in Paris. Completing his time in Paris in 1906, Applegarth returned to the Bay Area right after the earthquake to participate in the rebuilding of the city. He began a partnership with Kenneth MacDonald in 1907, which yielded over 30 commercial buildings in the Bay Area. In 1912, the partnership dissolved leading Applegarth to focus on residential projects.⁵

⁴ William O'Brien is known as being a Bonanza King. One of his greatest contributions was the establishment of the Bank of Nevada in San Francisco, CA. Accessed 04/15/13 http://en.wikipedia.org/wiki/William_S._O'Brien

⁵ David Parry. "McGuire Real Estate, Architects' Profile." Pacific Heights Architect #2. George Applegarth.

in studio-owned picture palaces. "Everybody" came to the district to see the new movies. People also came to see and march in parades. For over a century Market's 120' width has attracted most of the city's parades. The many historic photos of such parades include one of the Labor Day Parade the year after the general strike of 1934; eight densely packed lines of men stretched over several of Market's long blocks. [...]³

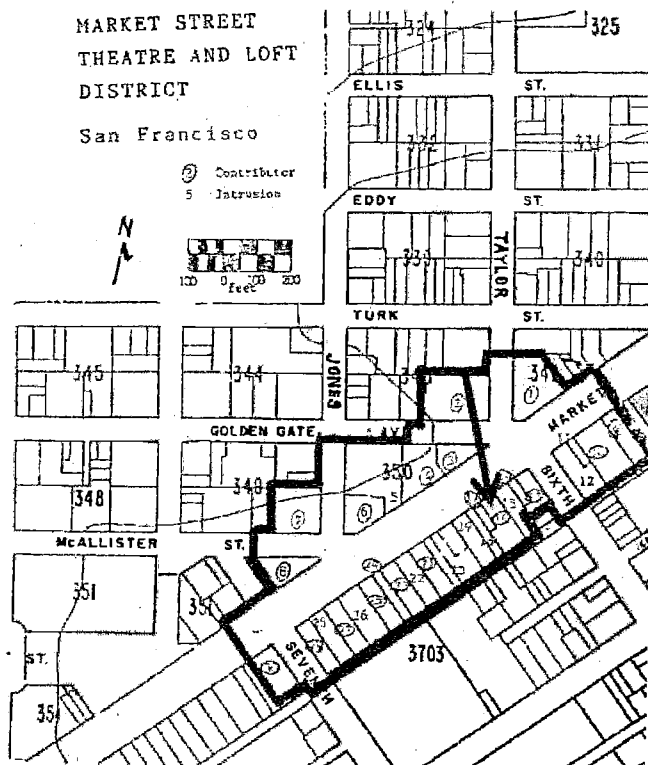


Figure 6. Map of Market Street Theatre and Loft District
 Source: "Market Street Theatre and Loft District,"
 National Register Nomination Form (November 1985).

1019 Market Street is one of twenty contributing buildings within the boundaries of the district and represents the loft style of construction that occurred on this portion of Market Street during the reconstruction period.

As an individual property, 1019 Market is an exceptional example of master architect George Applegarth's work and represents the architect's multiple interests in the Beaux-Arts tradition as well as in modern utilitarianism embodied in the Commercial Style.

³ Anne Bloomfield, Bloomfield Architectural History, DPR 523 A_D (District Record: Continuation Form, Market Street Theater and Loft District (May 1997)

INTRODUCTION

This Exemption Statement and Significance Evaluation has been prepared at the request of 1019 Market Street Properties, LLC for a Mills Act Historical Property Contract for the building at 1019 Market Street (APN 3703/76) in San Francisco's Market Street and Theater Loft District. The building was constructed in 1909.

1019 Market Street has been included in several architectural surveys over the years. In 1976, 1019 Market Street was included in the Department of City Planning Architectural Quality Survey, and rated a "3" out of a range from "-2" to "5." A rating of "3" or higher in the survey represented approximately the top two percent of San Francisco's building stock in terms of architectural significance. The building was surveyed in 1977 as part of San Francisco Architectural Heritage's Survey, which was published as *Splendid Survivors* in 1978.¹ It was given a rating of "A," which equated to "highest importance." *Splendid Survivors* suggested a theatre and loft historic district in the area. In 1985, 1019 Market Street was found to be a contributor to the Market Street Theatre and Loft District in a National Register nomination. The district was listed in the National Register of Historic Places in 1986. Under Article 11, 1019 Market Street received a designation of Category II as a significant building. Because the property is listed in the National Register, the City of San Francisco considers the property to be a historic resource for the purposes of review under the California Environmental Quality Act (CEQA).

SIGNIFICANCE EVALUATION

Market Street and Theater Loft District

The Market Street and Theater Loft District was listed in the National Register of Historic Places on 10 April 1986. It is significant under criteria C, architecture, and A, events, as an area that exhibits an extensive collection of commercial buildings projecting a cohesive visual appearance of the Commercial Style inspired by the Beaux-Arts City Beautiful Movement.² This was a direct result of the condensed period of reconstruction which occurred after the disaster of 1906.

The significance statement in the California Department of Parks and Recreation (DPR) 523A and 523D District Record (Anne Bloomfield, 1997) reads:

The district's architecture shares with all the former downtown San Francisco a common harmony of texture, coloration, height and style inspired by the City Beautiful Movement, integrated because all previous architecture had been wiped out by the great Earthquake and Fire of 1906. Not only are the district's major buildings essentially intact, also their original rhythm with lesser structures remains, unlike areas of more intense modern commerce. The four pre-1906 facades illustrate the continuity of design in San Francisco just before and after the Fire. There are two fine, monumental intersections created by the diagonal meeting at Market of two contrasting rectangular street grids; one of these focuses on G. Albert Lansburgh's 1922 Golden Gate Theatre, the other on Albert Pissis' 1892 Hibernia Bank. The architects were among the most important early 20th century firms in northern California, and clients were real estate tycoons. The area was built as a secondary downtown, but it was the prime first-run showcase for the major studios' moving pictures

¹ Michael Corbett, *Splendid Survivors: San Francisco's Downtown Architectural Heritage*. (San Francisco, CA 1979)

² Anne Bloomfield, *Bloomfield Architectural History, DPR 523 A_D (District Record) Continuation Form, Market Street Theater and Loft District* (May 1997), p 14

B. FOCUSED HISTORIC STRUCTURE REPORT (HSR)

INTRODUCTION

The Mills Act Historical Property Contract requires all commercial properties that are assessed at a value of more than \$5M to include a Historic Structure Report (HSR) as part of the application. Representatives of the San Francisco Planning Department have indicated that the HSR could be limited in scope and should include, at minimum, a brief history of the building, a description of the building's historic condition, a summary of its existing condition, and an outline of short-term and long-term recommendations for restoration.

This limited Historic Structure Report serves to fulfill the requirements of the Mills Act and primarily focuses on conditions and treatment recommendations for the exterior of the building.

BRIEF HISTORY OF 1019 MARKET STREET

1019 Market Street was built in 1909, designed by architect George Applegarth, co-founder of Applegarth and MacDonald. The building was originally owned and constructed by McDonough Estate Company. The McDonough estate was formed by the heirs of Joseph McDonough, who had earned some wealth in the mining industry, but mostly had inherited from his brother-in-law William S. O'Brien. O'Brien was an American business partner in the Consolidated Virginia Mining company, otherwise known as the group that discovered the Big Bonanza on the Comstock Lode.¹

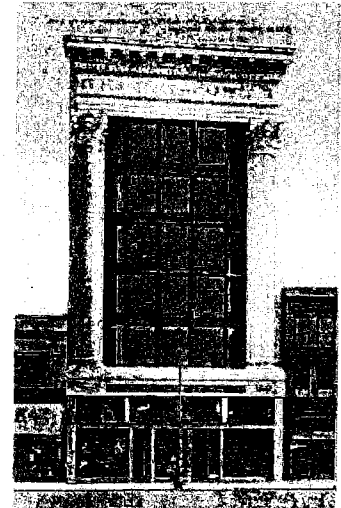
The building was originally designed to house the Eastern Outfitting Company, which sold furniture, carpets, stoves and bedding at 1019 Market Street until the 1930s. In 1937, the ground floor and interior were remodeled by architect S. Charles Lee for the Union Furniture Company. The building was renovated again in 1970.



Clippings from the San Francisco Call, 05 September 1909, 26 January 1911



From SF History Center, SF Public Library circa 1964



Postcard circa 1909

¹ William O'Brien is known as being a Bonanza King. One of his greatest contributions was the establishment of the Bank of Nevada in San Francisco, CA. Accessed 04/15/13 http://www.sfpd.org/wh/William_S_O'Brien

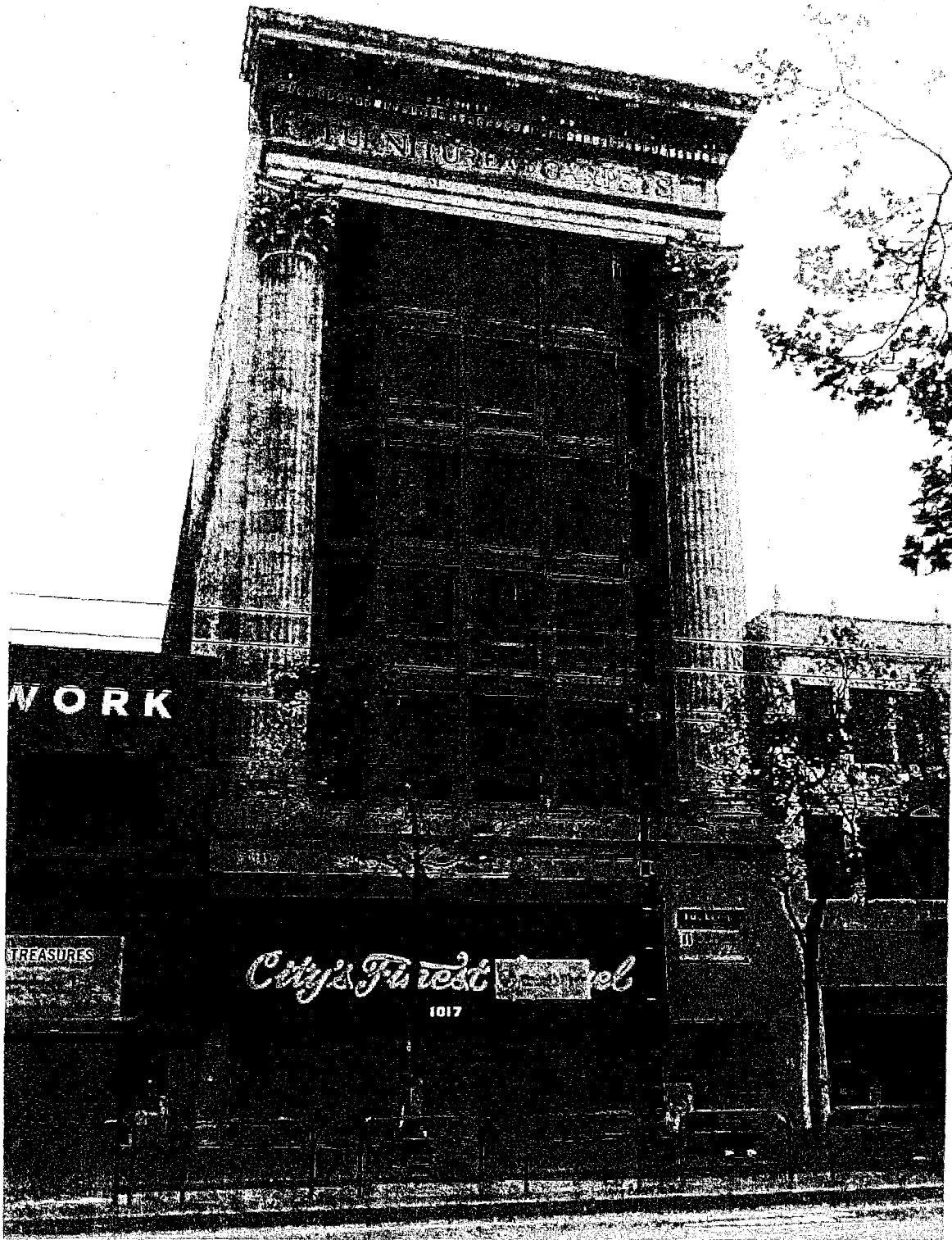
ARCHITECTURAL DESCRIPTION, EXISTING CONDITIONS, AND TREATMENT RECOMMENDATIONS

Market Street Façade – Original Construction

1019 Market Street's primary façade faces north on Market Street and is a Beaux Arts composition exhibiting a mix of neoclassical elements and a large centralized Chicago window, typical of the Commercial Style. The façade is comprised of three primary zones: the cornice, the giant order columns, and the ground floor storefront (base). The large decorative sheet metal cornice spans two engaged Corinthian terra cotta columns, each at the east and west edge of the façade. The large columns are separated by a full-height projecting Chicago bay window. The columns and the window system sit atop a building base story, the top of which is comprised of decorative terra cotta panels over the glazed storefront zone. The original storefront was primarily glazed with large panes of glass set into mullions (likely metal).

The details of the decorative galvanized sheet metal cornice include projecting lions' heads at the top portion and large scrolled brackets separating recessed decorative coffers at the uppermost projection. Each coffer contains a molded floral medallion with a centered light socket where façade lighting was once extant. Egg and dart ornament and a band of dentils sit atop the entablature which exhibits molded panels at the flanking ends and features a central large flat expanse with the raised sheet metal lettering "FURNITURE AND CARPETS". Above the lettering, sheet metal patches and adjacent small holes indicate the existence of neon lighting that was introduced at some point; while neon technology had been discovered prior to construction of 1019 Market Street, it was not likely available yet and is not thought to be original. Below, other decorative and flat bands articulate the architrave just above the window system and column capitals. Decorative triangular sheet metal coffers span above the open corners created by the return of the window system to the columns.

The Chicago bay window is comprised of large center pivot floor-to-ceiling wood sash. The sash are separated by vertical galvanized sheet metal mullions and galvanized horizontal spandrel panels. Centered at the bottom of each sash is a metal flag holder; each of which can hold a splay of 5 flags. These are thought to be original, as they appear in early photos and renderings. Equally spaced light sockets run the length of the vertical mullions and also at the upper edge, lower edge, and sides of the frame. The lighting is set into removable metal panels that fit into the mullions/frame and are removable for maintenance and repair of the electrical system.

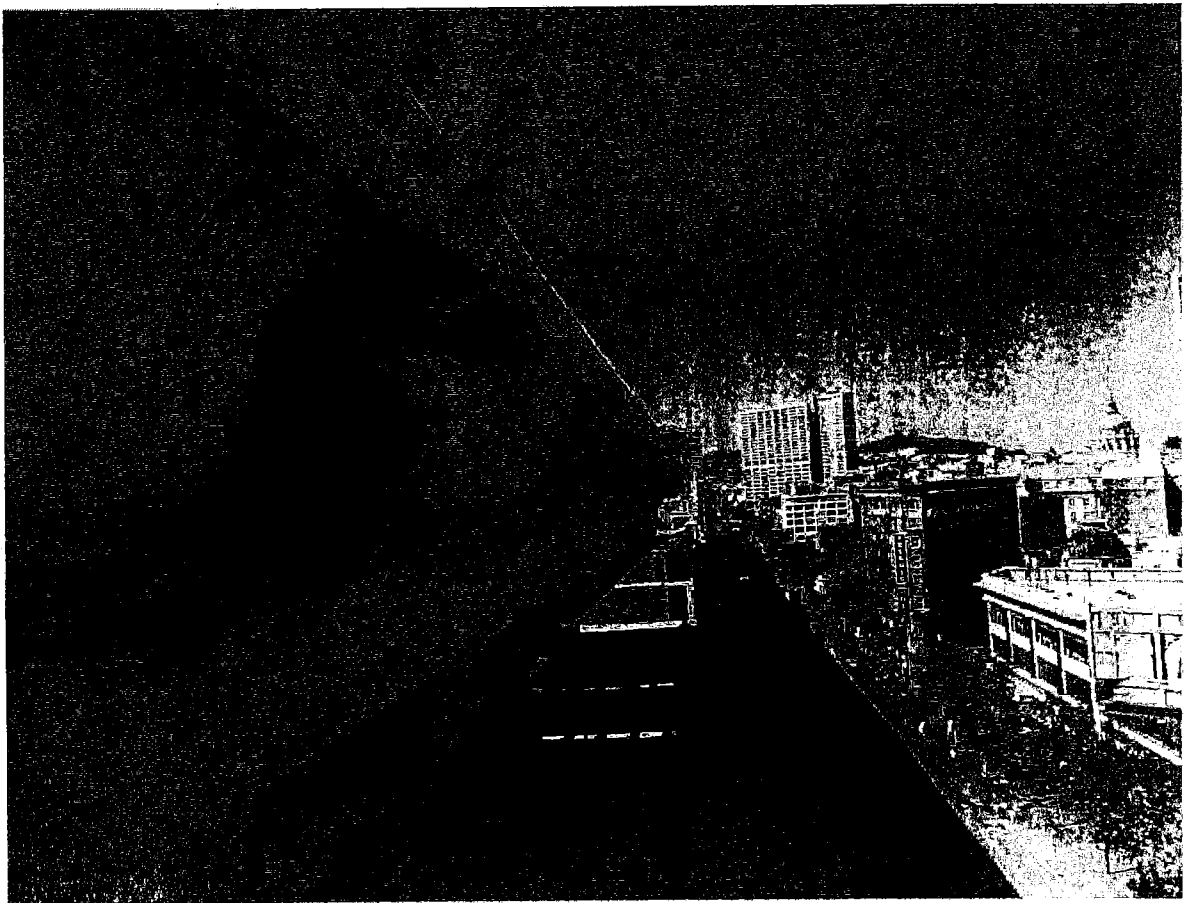


Existing view of Market Street Façade

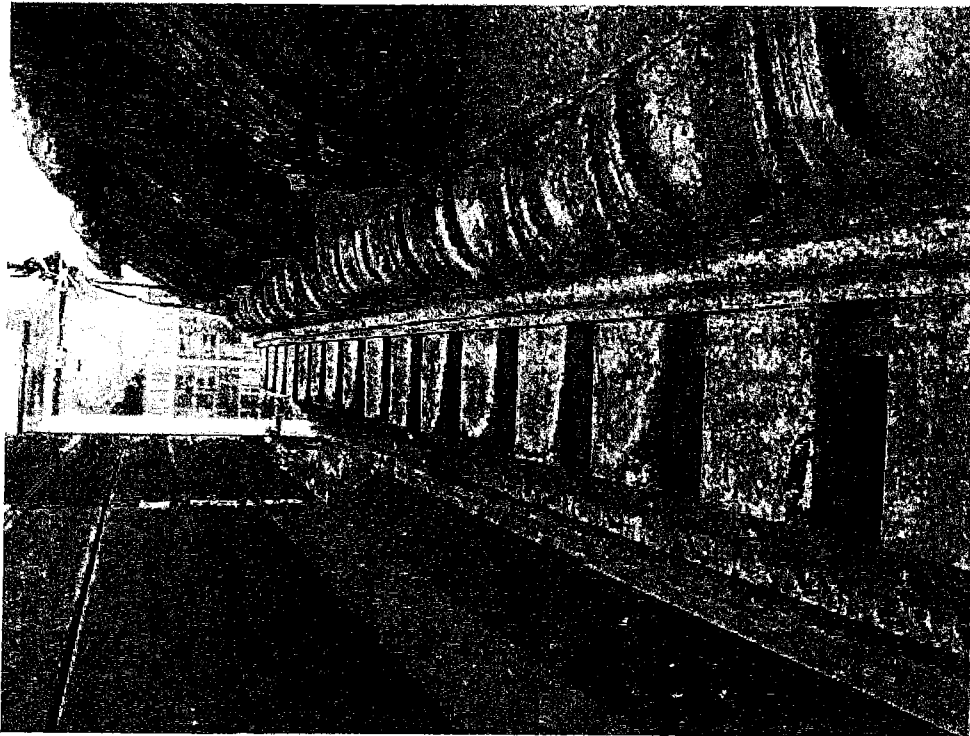
Market Street Façade – Existing Condition, Alterations and Treatment Recommendations

Sheet Metal Cornice

The sheet metal cornice is generally in fair condition and shows evidence of localized corrosion and wear. While a majority of the sheet metal is sound and may show only surface corrosion, some areas have corroded through and will require sheet metal patching or replacement, particularly at joints and horizontal ledges. Seams and joints that have come apart will also need to be patched or re-fastened. The dentils generally exhibit a higher level of corrosion. The decorative panel at the end of the entablature (facing east) has separated and come apart at several seams. These should be repaired and re-fastened. Its counterpart at the opposite end (facing west) is missing its decorative inset panel, which is infilled with a temporary piece of unpainted sheet metal. While the panel surrounds are extant, the missing central panel should be replaced. Existing holes, missing pieces, and open seams have allowed birds to enter the hollow framed cornice structure, where accrual of pigeon waste has likely led to faster deterioration of the lowest cornice area (underside triangular coffer). The triangular coffer exhibit extensive rust-through, are sagging, and have become partially detached. Replacement of these elements is likely necessary, but at a minimum, they will need to be repaired and reattached. Holes in the cornice have been cut just above the column capitals (two at each capital) to allow for steel outriggers to extend beyond the columns. The entire cornice should be cleaned of rust, repaired, patched, and painted.



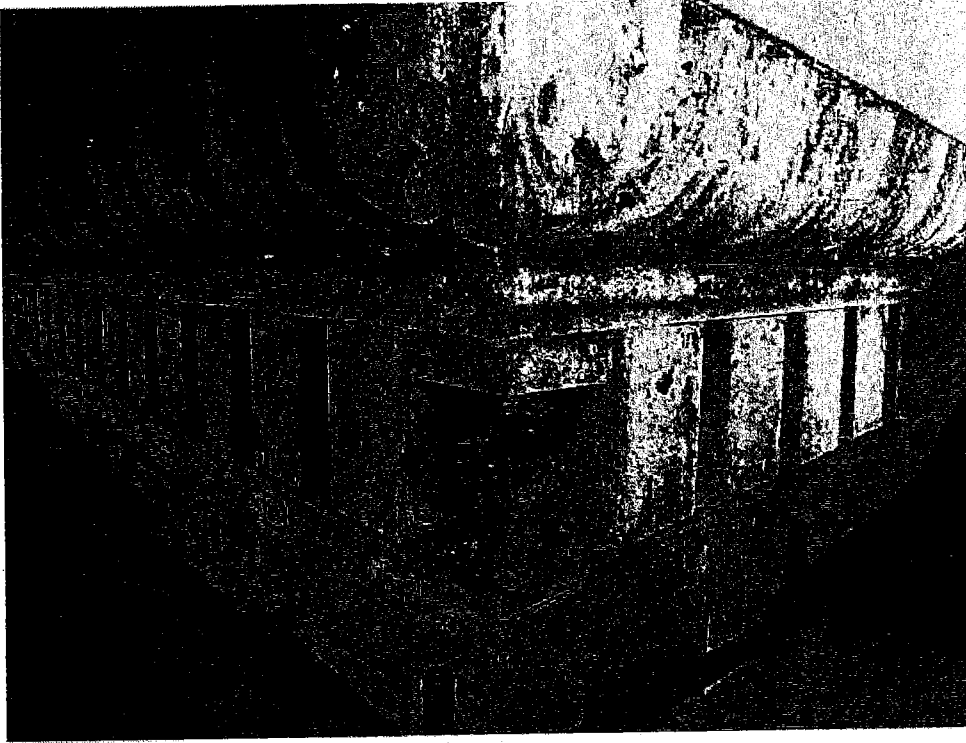
Detail of lion's head ornament



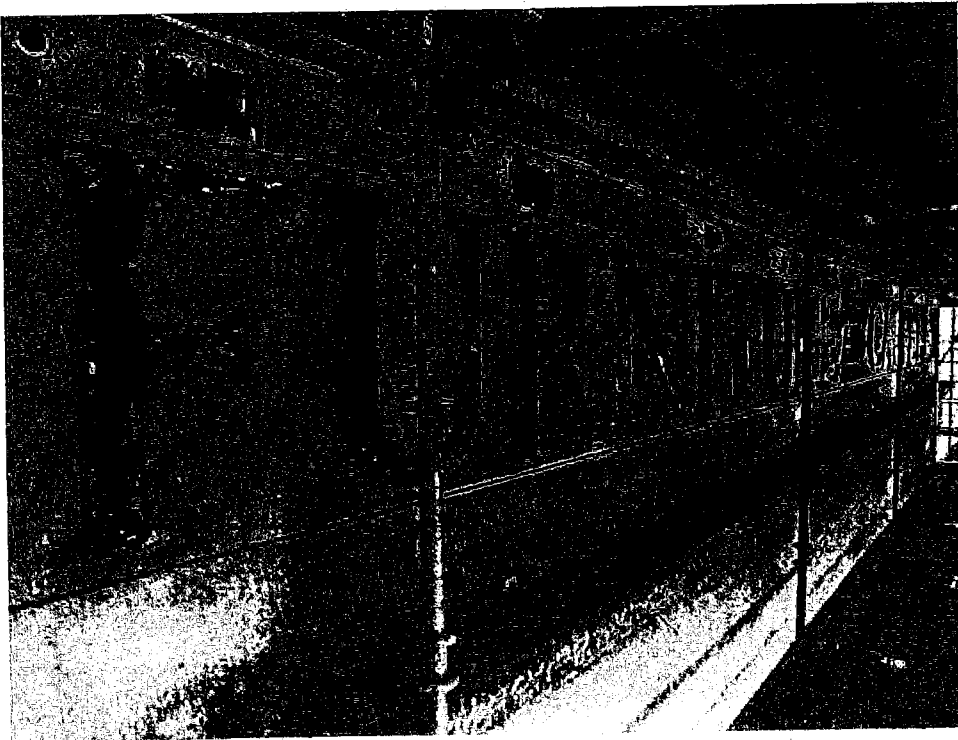
Detail of deterioration pattern at dentil course



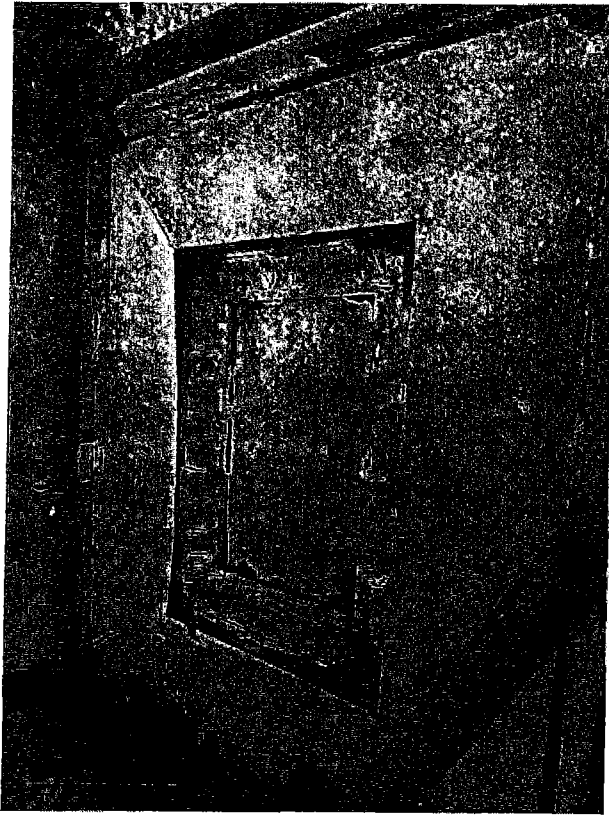
Detail of floral medallion at coffer with light socket



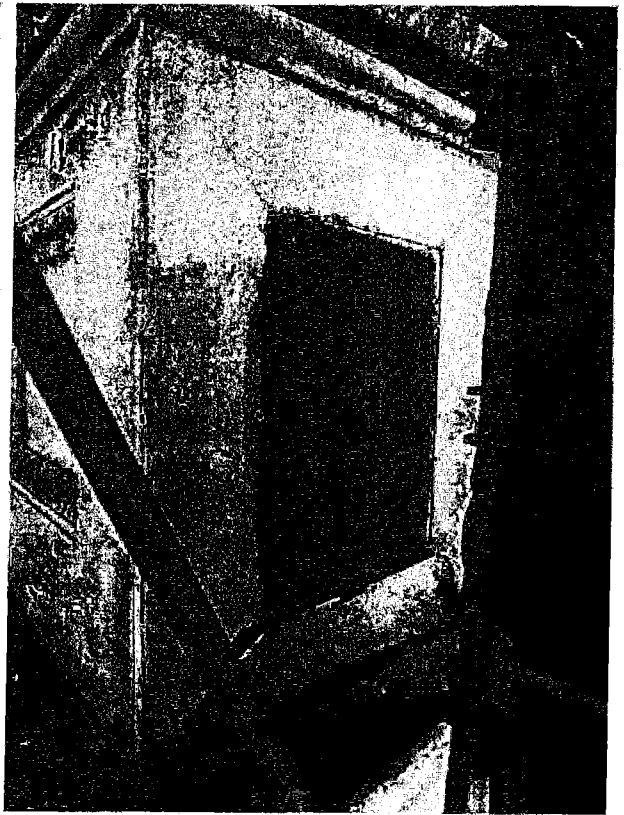
Detail of deteriorated element at dentil course



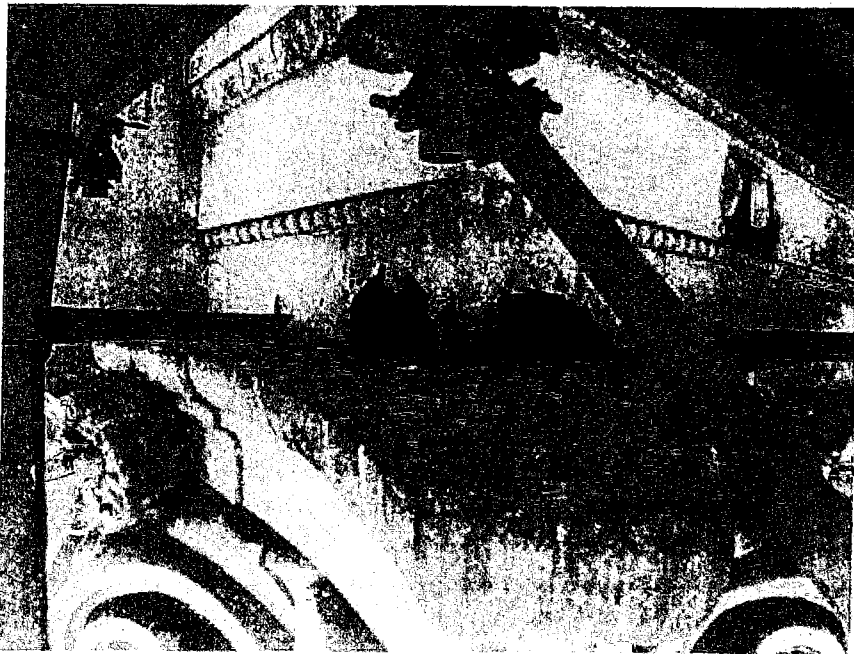
Detail of central entablature panel



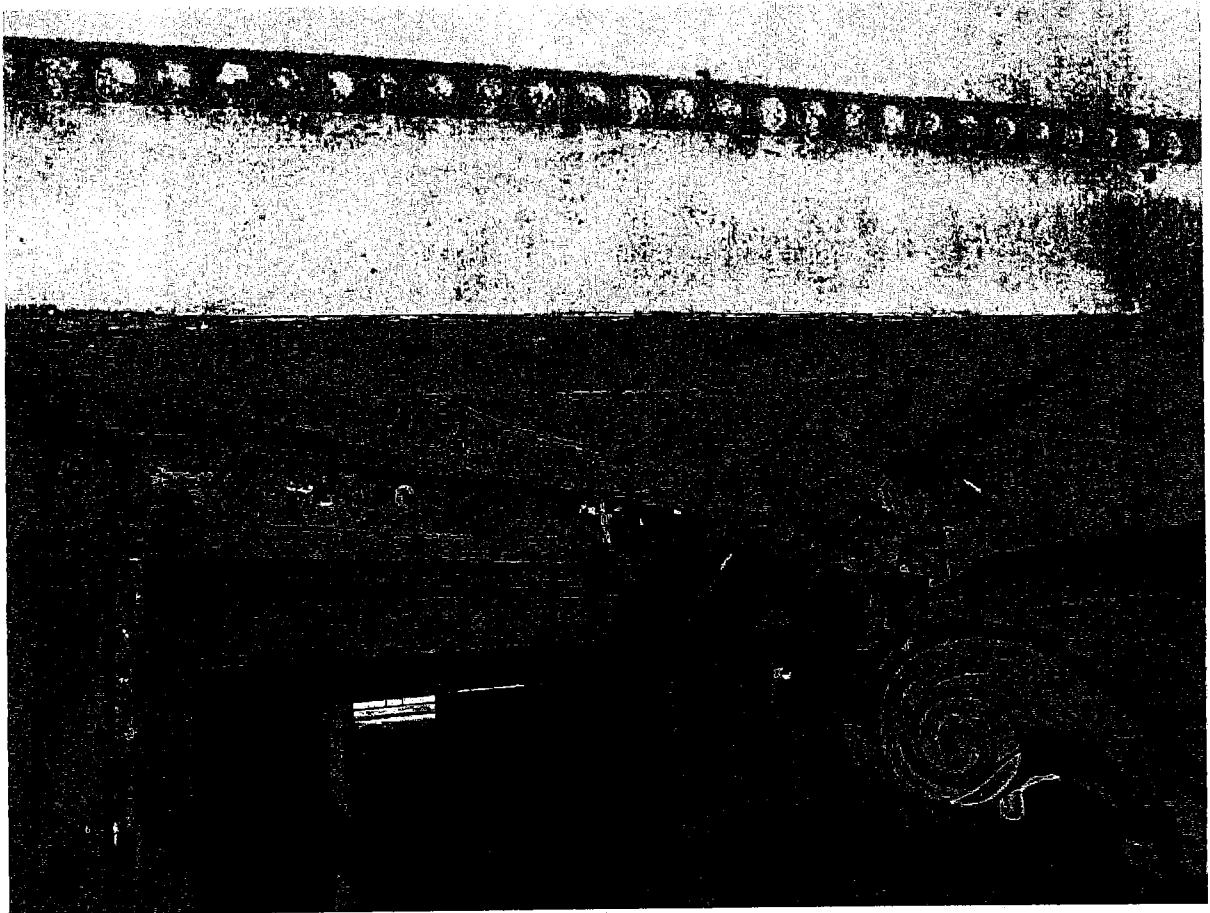
View of east facing decorative panel



View of corresponding west facing decorative panel missing its central panel



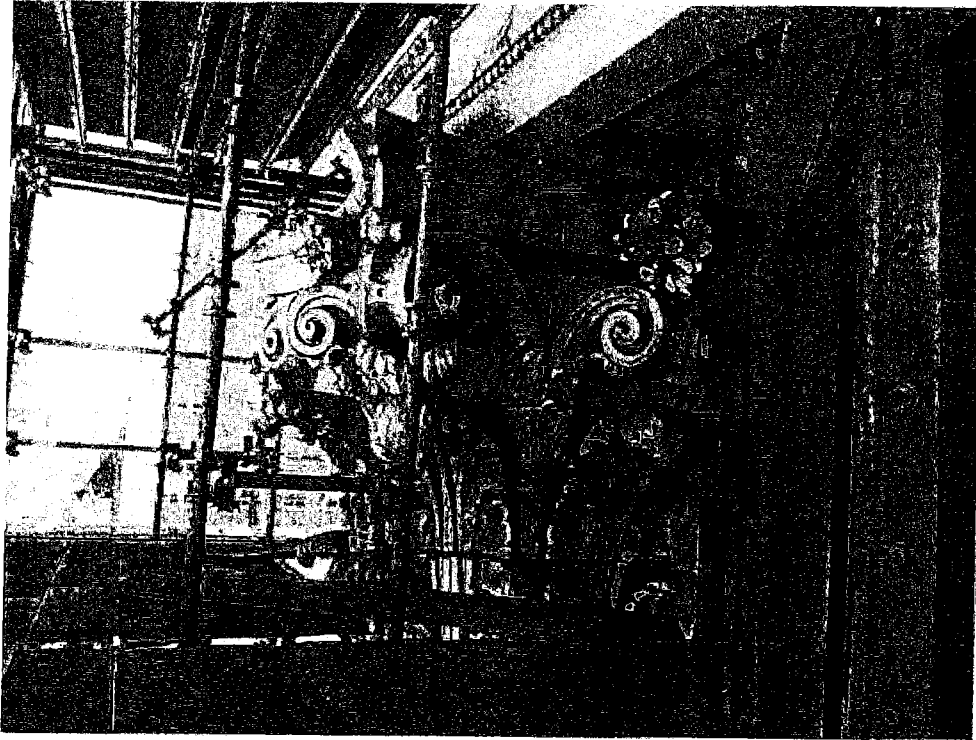
Detail of deterioration and holes where birds enter as well as steel outriggers atop column capitals



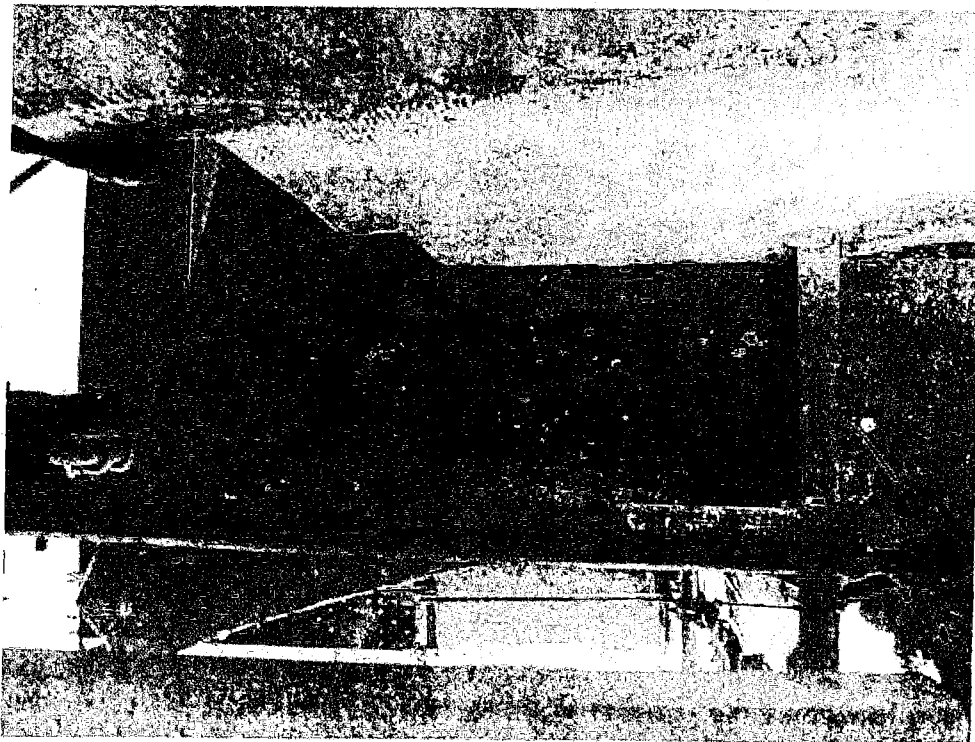
Detail of triangular coffer above window system

Terra Cotta Columns and Base

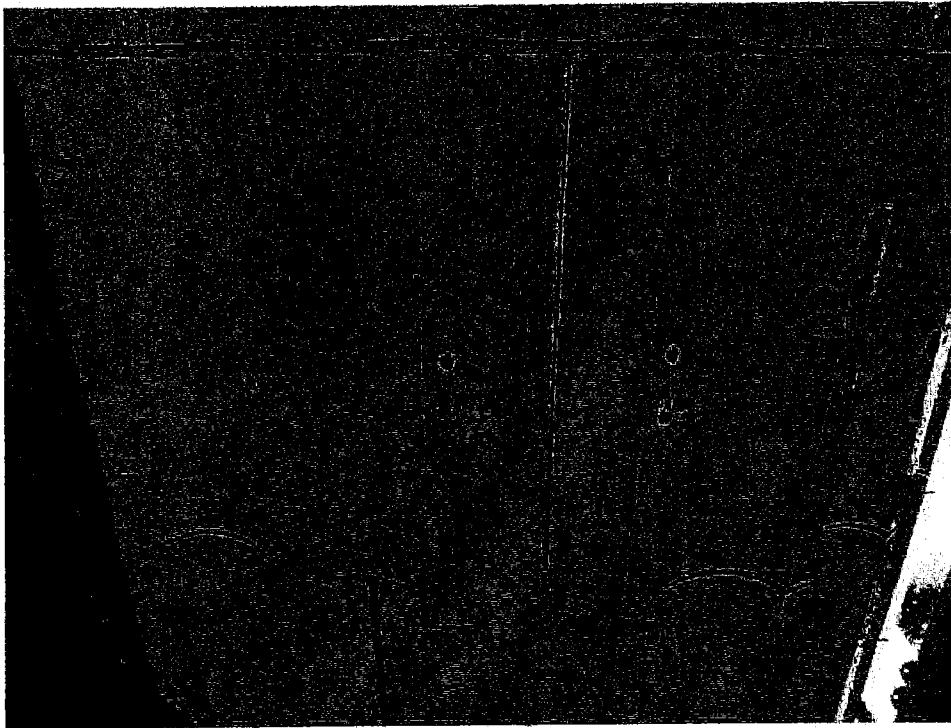
The massive Corinthian capitals and column shafts are composed of several smaller terra cotta blocks. Some minor spalling has occurred at the capitals. Displacement of the top portion of the western column is evident and should be evaluated for proper mechanical anchoring and re-secured as needed. The western column and capital also appear to have suffered more cracking than the eastern column and capital. Occasional stress cracks occur at various locations through individual terra cotta blocks at the columns and capitals. The cause of the cracking should be determined and corrected. Many small holes with metal inserts/sleeves are extant at the columns. These appear to have no use, and some locations exhibit minor spalls and cracks radiating from the sleeves. These sleeves should be removed. A more substantial crack runs vertically through several blocks where the engaged eastern column abuts the adjacent building. This may have been caused during movement related to a seismic event, but the exact cause should be investigated. The terra cotta base, above the storefront and below the large window system, is partially covered in bird excrement, has a few areas of biological growth, and contains some metal anchors and sleeves that should be removed. The terra cotta at the capitals, shafts, and base should be cleaned. Repairs to the cracks, spalls, and holes should be made with terra cotta patching compound. The mortar joints at the terra cotta have reached the end of their useful service life, and the joints should be repointed with mortar that matches the original to protect against water infiltration. Flashing may be considered to protect the tops of the column capitals and at the terra cotta base.



Detail of east column capital



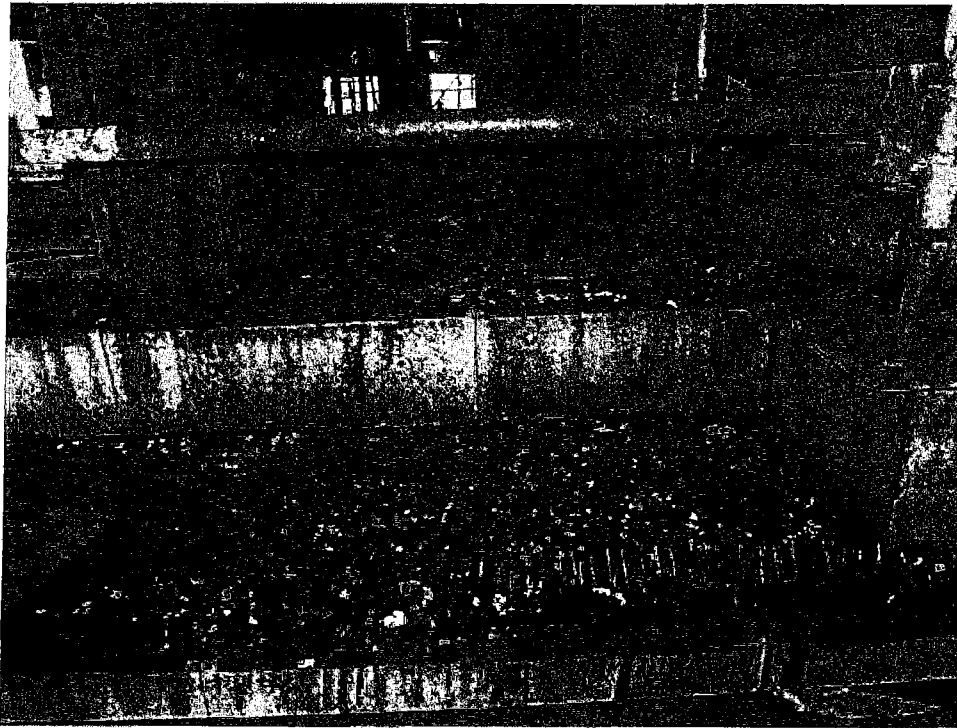
Crack through top of west column capital



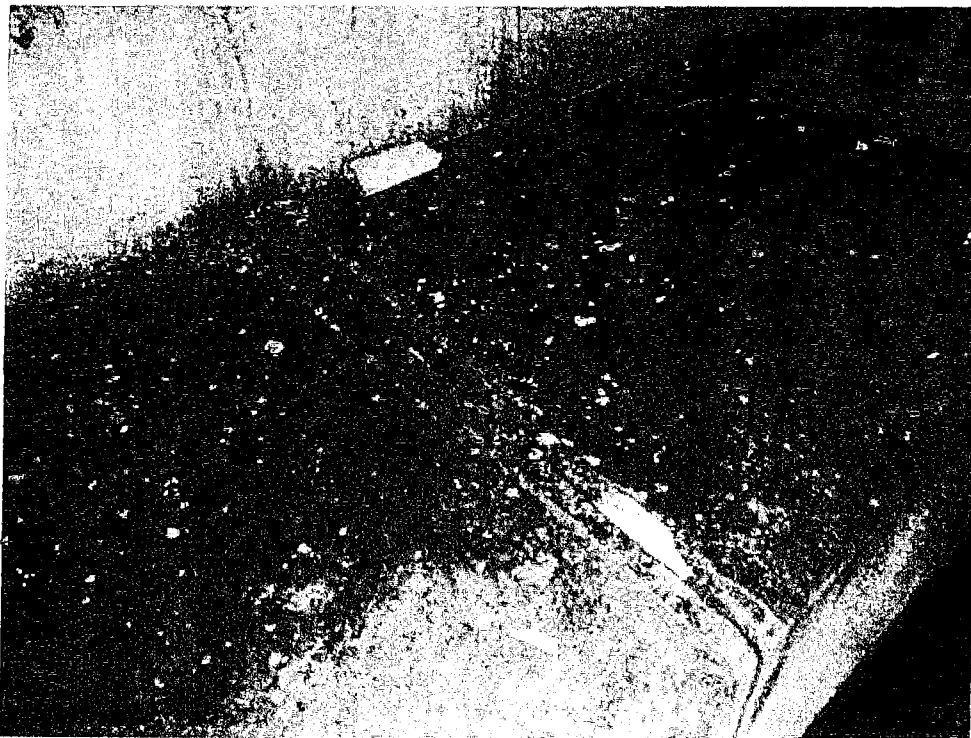
Typical metal inserts at terra cotta columns



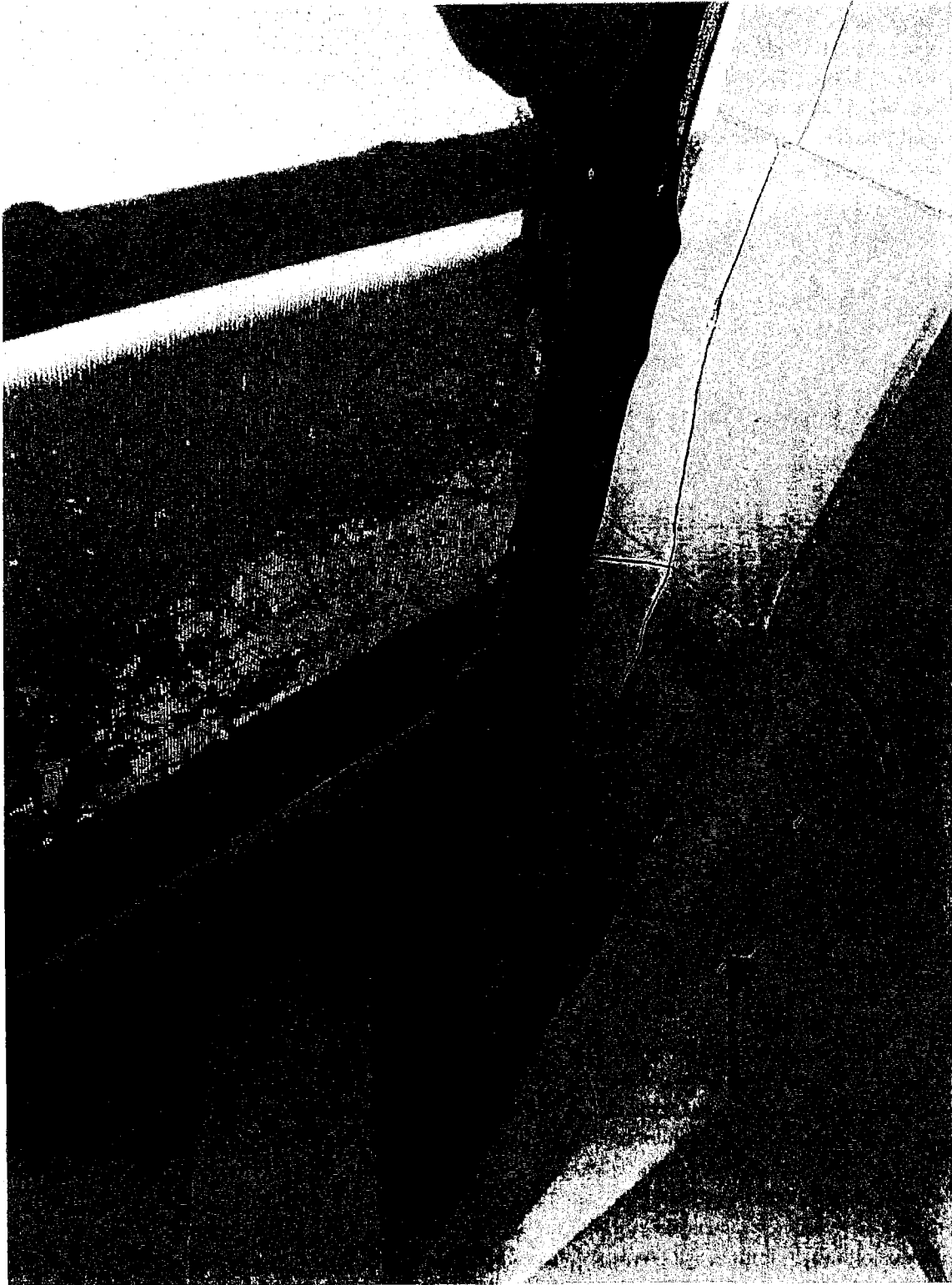
Terra cotta at upper portion of building base



Bird waste and at top of building base



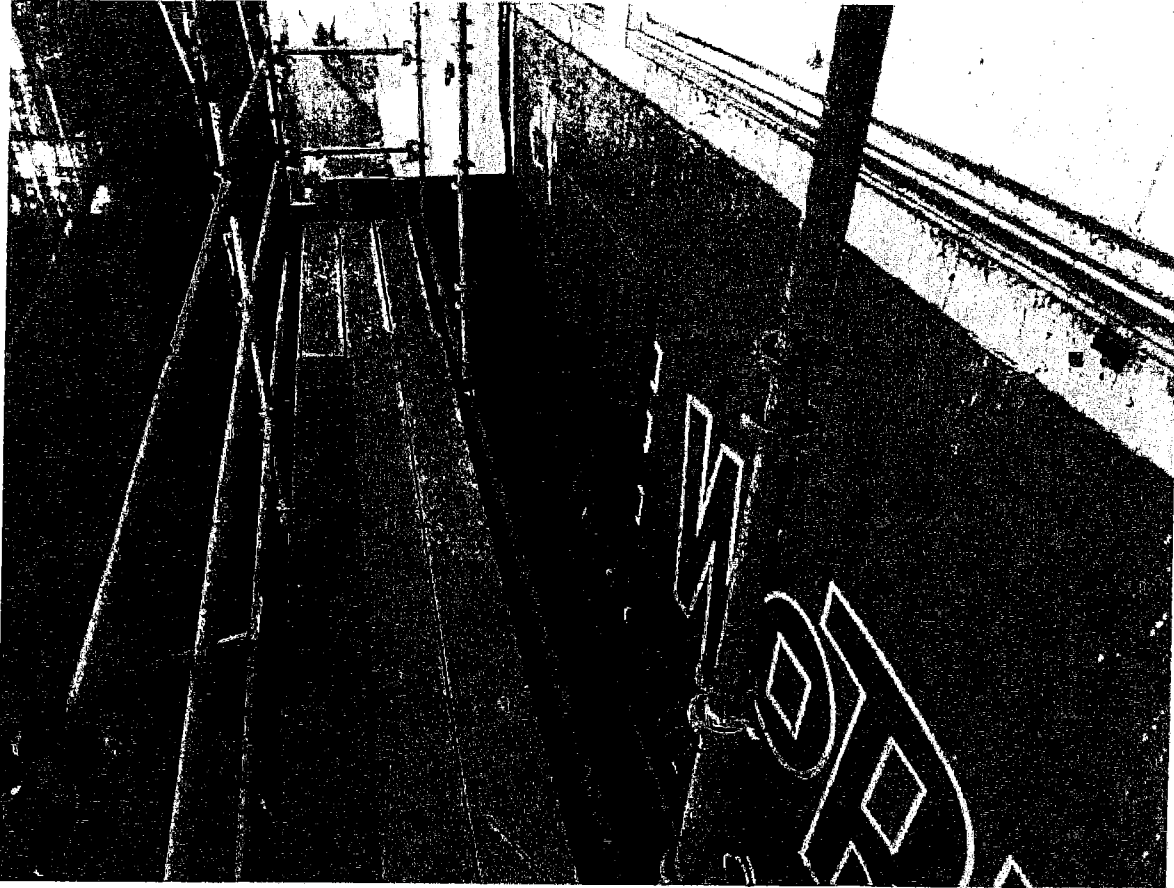
Typical metal anchors and embeds at building base



Cracked terra cotta at east column near adjacent building

Storefront

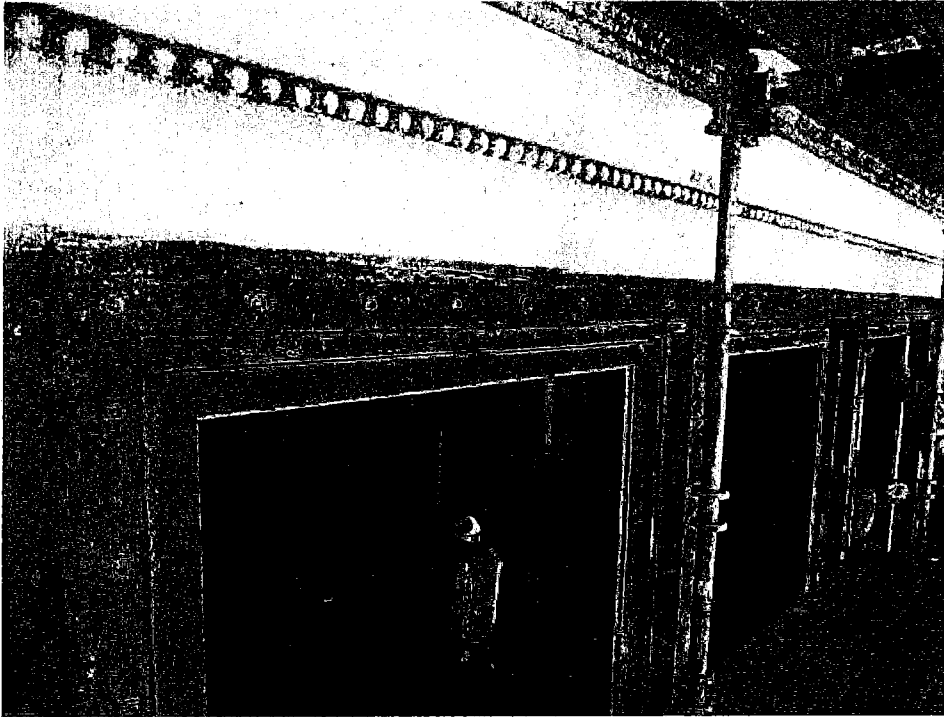
The original storefront was removed at some time prior to 1964 and was infilled with a horizontal band of cement plaster/stucco that contains three smaller steel windows. A shorter glazed storefront remained below the cement plaster area. A utility roll-up door has been installed, and an older terrazzo walking surface at the entry still remains. It is unknown if the terrazzo is original. Current plans allow for the removal and replacement of the non-original portion of the storefront.



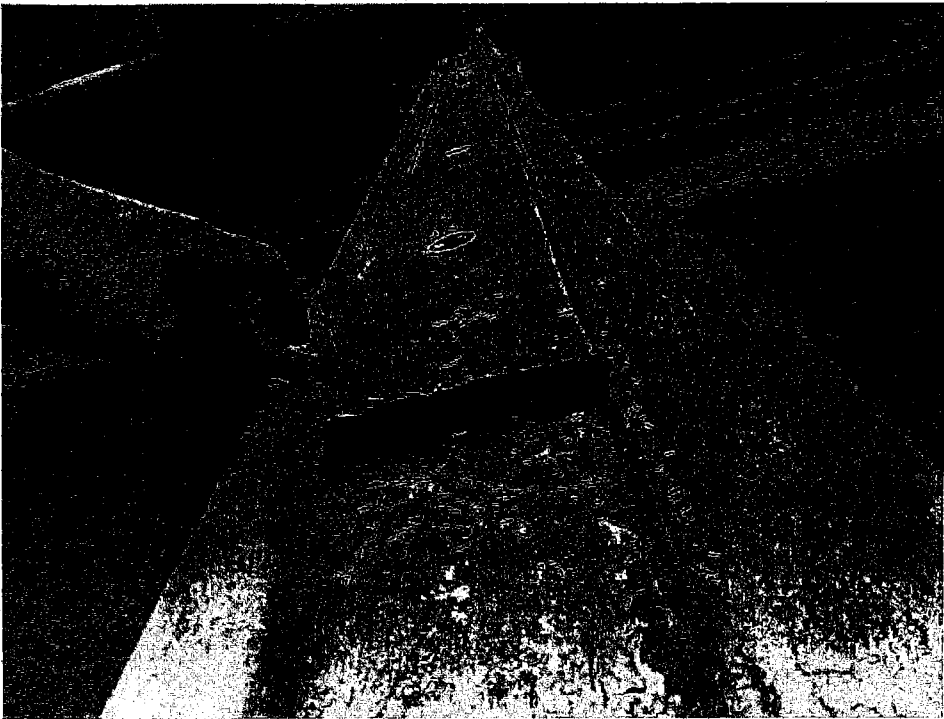
Existing stucco infill at storefront area to be removed

Chicago/Bay Window

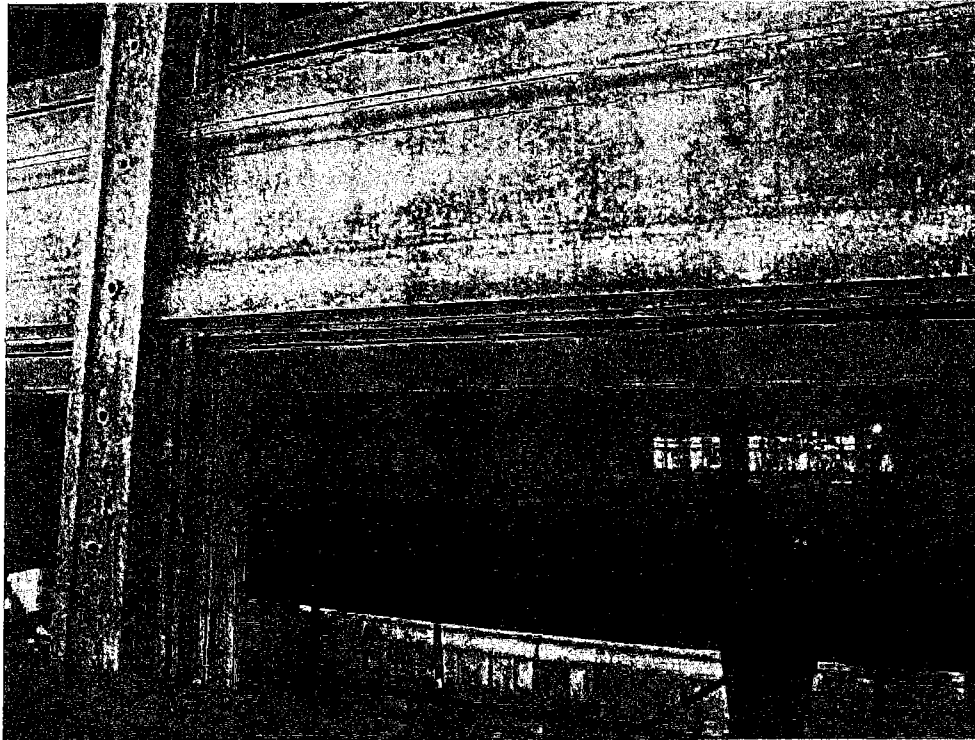
The large Chicago bay window with wood sash and sheet metal mullions and spandrels appears to be in good condition. Some minor wood deterioration and joint separation are evident at the sash, but appear to be repairable and within the realm of typical wood repair. Several of the splayed flag holders are missing. The extant flag holders usually exhibit broken components (with at least one of the flag supports damaged). Flag holders that are removed for glass replacement or wood repair should be reinstalled. Replacement of the missing and/or broken flag holders to match the originals would be appropriate. The non-working light sockets should be replaced in the existing metal panels to meet code for exterior exposures and should retain the original spacing, location, and configuration of the light sockets. The large clear panes of glass should be replaced with clear safety glazing. Loose or unsound paint should be removed from the metal and wood elements at the window system followed by patching/repair of the substrates and repainting.



Window mullions and frame below sheet metal cornice architrave



Typical removable metal panel at mullions with light sockets



Detail of typical sheet metal spandrel panel



Typical painted metal flag holder

Stevenson Street Façade – Original Construction

The south façade at Stevenson Street is comprised of metal clad wood window assemblies set into rectangular openings in the parged concrete wall. The openings are regular and consistent, spaced equally across three structural bays, and occur at all seven floor levels.

All window systems are identical, except at level three, where additional height allows for a horizontal transom row above the typical window system, and at the ground level where a series of louvers and doorways interrupt the regularity of the windows. A few louvers have also been inserted into the existing framework at the second level. The typical window assembly is symmetrical and is comprised of three two-over-two double hung sash, which are separated by two wider fixed window sash that match the adjacent sash and light configuration/alignment/spacing. All of the wood window components are clad in painted sheet metal.

The parged concrete walls are flush from ground to parapet with the exception of simple projecting rectangular sills below each window and a simple running/struck cornice terminating the top of the wall.

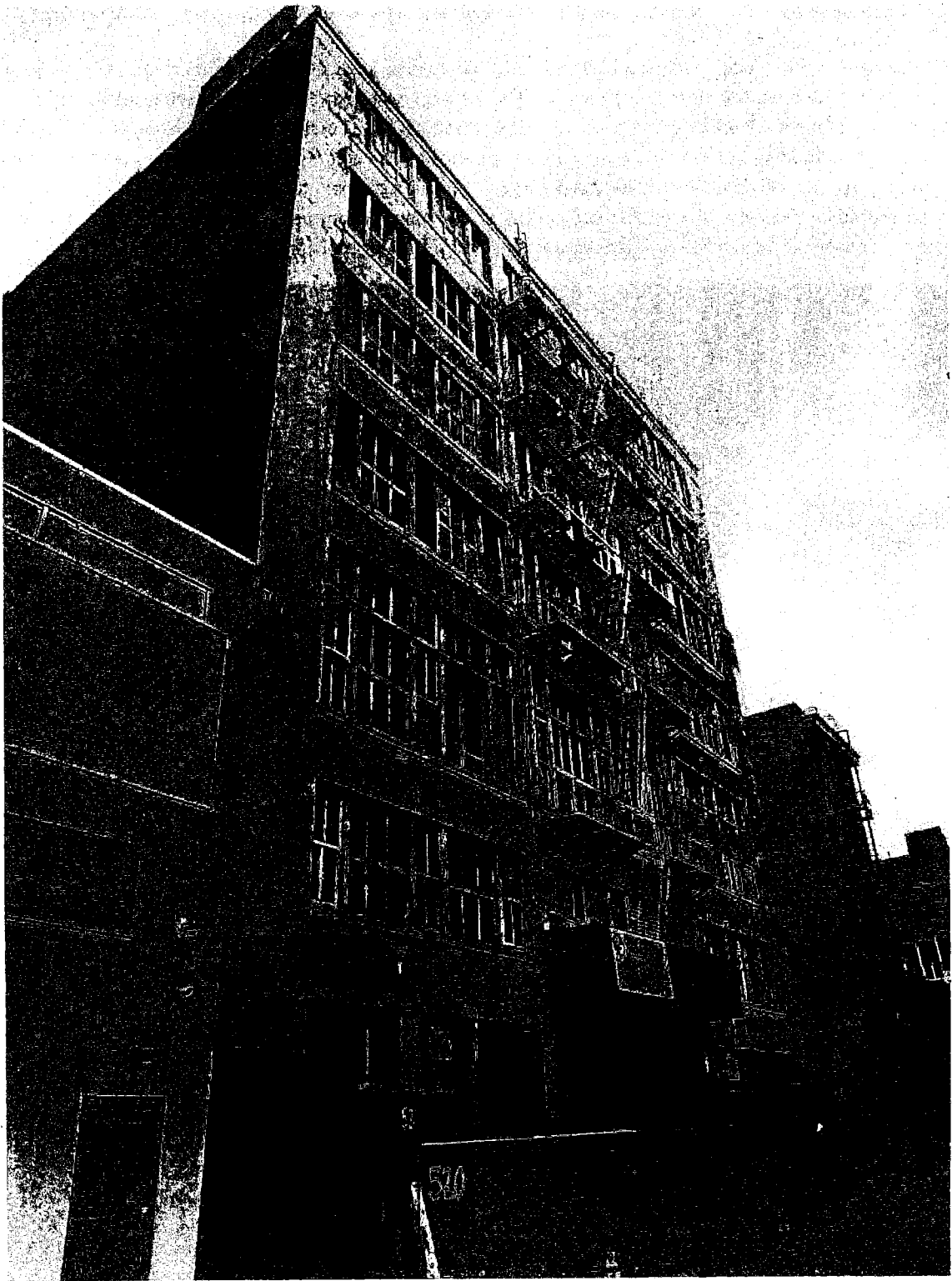
An iron fire escape stretches from the second level to the seventh level at the center structural bay.



View of Stevenson Street façade looking up



View of Stevenson Street façade looking up showing typical locations of double hung sash being replaced with new wood double hung sash. (Replaced sash areas shown in RED).



View of Stevenson Street facade

Stevenson Street Façade – Existing Condition, Alterations and Treatment Recommendations

Parged Concrete Wall

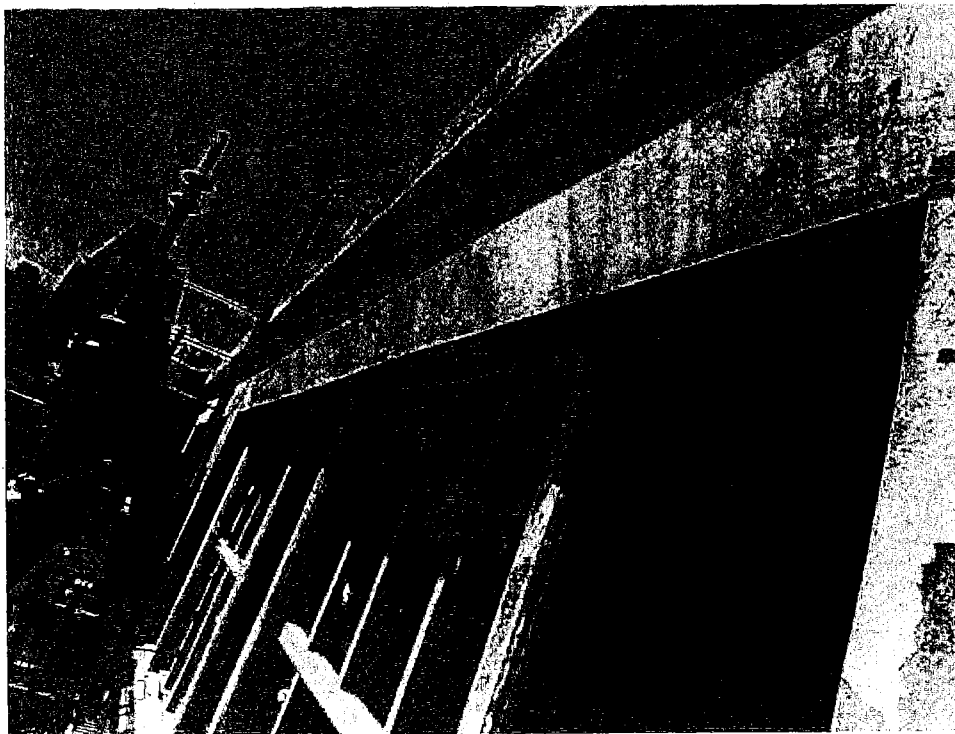
The parged concrete wall exhibits widespread spalling, related to poor quality concrete and the location of steel rebar and reinforcing too close to the surface. The location of the steel near the surface results in a lack of protection of the steel, with the steel consequently corroding. The corroding steel expands as it rusts, eventually cracking and spalling the concrete wall and parged surface. The entire wall should be surveyed for deteriorated and debonded/cracked/spalled concrete and parge. These areas should be removed to sound substrate, and the steel should be cleaned of rust and treated/coated. Supplemental reinforcing should be installed as needed, and the surface should be patched to match the original color, texture, and appearance.



Typical spalling at parged concrete



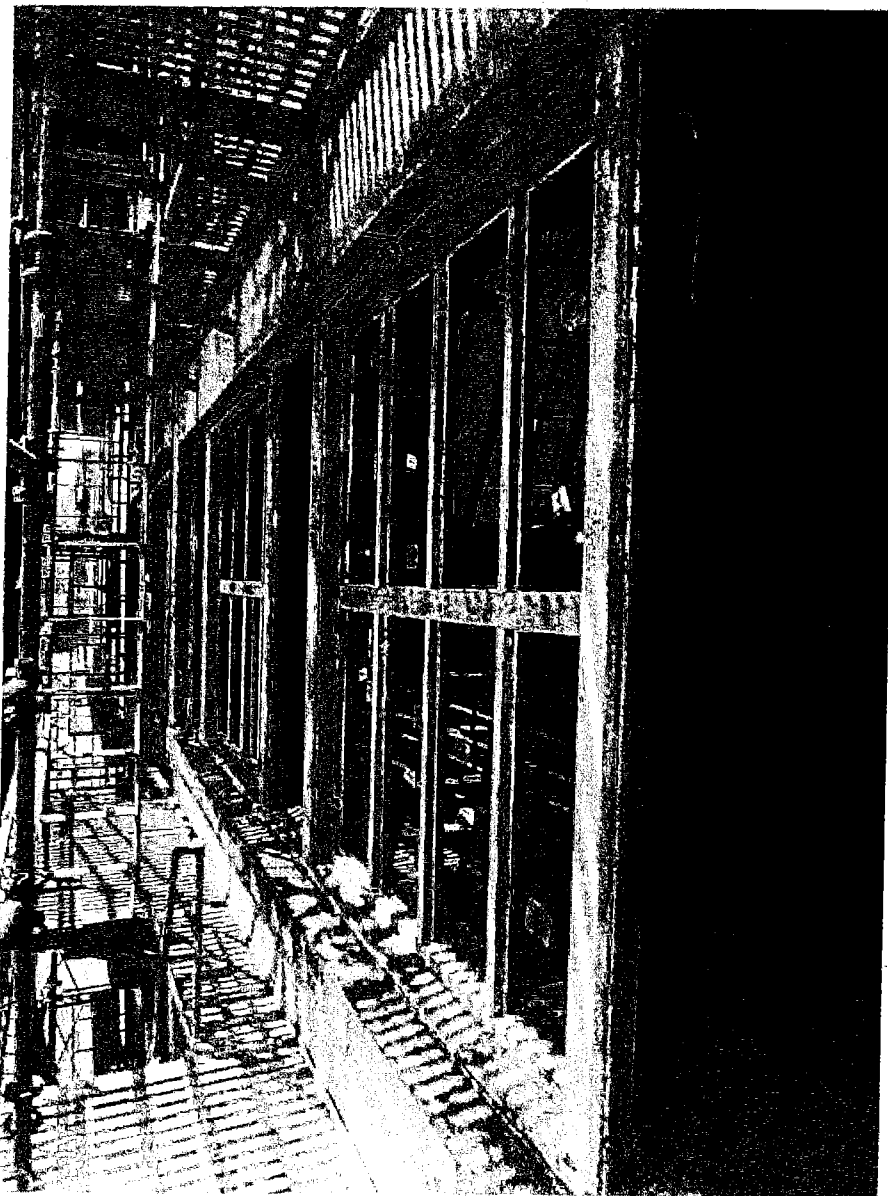
Typical spalling at paraged concrete



View of concrete cornice and upper portion of wall at Stevenson Street

Metal Clad Wood Windows

The metal clad wood windows are in fair condition, requiring minor wood repair/replacement. Over time, some windows have been retrofitted and altered, including the removal of some muntins and the insertion of some aluminum windows and louvers into the existing framework. The windows should be repaired to match the original, including replacement of missing muntins and other elements. According to the contractor and project sponsor, the double hung sash are in disrepair, and matching replacements have been fabricated for installation. The obscured wire glass was mismatched and is being replaced with clear insulated glazing units for better thermal performance and to gain views out. Current plans allow for enlargement and replacement of the ground floor windows and door systems similar in appearance and construction to the original windows above.



Detail of Stevenson Street windows (double hung sash currently removed where open)

Iron Fire Escape

The iron fire escape appears to be in fair condition. Corroded areas should be treated and repaired prior to coating with paint. This should including areas where the fire escape is embedded into the wall.

Loose or unsound paint should be removed from all surfaces and as needed to allow for substrate repairs. Following treatment, all surfaces should be repainted

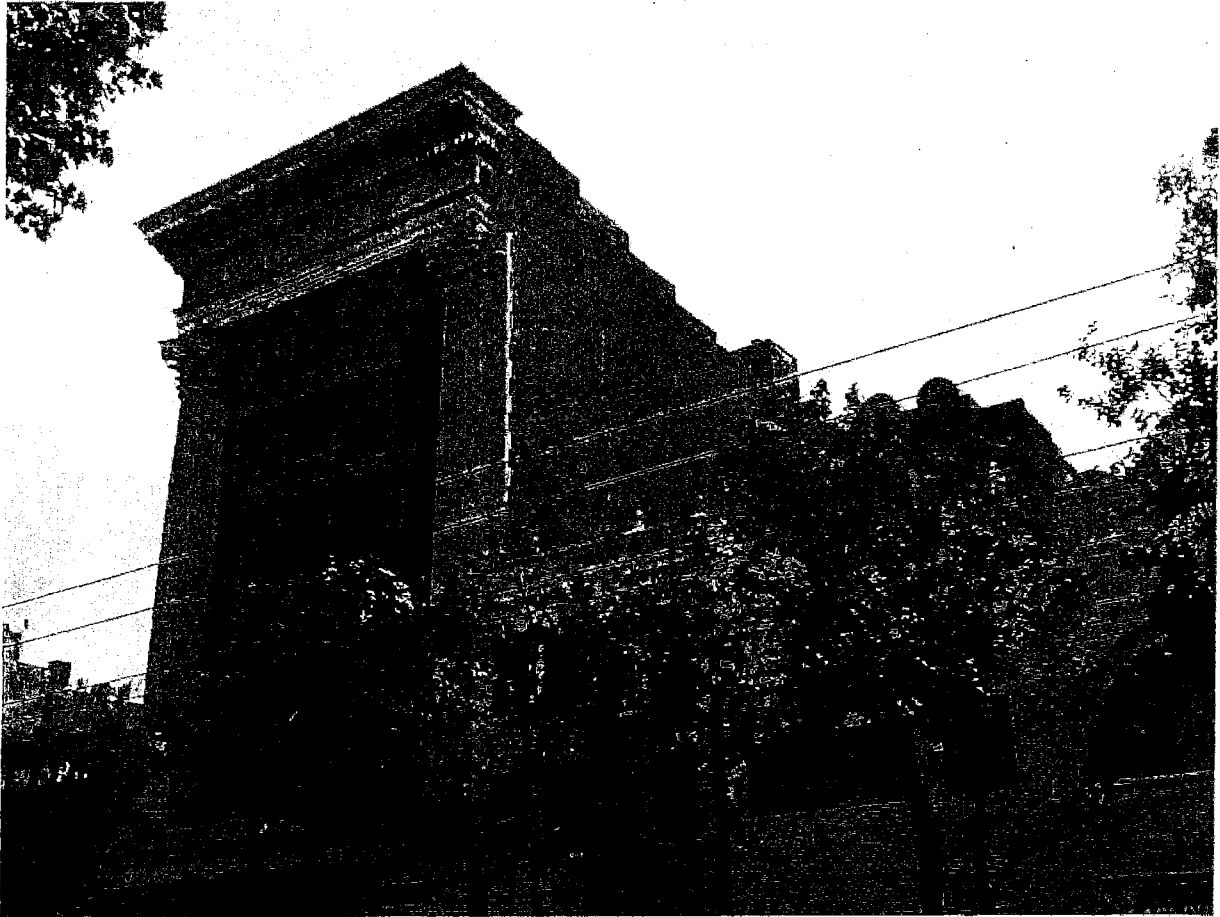
East and West Brick Façades – Original Construction

The east façade is a single expanse of solid brick masonry. The west façade generally follows the footprint of the site, extending south from Market Street, jogging east, south, and east, and then south again to Stevenson Street. The west façade is also a single expanse of solid brick masonry with the exception of vertically stacked window openings (four at each floor) in the area where the façade jogs. Various metal plates are extant at each elevation where they connect to internal tie rods.

Historic photos indicate that signage was painted onto the sides of the building near Market Street for advertising.



View showing east façade near Market Street



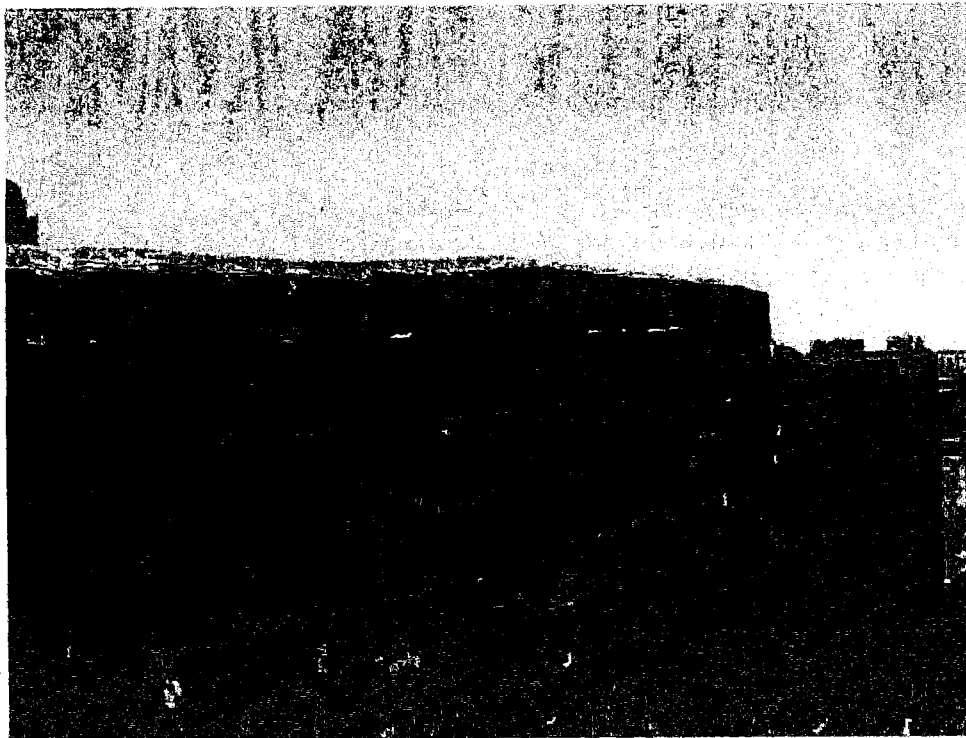
View showing west façade near Market Street

East and West Brick Façades – Existing Condition, Alterations and Treatment Recommendations

The east and west facades remain largely unchanged, though the window openings at the west façade have been infilled with concrete. The brick walls exhibit eroded and deteriorated mortar joints as well as vertical cracking at the windows of the west façade. It appears the cracks have been patched, and it is unknown if they continue to experience movement. The walls should be repointed and brick repaired as necessary. Cracks, particularly at the windows, should be evaluated prior to repointing and repair. A section of the brick coping (top brick course) near Market Street on the west façade has completely detached and needs to be re-laid. This is possibly related to metal anchorage within the wall. If metal is found, it should be treated and painted prior to re-laying the brick. Various areas of the east and west walls exhibit over-paint while others are exposed brick. These areas could have been signage and also are likely related to over-painting of graffiti throughout the years. Functioning metal plates and attachments should be treated for corrosion and repainted, while non-functioning anchors and attachments should be removed. Removal of the paint at the brick should be considered, but should be executed with strippers or other methods that will not damage the brick. Painted signage may also be considered in zones where it was historically located and as reviewed and approved by the City.



West façade existing condition



Detail of debonded brick course at top of west parapet

Inflated window configuration at west facade

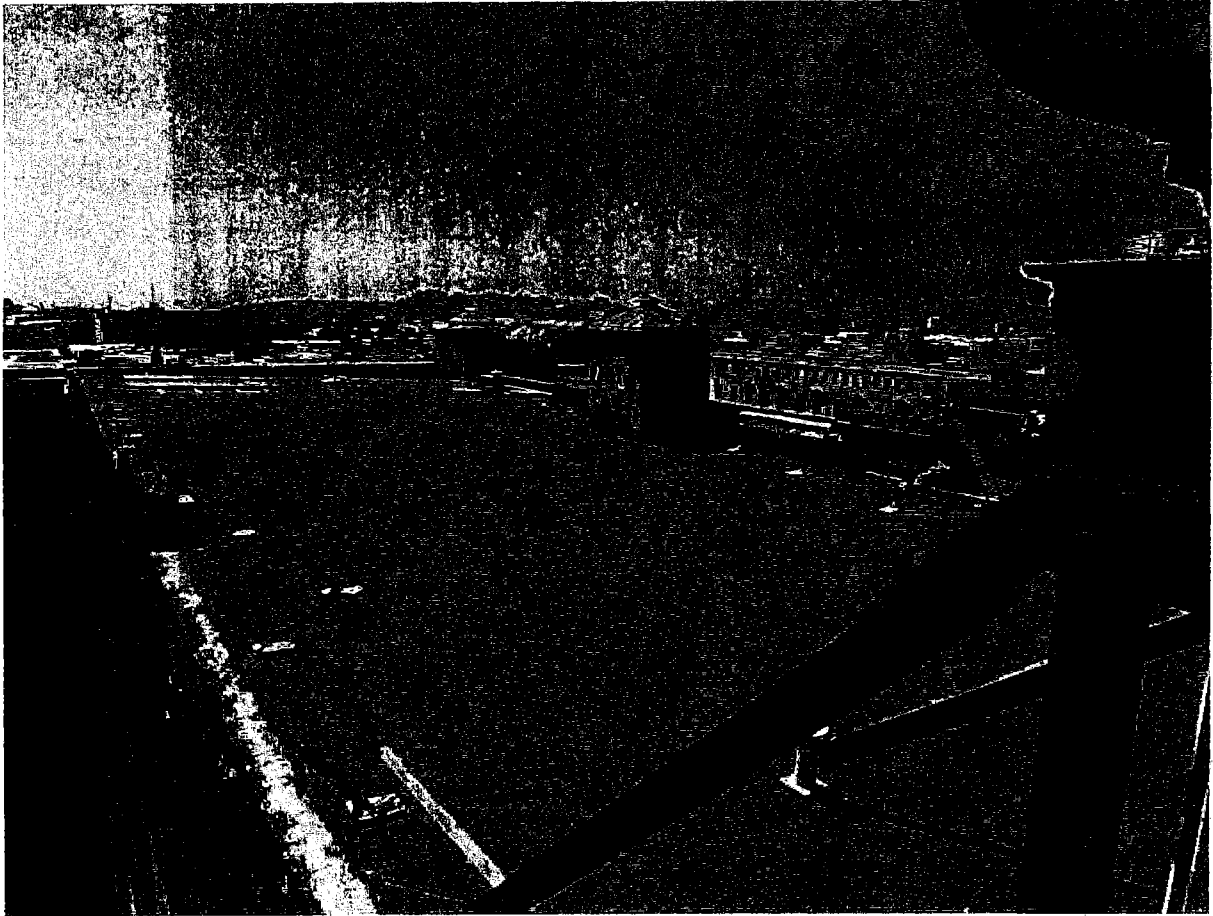


Roof – Original Construction

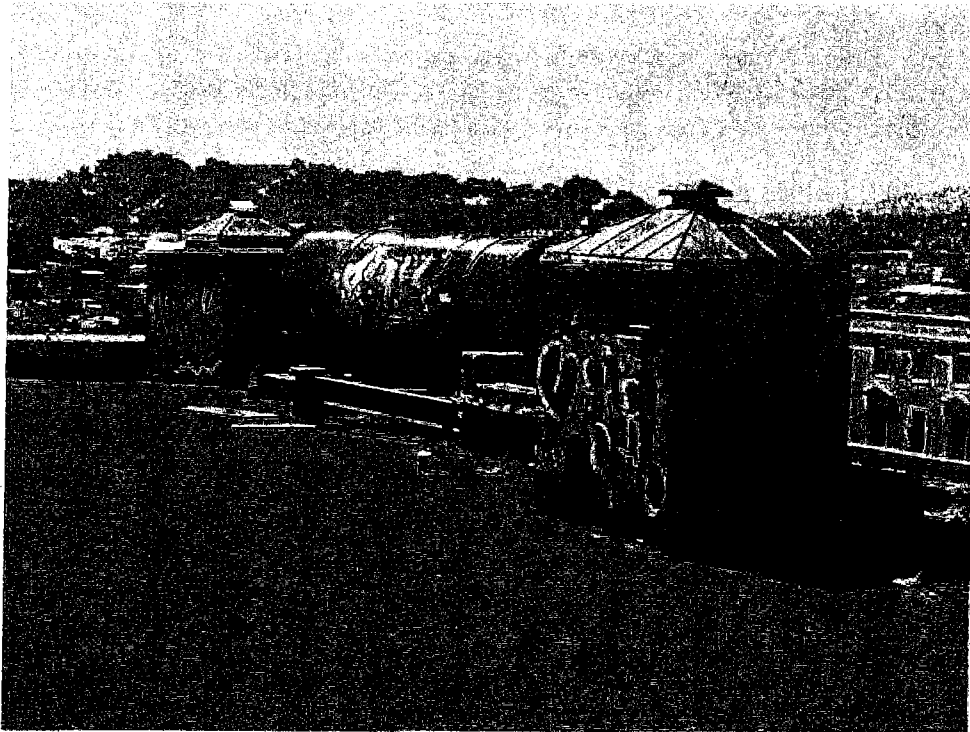
Little is known about the original materials at the roof. Remaining elements include two penthouse structures with vented skylights over them as well as two water storage tanks. The back of the Market Street cornice appears to have been horizontal wood siding, recently exposed by the removal of later wood siding.

Roof – Existing Condition, Alterations and Treatment Recommendations

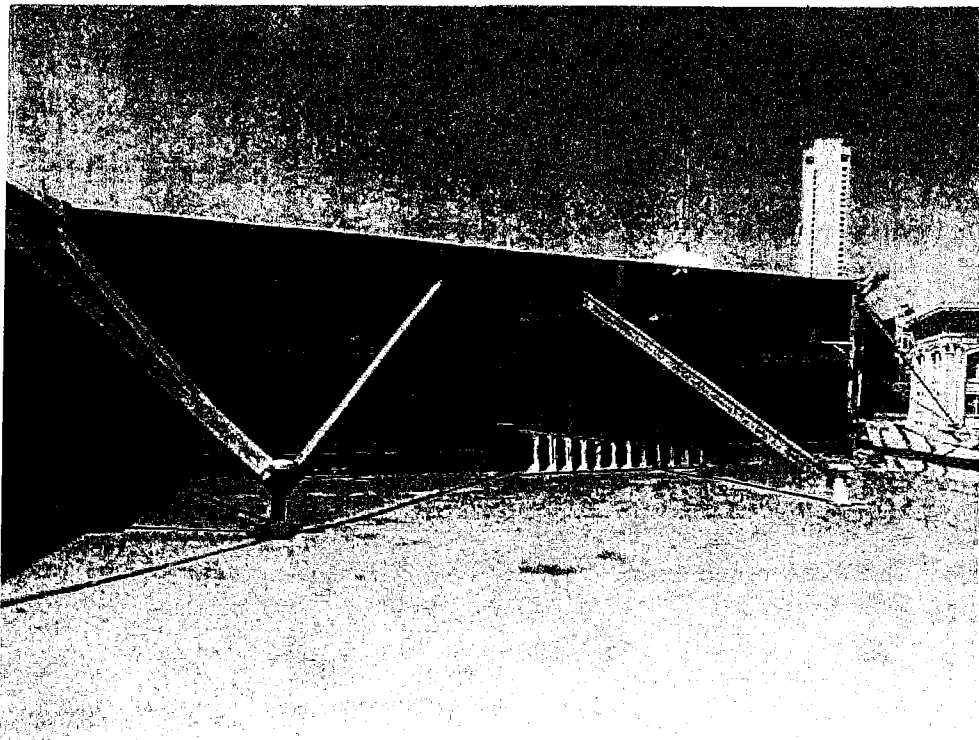
The main priority at the roof should be waterproofing. Elements at the roof are generally functional and non-contributing, as they are mostly concealed behind parapets. The penthouses with skylights still remain, as do the unused metal water tanks. The roofing membrane and flashings have reached the end of their useful lives and should be replaced. Sheet metal flashing should also be installed at the parapet caps. The paint should be maintained at the penthouses, skylights, water tanks, and any exposed wood siding.



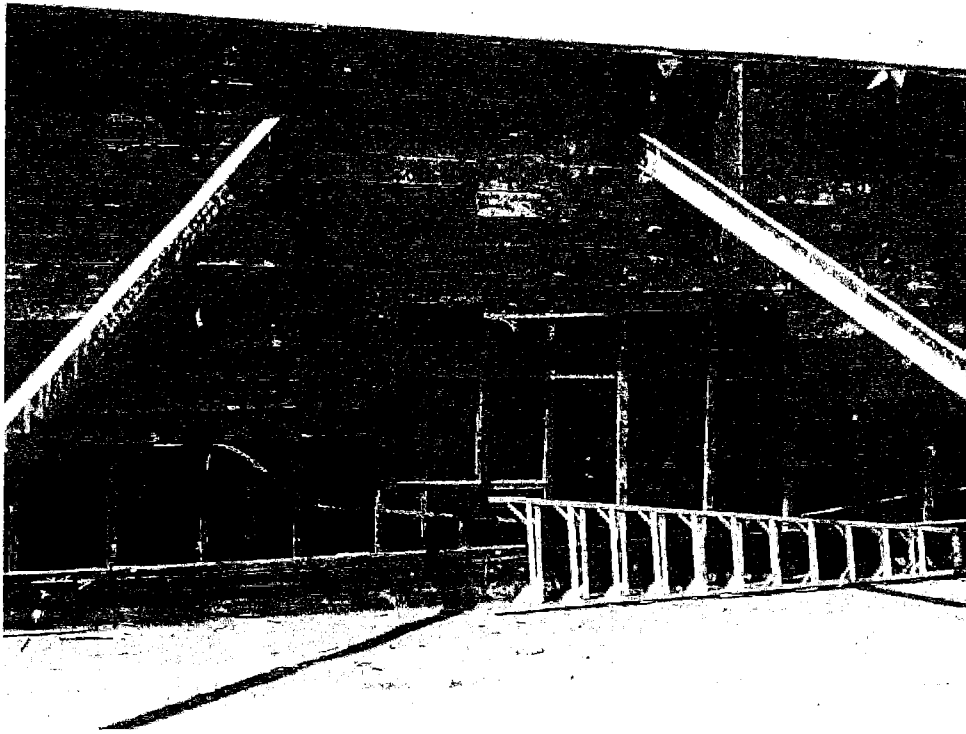
Overall view of existing roof



View of roof penthouses and water tanks



View toward back of cornice area at Market Street showing recently exposed wood siding/sheathing



Detail of wood siding at back of Market Street cornice area

DETAILED MAINTENANCE AND REPAIR CYCLES

For detailed maintenance recommendations and repair cycles, refer to the Rehabilitation/Restoration/Maintenance Plan.

V. EXHIBIT D: SECRETARY OF THE INTERIOR'S STANDARDS ANALYSIS



CHARACTER-DEFINING FEATURES

For a property to be eligible for national, state, or local designation under one of the significance criteria, the essential physical features (or character-defining features) that enable the property to convey its historic identity must be evident. To be eligible, a property must clearly retain enough of those characteristics, and these features must also retain a sufficient degree of integrity. Character-defining features can be expressed in terms of form, proportion, structure, plan, style, materials and ornamentation.

1019 Market Street

Based on the architectural description and significance statement in the DPR 523A and 523 D forms, the character-defining features of 1019 Market Street that convey its significance as a commercial building or loft include:

- Mid-range height;
- Three vertical-part composition;
- Beaux-Arts ornamentation;
- Two large Corinthian columns which span from the third to seventh level;
- Prominent sheet metal cornice;
- Exterior terra cotta columns and base/water table;
- Chicago windows that project in a five story bay window;

Market Street Theater and Loft District

The following is a list of character-defining features of the Market Street Theater and Loft District:

- **Overall Form and Continuity:** larger scale structures occupying entire lots, with vertical emphasis. Buildings are commercial style, renaissance or baroque with other historicist elements;
- **Scale and Proportion:** typically 2 to 8 story buildings with flat roofs hidden behind parapets, two to three part vertical composition;
- **Fenestration:** double hung or Chicago style;
- **Building Materials:** steel frame/and or reinforced concrete (some brick bearing walls)
- **Cladding:** terra-cotta, brick, galvanized iron, stucco, sheet metal;
- **Architectural Detail:** typically lavish ornamentation of a historicizing character, such as columns, pilasters.

SECRETARY OF THE INTERIOR'S STANDARDS FOR THE TREATMENT OF HISTORIC PROPERTIES

The following section analyzes the proposed project under the *Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings*. The evaluation of the proposed project at 1019 Market Street pursuant to the California Environmental Quality Act (CEQA) is not within the scope of this report.

The following description of the proposed project is based on conversations with the building owner and architectural drawings produced by Studio TMI from February 2013. In addition to the property's exterior work described below, the building is undergoing renovations to its infrastructure including upgrading the electrical, plumbing, mechanical systems as well as subfloor systems.

Current and Proposed Alterations

The scope of work for the Market Street façade is organized in two parts, the first is the renovation of the storefront along the ground level and the second is the restoration of the façade from the third floor to the roof. The current storefront is proposed to be removed including supports, lighting, miscellaneous attachments as well as the awning. Along the edges of the façade the exterior finish is proposed for removal as well, which will expose the historic masonry wall. The non-historic roll-up security door will be removed and salvaged.

The proposed design for the storefront includes a new glazed wall system, punctured by two new recessed entries. The new storefront entry is centered in the central bay and is placed in the same location as the existing one, the new building entry is proposed along the western edge of the façade. The new design proposes transom glazing to be placed above the doors, which will span the façade and be aligned to the entry system below.

The scope of work for the Market Street façade from the third floor to the roof primarily addresses restorative measures. The two large terra cotta columns are proposed to be cleaned, patched repaired and repointed. The historic window systems, which spans five floors is proposed to be cleaned, patched, repaired and painted. Glass will be removed and replaced, and mullions, spandrels, window sills and window frames will be repaired as needed where deteriorated. The sheet metal cornice is proposed to be cleaned, patched and repaired and painted. Additionally, the façade lighting system at the window bay will be restored to its original use.

The scope of work for the Stevenson Street façade is similarly organized in two parts, the first relating to the renovation of the ground level portion of the façade, and the second relating to the restoration of levels three through seven.

The new project proposes the removal of window assemblies, security screens and grilles along the ground level on Stevenson Street. Additionally, louvers, fans and all other miscellaneous attachments will be removed to accommodate the installation of new floor-to-ceiling windows. These will also require the partial removal of some of the wall along Stevenson Street. In elevation, the proposed windows appear to be of similar size and proportion to the existing third story windows. The proposed ground level windows will be floor to ceiling laminated insulated glazing and will eliminate a non-historic entry along the eastern edge of the façade. For the remainder of the façade, the scope of work is described as patching and repairing all spalling, cracks, and other damage to exterior concrete and plaster. Parts of the exterior stucco will be replaced having incurred damages resulting water infiltration. Additionally, all glass will be removed and replaced with double pane insulated glass, and metal clad wood mullions, window sills, and frames will be repaired as needed where deterioration has occurred.

Secretary of the Interior's Standards for the Treatment of Historic Properties

The *Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings (Secretary's Standards)* provide guidance for working with historic properties. The *Secretary's Standards* are used by Federal agencies and local government bodies across the country (including the San Francisco Historic Preservation Commission) to evaluate proposed rehabilitative work on historic properties. The *Secretary's Standards* are a useful analytic tool for understanding and describing the potential impacts of substantial changes to historic resources. Compliance with the *Secretary's Standards* does not determine whether a project would cause a substantial adverse change in the significance of an historic resource. Rather, projects that comply with the *Secretary's Standards* benefit from a regulatory presumption under CEQA that they would have a less-than-significant adverse impact on an historic resource. Projects that do not comply with the *Secretary's Standards* may or may not cause a substantial adverse change in the significance of an historic resource.

The *Secretary's Standards* offers four sets of standards to guide the treatment of historic properties: Preservation, Rehabilitation, Restoration, and Reconstruction. The four distinct treatments are defined as follows:

Preservation: The *Standards for Preservation* “require retention of the greatest amount of historic fabric, along with the building’s historic form, features, and detailing as they have evolved over time.”

Rehabilitation: The *Standards for Rehabilitation* “acknowledge the need to alter or add to a historic building to meet continuing new uses while retaining the building’s historic character.”

Restoration: The *Standards for Restoration* “allow for the depiction of a building at a particular time in its history by preserving materials from the period of significance and removing materials from other periods.”⁷

Reconstruction: The *Standards for Reconstruction* “establish a limited framework for re-creating a vanished or non-surviving building with new materials, primarily for interpretive purposes.”¹

Typically, one set of standards is chosen for a project based on the project scope. In this case, the proposed project scope includes some limited alterations, renovations and repair to 1019 Market Street. Therefore, the *Standards for Rehabilitation* will be applied.

Standards for Rehabilitation

The following analysis applies each of the *Standards for Rehabilitation* to the proposed project at 1019 Market Street.

Rehabilitation Standard 1: *A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces and spatial relationships.*

1019 Market Street has been historically used as a commercial and retail building. The intended use of the proposed project will be commercial for upper levels and retail on the ground floor. Therefore, the property will be used as it was historically.

As designed, the proposed project will be in compliance with Rehabilitation Standard 1.

Rehabilitation Standard 2: *The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize the property will be avoided.*

The historic character of 1019 Market Street will be retained and preserved. At the Market Street façade, the non-historic storefront will be removed, while the historic portions of the Market Street façade will be retained and rehabilitated. No distinctive historic materials will be removed or altered. The scope of work from levels three to seven includes cleaning, patching, and repointing terracotta elements, as well as cleaning, patching, and painting the window frames and window wall support and the repair and repainting of the sheet metal cornice. The historic character of the façade will therefore be retained.

The project scope also includes the addition of new ground floor windows on the Stevenson Street side, which will be larger than the originals. The new windows will be proportionally the same as the windows on the third level. This addition will provide an overall coherence to the rear elevation, and the historic character of the property will therefore be retained.

¹ Kay D. Weeks and Anne E. Grimmer, *The Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring and Reconstructing Historic Buildings* (Washington, D.C.: U.S. Department of the Interior, 1995), 2.

As designed, the proposed project will be in compliance with Rehabilitation Standard 2.

Rehabilitation Standard 3: *Each property will be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historical properties, will not be undertaken.*

The proposed project will not create a false sense of history, nor will it add conjectural historical features to the exterior of the building. The majority of the work for 1019 Market Street involves the restoration of existing fabric and the installation of new ground-floor storefronts. The ground level alterations introduce new elements on both the front and rear facades. As drawn, the proposed Market Street storefront is a three bay glazed façade interrupted by two double swing doors. The design is contemporary and will not create a false sense of historical development or be confused as part of the building's historic fabric. The new windows on Stevenson Street are an abstracted version of the windows above. The simplicity of the new windows differentiates them from the building's original windows. These repairs will not create a false sense of development.

As designed, the proposed project is in compliance with Rehabilitation Standard 3.

Rehabilitation Standard 4: *Changes to a property that have acquired significance in their own right will be retained and preserved.*

The period of significance for the Market Street Theater and Loft District ranges from 1889 to 1930. Most of the physical features which collectively result in the building's present appearance, excluding the Market Street storefront and awning, date from the original design of 1909. Outside the period of significance, there have been no changes to 1019 Market Street that have acquired significance in their own right and that would need to be retained or preserved.

As designed, the proposed project will be in compliance with Rehabilitation Standard 4.

Rehabilitation Standard 5: *Distinctive materials, features, finishes and construction techniques or examples of craftsmanship that characterize a property will be preserved.*

1019 Market Street is significant for its contribution to the Market Street Theater and Loft District. Its character-defining features include all design elements from its original 1909 construction, including a sheet metal cornice, and two large Corinthian columns flanking a glass Chicago style bay window, which span nearly the whole façade. These original features will be retained and repaired, as needed. The project proposes the partial demolition of the storefront along Market Street, which does not contain original fabric, and therefore will not affect distinctive materials. Consequently, the proposed project will not impair the building from conveying its status as a contributing resource within the Market Street Theater and Loft District.

As designed, the proposed project will be in compliance with Rehabilitation Standard 5.

Rehabilitation Standard 6: *Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.*

The current scope of work proposes cleaning, patching and repointing terra cotta on both the columns and repair of the existing sheet metal cornice. Additionally the proposal aims to clean, patch and paint window frames and window

wall supports. The most substantial interventions are occurring at the ground level exterior on both Market Street and Stevenson Street. The storefront on Market Street does not appear to have historic value in terms of its materials or design. The replacement of the ground level windows on Stevenson Street constitutes a minor alteration to the overall building. Furthermore, the rear façade (Stevenson Street) does not contain significant features that characterize the building. Overall the defining characteristics and historic features of 1019 Market are largely being retained and rehabilitated.

As designed, the proposed project will be in compliance with Rehabilitation Standard 6.

Rehabilitation Standard 7: *Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.*

The proposed project may include the cleaning of historic materials, notably the terra cotta on the main façade. The scope of the cleaning has not been fully described in the design documents, but when cleaning scope is defined it will be undertaken using the gentlest means possible, so as not to cause damage to historic materials.

Rehabilitation Standard 8: *Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measure will be undertaken.*

The proposed project does not describe any major excavation work. As currently proposed, the project will be in compliance with Rehabilitation Standard 8. If the project scope evolves to include major excavation work or if any archaeological material should be encountered during this project, construction will be halted and a qualified archaeologist will be consulted to assess the site and identify appropriate mitigation procedures.

Rehabilitation Standard 9: *New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale, and proportion, and massing to protect the integrity of the property and environment.*

As noted in Standards 3, 5, and 6 the scope of work for the proposed project primarily focuses on restoration. The storefront alterations are proposed for the ground level which does not appear to have significant historic value. The renovation of the windows on Stevenson Street does require partial removal of the existing wall for the insertion of new windows. The new window are abstracted versions of the third floor windows. Neither work will affect the character of the building such that it would no longer be able to communicate its significance. No new additions, major exterior alterations or related new construction is proposed.

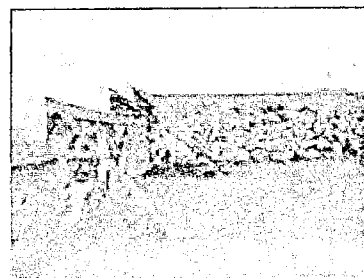
As designed, the proposed project is in compliance with Rehabilitation Standard 9.

Rehabilitation Standard 10: *New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.*

No new additions and adjacent or related new construction are proposed for 1019 Market Street.

As designed, the proposed project will be in compliance with Rehabilitation Standard 10.

VI. EXHIBIT E: EXTERIOR PHOTOGRAPHS



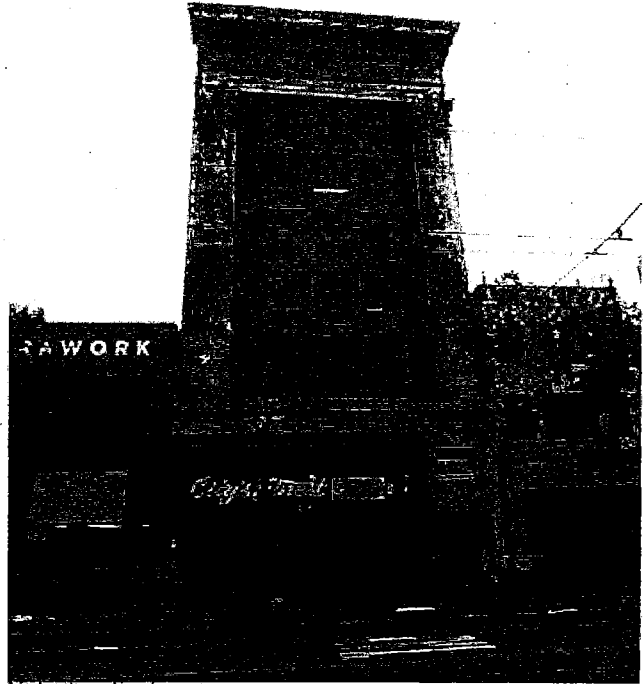
E. 1019 MARKET STREET EXTERIOR PHOTOGRAPHS

MARKET STREET FACADE

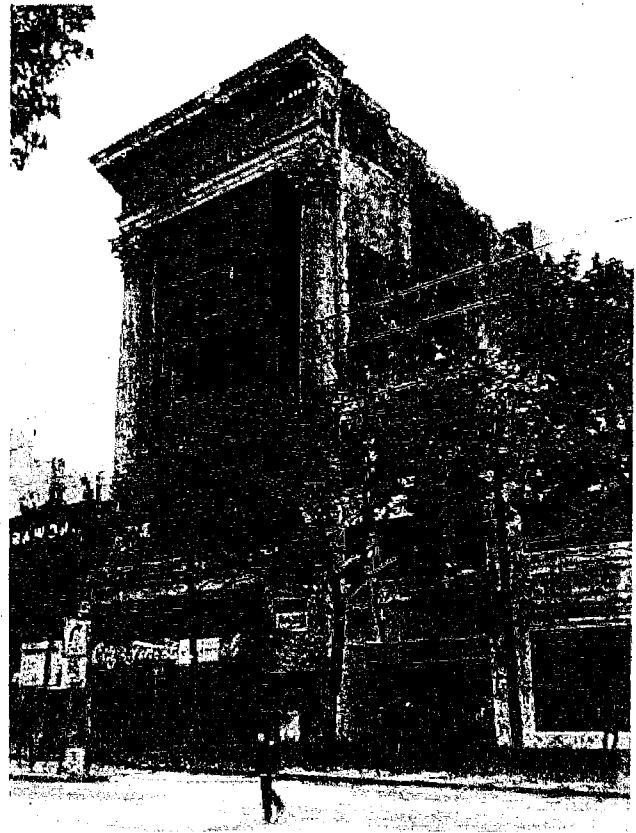
Photographs were taken April 5, 2013



Market Street Corner Detail



Market Street Facade

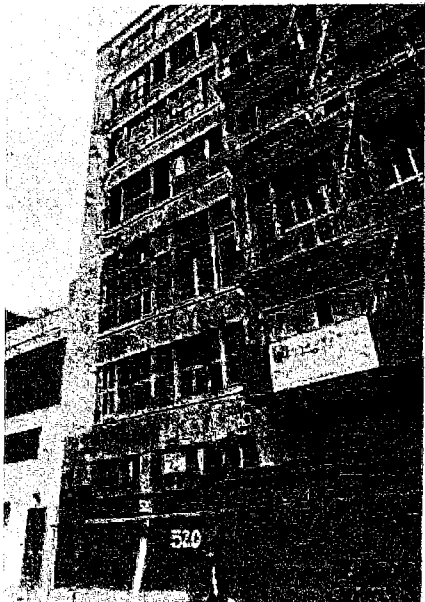


Market Street Facade Northwest Corner

STEVENSON STREET FACADE
Photographs were taken April 5, 2013



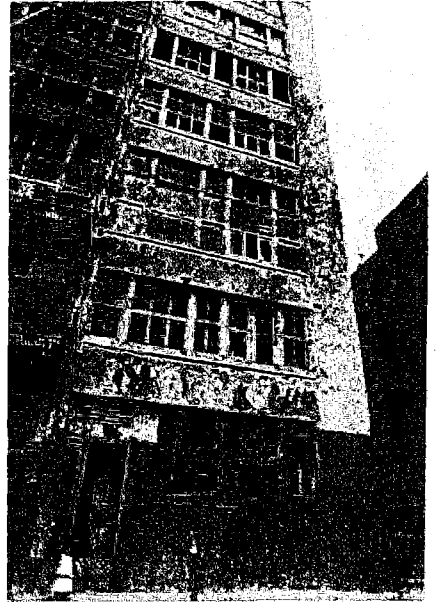
Stevenson Street Facade



Stevenson Street Facade (Southwest Corner)



Stevenson Street Facade (Southeast Corner)



Stevenson Street Facade (Northwest Corner)

CORNICE AND CAPITAL DETAILS
Photographs were taken April 5, 2013



Cornice and Capitals at Market Street Facade



Corinthian Capital Detail Market Street Facade



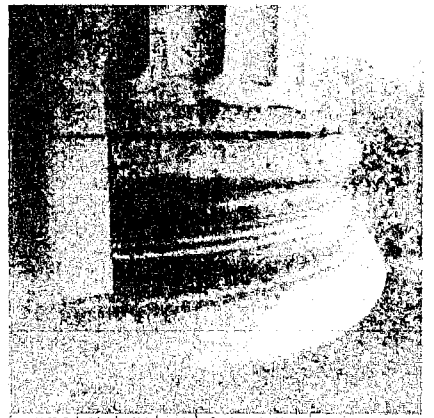
Cornice Detail Market Street Facade



Corinthian Capital Detail Market Street Facade



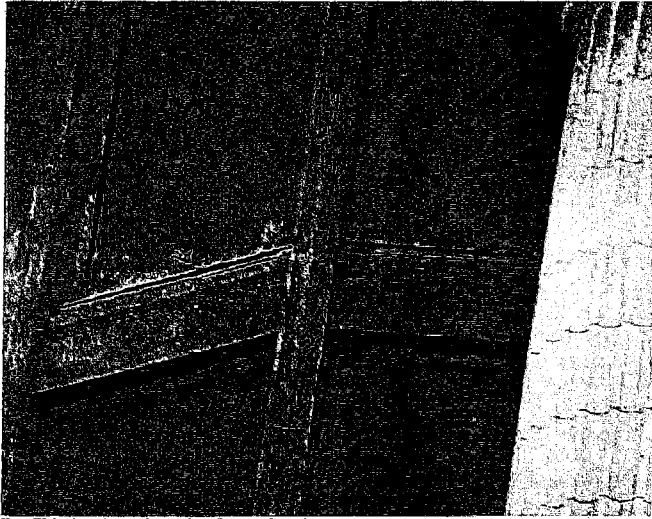
Corinthian Capital Detail Market Street Facade



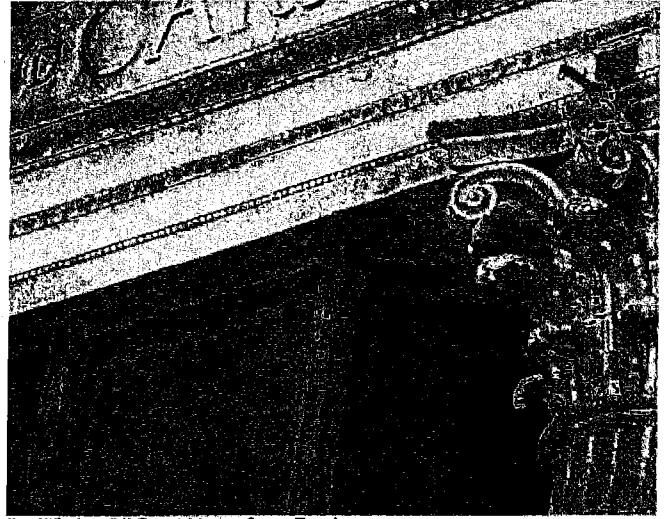
Column Base Detail Market Street Facade

MARKET STREET WINDOWS AND MULLIONS DETAILS

Photographs were taken April 5, 2013



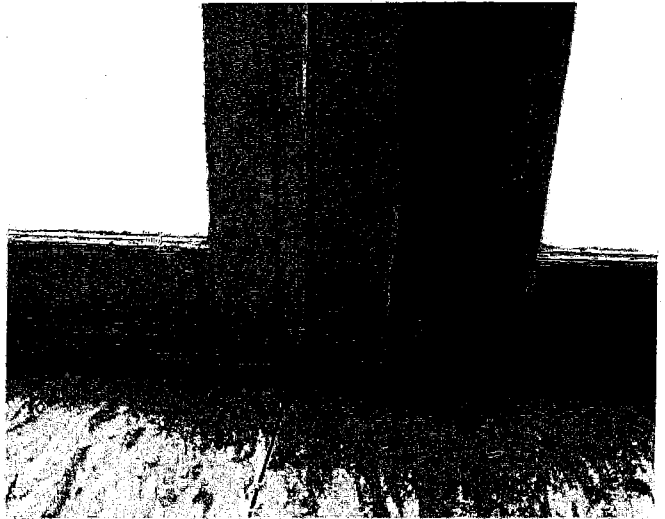
Bay Window Detail Market Street Facade



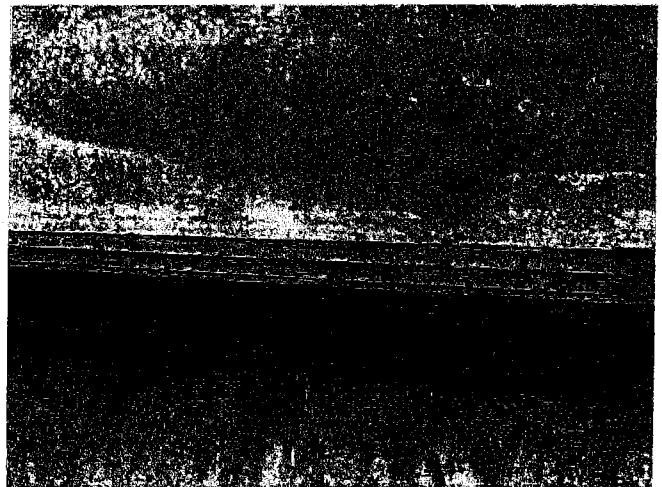
Bay Window Sill Detail Market Street Facade



Bay Window Mullion Detail Market Street Facade



Bay Window Detail from interior



Bay Window Sill Detail from interior

STEVENSON STREET WINDOWS FROM THE INTERIOR

Photographs were taken April 5, 2013



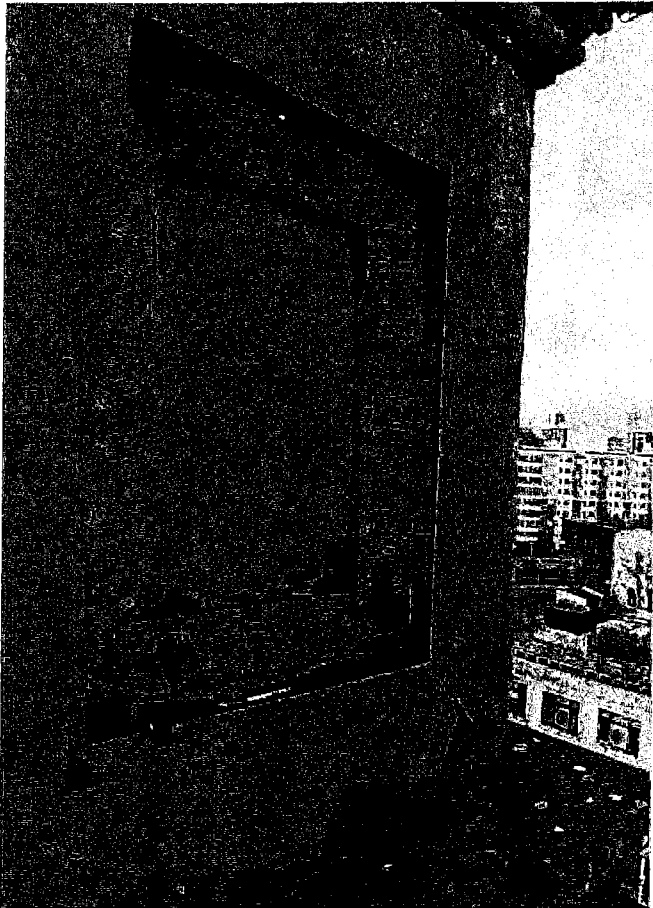
Window Frame Stevenson Street Facade from interior



Window Frame Stevenson Street Facade from interior

Window Frame Stevenson Street Facade

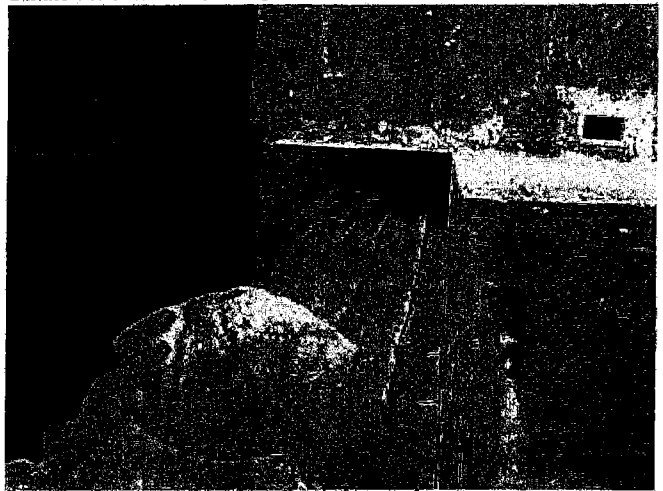
CORNICE AND CAPITAL DETAILS FROM ROOF
Photographs were taken April 5, 2013



Entablature Detail at Market Street Facade from rooftop



Cornice Detail at Market Street Facade



Corinthian Column at Market Street Facade from rooftop



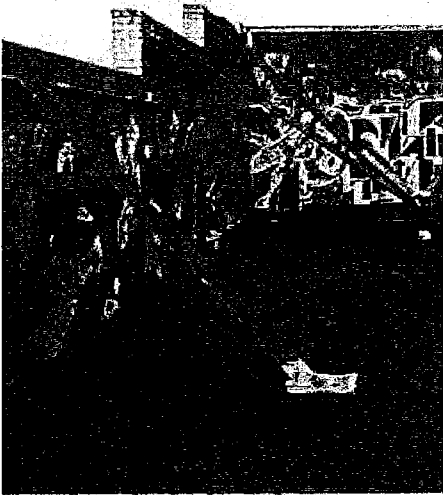
Entablature Detail at Market Street Facade from rooftop



Cornice Detail at Market Street Facade from rooftop

ROOF TOP

Photographs were taken April 5, 2013



Western Parapet Supports from rooftop



Market Street Parapet looking North from rooftop



Roof Drainage Detail from rooftop



Rooftop looking South

MISCELLANEOUS

Photographs were taken April 5, 2013



Fire Escape at Stevenson Street Facade



View from roof of Northwest facade

VII. EXHIBIT F: SITE PLAN



X. EXHIBIT I: REHABILITATION/RESTORATION/MAINTENANCE PLAN

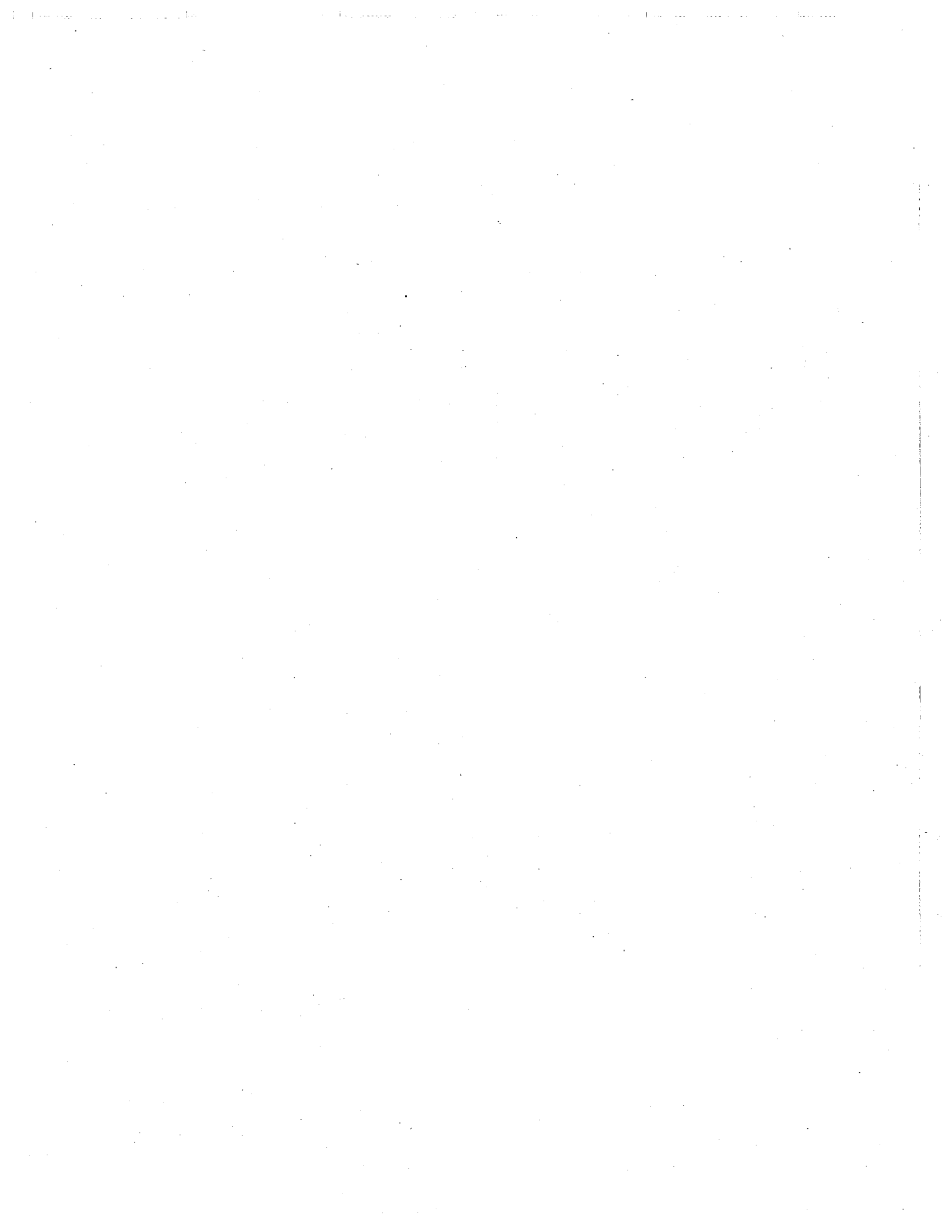


Restoration Expenses

**1019 Howard S. Wright Contract Budget
1019 Market Street**

Item of Work	Total Cost
Note all Work Completed from December 2012-August 2013	
Staffing	251,673
Building Permit	86,568
Final Clean	0
Staging & Logistics	296,048
Roofing & Insulation	115,117
Demolition	701,935
Concrete Patching	301,965
Structural Steel	250,000
Carpentry	153,729
Door, Frames & Hardware	0
Glass & Glazing	277,574
Framing & Drywall	0
Flooring	0
Painting	102,850
Stone	0
Specialties	0
Elevators	640,753
Mechanical	537,860
Plumbing	45,000
Fire Protection	272,478
Electrical	1,025,539
Contractor Overhead	96,748
General Liability Insurance	86,568
Fee & Bond	170,378
<u>Total</u>	<u>\$5,412,783</u>

Exhibit C: Rehabilitation & Maintenance Plan



5. Draft Mills Act Historical Agreement

Please use the Planning Department's standard form "Historical Property Contract" located on the Planning Department's Forms page at www.sfplanning.org. Any modifications to the City's standard form contract made by the applicant or the submittal of an independently prepared contract shall be subject to approval by the City Attorney prior to consideration by the Historic Preservation Commission and the Board of Supervisors and may result in additional processing time.

Please see Exhibit C for Historical Property Contract

6. Rehabilitation/Restoration/Maintenance Plan

Use this form to outline your rehabilitation, restoration, and maintenance plan. Copy this page as necessary to include all items that apply to your property. Begin by listing recently completed work (if applicable) and continue with work you propose to complete within the next ten years arranging in order of priority.

Please note that all applicable Codes and Guidelines apply to all work, including the Planning Code and Building Code. If components of the proposed Plan requires approvals by the Historic Preservation Commission, Planning Commissioner, Zoning Administrator, or any other government body, these approvals must be secured prior to applying for a Mills Act Historical Property Contract.

This plan will be included along with any other supporting documents as part of the Mills Act historical Property contract. Please see Exhibit D for Secretary of the Interior's

Standards Analysis

Draft Rehabilitation/Restoration/Maintenance Scope

Please see Exhibit I for Maintenance and Restoration Plan

BUILDING FEATURE: Roofing
Rehab/Restoration <input checked="" type="checkbox"/> Maintenance <input type="checkbox"/> Completed <input type="checkbox"/> Proposed <input checked="" type="checkbox"/>
CONTRACT YEAR WORK COMPLETION: 2013
TOTAL COST (rounded to nearest dollar): \$115,117.00
DESCRIPTION OF WORK: Remove existing roofing, install rigid board insulation over existing sheathing, install TPO roofing material/membrane.

BUILDING FEATURE: Existing Steel Seismic Roof Bracing
Rehab/Restoration <input checked="" type="checkbox"/> Maintenance <input type="checkbox"/> Completed <input type="checkbox"/> Proposed <input checked="" type="checkbox"/>
CONTRACT YEAR WORK COMPLETION: 2013
TOTAL COST (rounded to nearest dollar): \$2,500.00
DESCRIPTION OF WORK: Prepare and paint existing steel seismic roof bracing.

THIS SECTION TO BE COMPLETED EXCLUSIVELY BY PLANNING DEPARTMENT STAFF

Property Address:
Block / Lot:
Board of Supervisors Ordinance Number:

Draft Rehabilitation/Restoration/Maintenance Scope Continued

BUILDING FEATURE:	Flashing - Roof and Parapet		
Rehab/Restoration	<input checked="" type="checkbox"/>	Maintenance	<input type="checkbox"/>
Completed	<input type="checkbox"/>	Proposed	<input checked="" type="checkbox"/>
CONTRACT YEAR WORK COMPLETION:	2013		
TOTAL COST (rounded to nearest dollar):	\$18,512.00		
DESCRIPTION OF WORK:	Remove existing flashing and install new flashing at roof and parapets, including at top of Market Street cornice feature.		

BUILDING FEATURE:	Repoint and Reset Loose Bricks - Roof and Parapet		
Rehab/Restoration	<input checked="" type="checkbox"/>	Maintenance	<input type="checkbox"/>
Completed	<input type="checkbox"/>	Proposed	<input checked="" type="checkbox"/>
CONTRACT YEAR WORK COMPLETION:	2013		
TOTAL COST (rounded to nearest dollar):	\$2,000.00		
DESCRIPTION OF WORK:	Repoint inside face of brick parapet as needed and as part of re-roofing/flashing/waterproofing work. Reset loose bricks at top of parapet as needed.		

BUILDING FEATURE:	North Parapet (behind Market Street Cornice)		
Rehab/Restoration	<input checked="" type="checkbox"/>	Maintenance	<input type="checkbox"/>
Completed	<input type="checkbox"/>	Proposed	<input type="checkbox"/>
CONTRACT YEAR WORK COMPLETION:	2013		
TOTAL COST (rounded to nearest dollar):	\$9,960.00		
DESCRIPTION OF WORK:	Remove existing deteriorated non-historic wood siding and replace with new wood siding. Prepare, prime, and paint.		

See attached continuation sheets for additional information.

REHABILITATION, RESTORATION AND MAINTENANCE PLAN (Continuation Form)

Building Feature: Gutters, Drains, and Downspouts - Roof

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$5,000.00

Description of Work:

Inspect and clean all roof gutters, drains, and downspouts. Repair as needed.

Building Feature: Penthouse Cladding and Door at Roof (Two Penthouses)

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$3,500.00

Description of Work:

Inspect wood siding and metal door for deterioration. Repair or replace as needed. Prepare, prime, and paint.

Building Feature: Penthouse Skylight and Sheet Metal Ventilator at Roof (Two Penthouses)

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$1,500.00

Description of Work:

Inspect steel framed skylight and sheet metal ventilator for deterioration. Repair as needed. Install sealant and/or glazing putty as needed. Prepare, prime, and paint.

Building Feature: Sheet Metal Cornice at Market Street – Restore

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$17,800.00

Description of Work:

Repair/replace missing and deteriorated sheet metal elements to match original. Patch where possible. Patch holes from previous lights, signs, electrical work, etc. Patch holes to keep birds from entering hollow framed cornice structure. Repair joints as needed. Re-secure as needed. Preserve integral sheet metal "Furniture and Carpets" signage. Rehabilitate and replace light sockets and wiring at cornice to meet current code for exterior exposure. Remove corrosion, prepare, prime, and paint.

Building Feature: Terra Cotta at Market Street – Restore

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$18,000.00

Description of Work:

Clean terra cotta. Remove loose pieces. Patch spalls and cracks with terra cotta restoration products and coat to blend in with original terra cotta. Remove obsolete anchors and patch. Provide additional structural anchorage of terra cotta as needed. Repoint deteriorated mortar to match original (essentially most of the joints will need this).

Building Feature: Terra Cotta at Market Street – Flashing

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar):

Description of Work:

Install sheet metal flashing at terra cotta column capitals and at lower terra cotta ledges painted to match terra cotta.

Building Feature: Wood Window Sash at Market Street

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar):

Description of Work:

Restore wood window sash. Remove existing glass and install new tempered glass with new wood glazing stops similar to the original. Repair deteriorated wood. Prepare, prime, and paint all wood. Remove and salvage existing flag holders as needed for wood and glass restoration work where they still exist. Prepare, prime, paint, and re-install existing flag holders. Windows will be fixed closed for safety reasons.

Building Feature: Sheet Metal Window Mullions and Spandrels with Electric Light Sockets at Market Street

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar):

Description of Work:

Repair deteriorated sheet metal. Prepare, prime, and paint. Rehabilitate and replace light sockets and wiring to meet current code for exterior exposure at Market Street window mullions. An appropriate light bulb will be used in order to re-create the appropriate historic lighting level; while an energy efficient alternative will be used, the size, shape, lighting level, and kelvin temperature will be similar to historic.

Building Feature: Market Street Storefront – Replacement/Rehabilitation

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar):

Description of Work:

Remove lower portion of Market Street facade (non-historic storefront only) to install a new approved storefront system. Historic portions of the facade will remain.

Building Feature: Parged Concrete Wall at Stevenson Street – Restore

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$197,000.00

Description of Work:

Remove areas of spalled, loose, or deteriorated concrete as needed. Remove corrosion from rebar, treat/coat, and restore wall with concrete patching system. Prepare, prime, and paint.

Building Feature: Parged Concrete Wall at Stevenson Street – Flashing

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$5,700.00

Description of Work:

Install sheet metal flashing where needed and paint to match parged concrete wall.

Building Feature: Metal Clad Wood Window Sash at Stevenson Street - Restoration

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$260,641.00

Description of Work:

Restore fixed wood window sash and frames. Remove existing mismatched textured wire glass and install new double pane insulated clear glass with new wood glazing stops similar to the original. Repair deteriorated wood. Replace all double hung sash to match original with new double pane insulated clear glass. Prepare, prime, and paint all wood at interior and sheet metal cladding at exterior.

Building Feature: Metal Fire Escape at Stevenson Street - Restoration

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$72,924.00

Description of Work:

Repair deteriorated metal as needed. Prepare, prime, and paint.

Building Feature: Stevenson Street Storefront – Replacement/Rehabilitation

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2013

Total Cost (Rounded to Nearest Dollar): \$28,674.00

Description of Work:

Remove lower portion of Market Street façade to install a new approved storefront system.

Building Feature: Roofing

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Inspect roofing for defects and deterioration annually.

Building Feature: North Parapet (behind Market Street Cornice)

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$1,000.00

Description of Work:

Inspect wood siding for deterioration annually. Repair as needed.

Building Feature: Penthouse Cladding and Door at Roof (Two Penthouses)

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Inspect wood siding and metal door for deterioration annually. Repair as needed.

Building Feature: Penthouse Skylight and Sheet Metal Ventilator at Roof (Two Penthouses)

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Inspect steel framed skylight and sheet metal ventilator for deterioration annually. Repair as needed.
Install sealant and/or glazing putty as needed.

Building Feature: Flashing – Roof and Parapet

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Inspect flashing for defects and deterioration annually (includes related sealant).

Building Feature: Gutters, Drains, and Downspouts - Roof

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$1000.00

Description of Work:

Inspect and clean all roof gutters, drains, and downspouts annually. Repair as needed.

Building Feature: Penthouse Cladding and Door at Roof (Two Penthouses)

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$750.00

Description of Work:

Prepare, prime, and paint wood siding and metal door every 3 years, or as needed.

Building Feature: Sheet Metal Cornice at Market Street – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Perform visual inspection of sheet metal cornice with binoculars, spotting scope, or similar annually for corrosion, paint and sealant failure, and other signs of deterioration. Repair as needed.

Building Feature: Terra Cotta at Market Street – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$2000.00

Description of Work:

Perform visual inspection of terra cotta with binoculars, spotting scope, or similar annually for cracks and spalls and other signs of deterioration. Repair as needed.

Building Feature: Terra Cotta at Market Street – Flashing Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$1000.00

Description of Work:

Perform visual inspection of terra cotta flashing with binoculars, spotting scope, or similar annually for paint and sealant failure and other signs of deterioration. Repair as needed.

Building Feature: Wood Window Sash at Market Street – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$1000.00

Description of Work:

Perform visual inspection of wood window sash with binoculars, spotting scope, or similar annually for paint and sealant failure and other signs of deterioration. Repair as needed.

Building Feature: Sheet Metal Window Mullions and Spandrels with Electric Light Sockets at Market Street – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$1,200.00

Description of Work:

Perform visual inspection of sheet metal window mullions with binoculars, spotting scope, or similar annually for corrosion, paint and sealant failure, and other signs of deterioration. Repair as needed.

Building Feature: Market Street Storefront – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and every year thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Inspect glazing seals, sealants, and clean weeps. Lubricate doors and operating hardware as recommended by manufacturer.

Building Feature: Parged Concrete Wall at Stevenson Street – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$1000.00

Description of Work:

Perform visual inspection of parged concrete wall with binoculars, spotting scope, or similar annually for cracks, spalls, and other signs of deterioration. Repair as needed.

Building Feature: Parged Concrete Wall at Stevenson Street – Flashing Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Perform visual inspection of flashing with binoculars, spotting scope, or similar annually for paint and sealant failure and other signs of deterioration. Repair as needed.

Building Feature: Metal Clad Wood Window Sash at Stevenson Street – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$1,500.00

Description of Work:

Perform visual inspection of metal clad wood windows with binoculars, spotting scope, or similar annually for paint and sealant failure and other signs of deterioration. Repair as needed.

Building Feature: Metal Fire Escape at Stevenson Street – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and annually thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Perform visual inspection of metal fire escape with binoculars, spotting scope, or similar annually for corrosion, paint and sealant failure, and other signs of deterioration. Repair as needed.

Building Feature: Stevenson Street Storefront – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2014 and every year thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Inspect glazing seals, sealants, and clean weeps. Lubricate doors and operating hardware as recommended by manufacturer.

Building Feature: North Parapet (behind Market Street Cornice)

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2016 and every 3 years thereafter

Total Cost (Rounded to Nearest Dollar): \$800.00

Description of Work:

Prepare, prime, and paint wood siding every 3 years, or as needed.

Building Feature: West Brick Wall – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2016 and every 3 years thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Perform visual inspection of brick wall with binoculars, spotting scope, or similar every 3 years for brick and mortar deterioration. Repair and repoint as needed.

Building Feature: East Brick Wall – Visual Inspection

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2016 and every 3 years thereafter

Total Cost (Rounded to Nearest Dollar): \$500.00

Description of Work:

Perform visual inspection of brick wall with binoculars, spotting scope, or similar every 3 years for brick and mortar deterioration. Repair and repoint as needed.

Building Feature: Existing Metal Water Tanks at Roof

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2018

Total Cost (Rounded to Nearest Dollar): \$800.00

Description of Work:

Prepare and paint existing metal water tanks at roof.

Building Feature: West Brick Wall – Repointing and Restoration

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2018

Total Cost (Rounded to Nearest Dollar): \$19,000.00

Description of Work:

Clean brick, repair brick and repoint with mortar to match original. Paint signage at wall (historic precedent) if approved. In areas not approved by the City for signage, removal of the paint at the brick will be executed with strippers or other methods that will not damage the brick.

Building Feature: East Brick Wall – Repointing and Restoration

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2018

Total Cost (Rounded to Nearest Dollar): \$19,00.00

Description of Work:

Clean brick, repair brick and repoint with mortar to match original. Paint signage at wall (historic precedent) if approved. In areas not approved by the City for signage, removal of the paint at the brick will be executed with strippers or other methods that will not damage the brick.

Building Feature: Existing Steel Seismic Roof Bracing

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$1,200.00

Description of Work:

Prepare and paint existing steel seismic roof bracing every 10 years, or as needed.

Building Feature: Flashing – Roof and Parapet

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$1,500.00

Description of Work:

Install new sealant at flashing and roofing elements every 10 years, or as needed.

Building Feature: Sheet Metal Cornice at Market Street – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$1,500.00

Description of Work:

Prepare, prime, and paint sheet metal cornice and install new sealant every 10 years, or as needed.

Building Feature: Terra Cotta at Market Street – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$3,000.00

Description of Work:

Clean terra cotta and perform crack and spall repair at terra cotta every 10 years, or as needed.

Building Feature: Terra Cotta at Market Street – Flashing Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$2,000.00

Description of Work:

Prepare, prime, and paint sheet metal flashing and install new sealant every 10 years, or as needed.

Building Feature: Wood Window Sash at Market Street – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$3,500.00

Description of Work:

Prepare, prime, and paint wood window sash and install new sealant every 10 years, or as needed.

Building Feature: Sheet Metal Window Mullions and Spandrels with Electric Light Sockets at Market Street – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$2,500.00

Description of Work:

Prepare, prime, and paint sheet metal window mullions and spandrels, install new sealant, and inspect electrical system every 10 years, or as needed.

Building Feature: Parged Concrete Wall at Stevenson Street – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$2,500.00

Description of Work:

Prepare, prime, and paint parged concrete wall and install new sealant every 10 years, or as needed.

Building Feature: Parged Concrete Wall at Stevenson Street – Flashing Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$1,000.00

Description of Work:

Prepare, prime, and paint sheet metal flashing and install new sealant every 10 years, or as needed.

Building Feature: Metal Clad Wood Window Sash at Stevenson Street – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$1,000.00

Description of Work:

Prepare, prime, and paint metal clad window sash and install new sealant every 10 years, or as needed.

Building Feature: Metal Fire Escape at Stevenson Street – Maintenance

Rehab/Restoration Maintenance Completed Proposed

Contract Year Work Completion: 2023 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$2,000.00

Description of Work:

Prepare, prime, and paint metal fire escape and install new sealant every 10 years, or as needed.

Building Feature: Metal Water Tanks at Roof

Rehab/Restoration

Maintenance

Completed

Proposed

Contract Year Work Completion: 2028 and every 10 years thereafter

Total Cost (Rounded to Nearest Dollar): \$800.00

Description of Work:

Prepare and paint metal water tanks at roof every 10 years, or as needed.

**Exhibit D: Draft Market Analysis and Income
Approach Provided by the Assessor's Office**

OFFICE OF THE ASSESSOR / RECORDER - CITY & COUNTY OF SAN FRANCISCO
"MILLS ACT" PROPERTY VALUATION

APN: 25-3703-76 Landmark National Register of Historical Places 86
 Type of Property Commercial Office Year: 2013 Date Filed: 5/3/2013
 Property Location: 1019 Market Street Date of Sale: 7/24/2012
 Applicant's Name: 1019 Market Street Property LLC Sale Price: \$9,500,000
 Agt./Tax Rep./Atty: none
 Applicant supplied appraisal? No
 For New Value, Event Date: 1/1/2013

RESTRICTED VALUE		FACTORED BASE YEAR VALUE		MARKET VALUE	
Land	\$9,954,000	Land		Land	\$13,000,000
Imps.	\$6,636,000	Imps.		Imps.	\$12,180,000
Total	\$16,590,000	Total	\$17,500,000	Total	\$25,180,000

I. Property Description

Land Area: 10,123 Present Use: Office Zoning: C3G
 Year Built: 1909 Imp. Area (NRA) 65,641(est) Stories/Units: 6
 Neighborhood: South of Market Class Code: 0

II. Issue(s): Historical Property - "Mills Act" valuation as of lien date 01/01/2013

III. Contents of Attached Valuation:

Cover Sheet p.1
 Property Information p. 2
 Subject Photo p. 3
 Restricted Valuation p. 4-5
 Office Rents p. 6
 Comparable Sales p.7
 Comparable Sales Pictures p.8-9

IV. Conclusions and Recommendations:

Based on the three-way comparison, the lowest of the three values is the Mills Act value of \$16,590,000.
 Therefore the recommend assessed value is \$16,590,000.

Harvey Huey
Appraiser

08/26/13
Date

Robert Spencer
Principal Appraiser

Property Summary

Address: 1019 Market Street

Assessor's Parcel No. 25-3703-76
Location: South of Market
Between 6th & 7th Streets.

Property Description 1019 Market Street was built in 1909 as part of the reconstruction after the 1906 earthquake. The subject building is a six story commercial building that has been placed on the National Register of Historical Places in 1986.

Building Size (NRA)	
Office	65,641 sf
Retail	sf
Lower Level	sf
Basement	sf
Total	65,641 sf

Year Built	1909
Class	Class B
Floors	6
Lot Size	10,123 sf
Site coverage	Full lot coverage
Parking	None
Views	None
Key attribute	Revitalized office location

Sale / Assessment History

Sale Date July 2012
Sale Price \$9,500,000

Assessor's Parcel Number: 25-3703-76
1019 Market Street



Income Valuation Approach

1019 Market Street

APN 3703-76

Mills Act Value as of January 1, 2013

				Totals
Potential Gross Income				
1019 Market Street				
Office	65,641 sf	@	\$40.00	\$2,625,640
Total Potential Income				<u>\$2,625,640</u>
Less Vacancy & Collection Loss				
Office	\$2,625,640	@	5.0% =	\$131,282
Effective Gross Income				\$2,494,358
Less Office Op. Expenses				
	65,641 sf	@	\$11.00 psf =	<u>(\$722,051)</u>
Net Operating Income				\$1,772,307
Capitalization Rate (Per SBE Letter 9-13-12)				
			3.750%	
Risk Factor			2.000%	
Property Tax Rate			1.169%	
Amortization Rate	(40 yr. amort.)		<u>2.500%</u>	
Effective Cap Rate			9.419%	

Restricted Capitalization Rate:**Rate Components:**

Interest rate per SBE			3.750%	
Risk Rate (4% owner occupied / 2% all others)			2.000%	
Property Tax Rate			1.169%	
Amortization rate for improvements only			1.000%	<u>7.919%</u>
Remaining econo. life (in years)	40		2.50%	
Improvements as % of total			40%	

Capitalized Stabilized Value	\$22,380,439
<i>Price/SF of total area</i>	<i>\$341</i>
Adjustment to Stabilized Value	
Rent Loss Adjustment	(\$3,085,127)
Capital Improvements Credit (Total \$8.1M, this is year 1 of 3 yr. amort)	(\$2,706,392)
Total Value	\$16,588,920
Total Mills Act Value (rounded)	<u>\$16,590,000</u>

	Lease Up	NRA sq. ft.	Total
Commr	\$7.00	65,641	459,487 (95% of Actual Vacancy)
Rent Loss:			
Office	\$40.00	65,641	2,625,640 (95% of Actual Vacancy)
T.I.	\$0	65,641	0 TI's are included in capital improvements
Variat	\$0	65,641	0
			\$3,085,127

The GBA for 1019 Market Street is 77,225 sq. ft. with an estimated 15% adjustment for common area for an estimated 65,641 NRA.

Capital Improvements Credit is 33% (3 yr. amort) of reported improvement costs of \$8,120,000.

ADDRESS	TENANT	FLR	LEASE START	TERM OF LEASE (MOS.)	NET RENTABLE (SQ.FT.)	STARTING RENT (ANNUAL)	EFFECTIVE RENT (ANNUAL)	TI'S (PER SQ.FT.)	FREE RENT (NO. OF MOS.)
989 Market	ZenDesk	3	11/1/2011	36	16200	\$33.00	\$34.00	none	0
1355 Market	Twitter	10	6/1/2012	96	85,259	\$46.00	\$51.13	\$52.50	0
1355 Market	One King Lane, Inc.	3	5/22/2012	72	51,821	\$35.70	\$39.67	\$50.39	0
1355 Market	Yammer, Inc.	4	7/2/2012	84	78,792	\$32.74	\$47.07	\$55.00	0
1355 Market	Callsocket, L.P.	4	7/6/2012	60	25,475	\$36.50	\$38.76	\$35.00	0

	Subject (A)	Subject (B)	Subject (C)
APN	25-3703-75	25-3704-73	25-3706-64
Address	1019-1021 Market Street	935-939 Market Street	715-719 Market Street
Sale Price	\$9,500,000	\$25,150,000	\$32,000,000
Description			
Sale Date	07/24/12	07/20/12	02/09/12
Neighborhood	South of Market	South of Market	South of Market
Condition	Fair	Fair	Good -15% (\$4,800,000)
Proximity to Subject		.1 Mile N. East	.5 Mile N. East
Project Name			
No. of Stories	Mid Rise	Mid Rise	Mid Rise
Total No. of Units			
Floors	6	6	7
Year Bld/Year Renovated	1909	1907	1908
Condition	Poor	Poor	Poor
Gross Building Area	77,225	74,700	74,366
Lot Size	10,123	14,850	10,598
Net Adjustments		(\$472,700)	(\$4,800,000)
Indicated Value		\$24,677,300	\$27,200,000

VALUERANGE: Low: \$24,677,300 High: \$27,200,000

REMARKS: Subject Sale Price: \$9,500,000 Sale Date: 07/24/12

The applicant has applied for a Mills Act reduction to the property located at 1019 Market Street. The purchase price for the property is \$9,500,000 and the applicant have provided information to the Assessor's Office that it will costs about \$5.4M to rehab the building.

The provided comparables are physically and functionally the most relevant to the subject property as of the date of valuation.

Adjustments are made to comparables.
 \$200/SF for GBA
 \$5,000,000 for location and conditional issues as the subject property and comparable #1 are in poor condition..

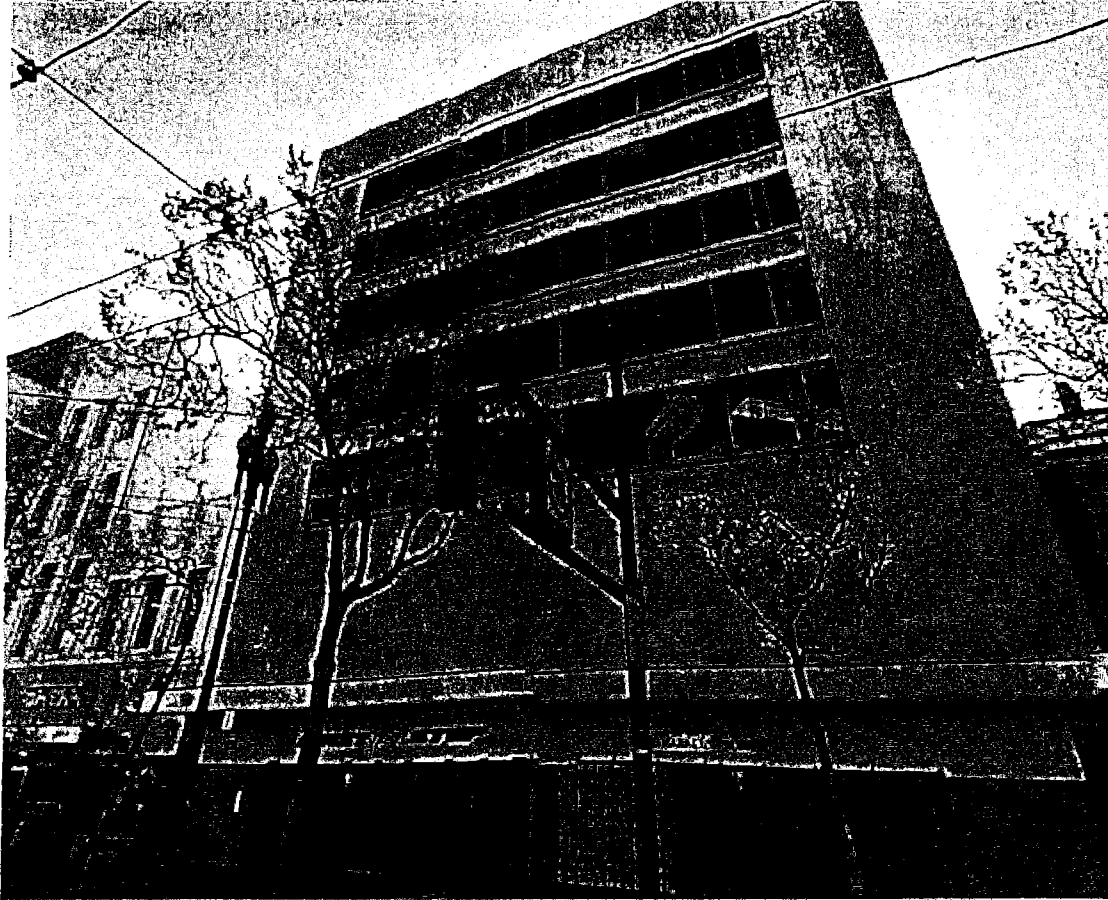
Comparable #1 haas been demolished and the site is currently under construction for a 250,000 square feet retail mall to be named Market Street Place.

Date of Valuation: 1/1/2013 Recommendation: \$16,590,000

	Market Value 1/1/13	Restricted Value 1/1/13	Sales Price
Land	\$15,420,000	\$9,954,000	New Construction
Imps	\$10,280,000	\$8,636,000	
Total	\$25,700,000	\$18,590,000	\$17,500,000

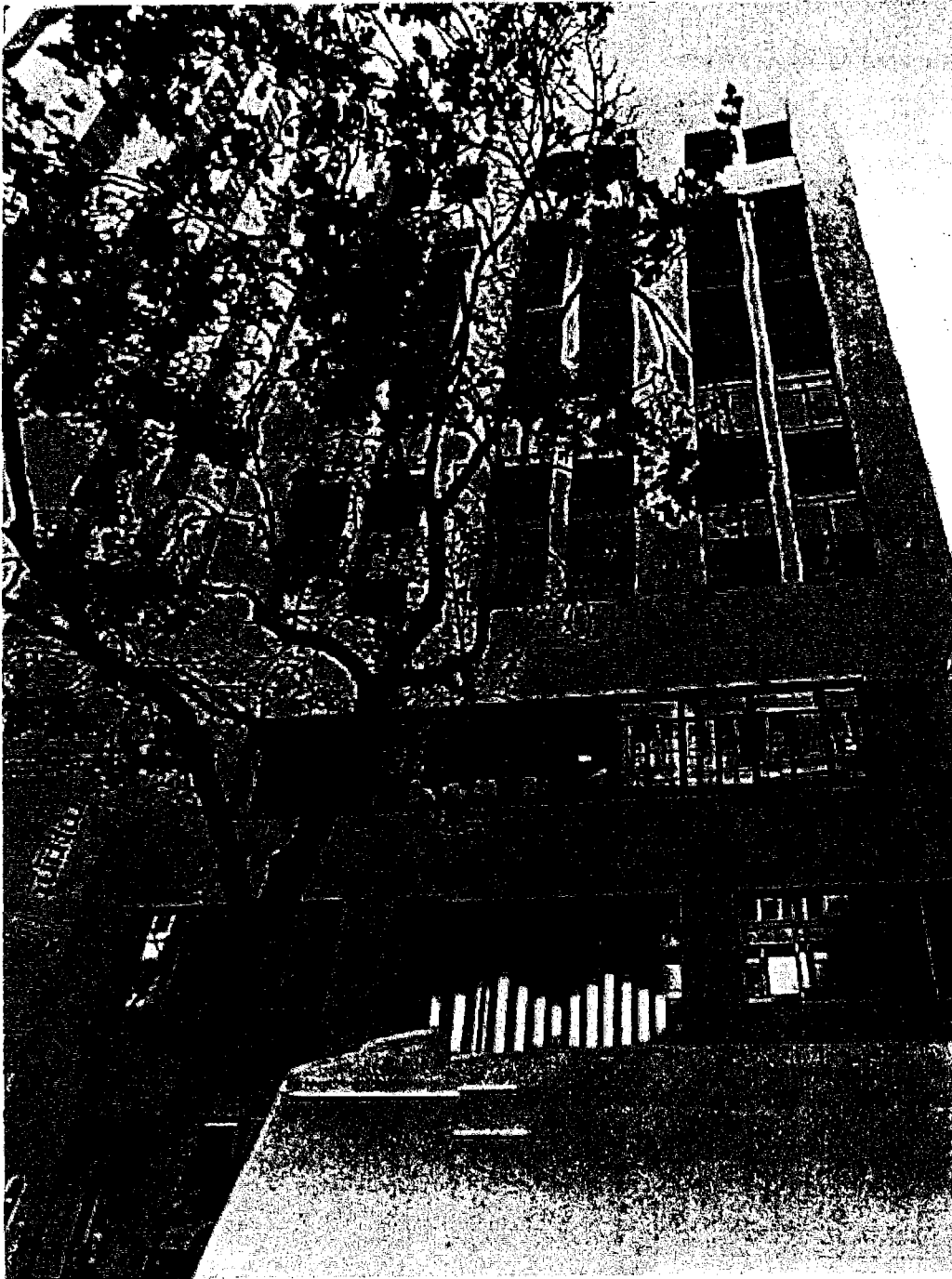
Appraiser: Harvey Huey Date: 8/26/2013 Prinicipal: Robert Spencer

Sales Comparable #1
935-939 Market Street



**Currently being developed as Market Street Place. Market Street Place will be a 250,000 sq. ft. shopping center*

Comparable #2
715-719 Market Street



Capitalized Stabilized Value @ 7.919% \$22,380,439

Rent Loss Adjustment (\$3,085,127)

Capital Improvements Credit (\$2,706,392)

Estimated Restricted Mills Act Value \$16,588,920

Rounded \$16,590,000

Lease Up Expenses

Net Rentable Area 65,641 sf (estimated):

Lease Commission: \$10.00 psf 65,641 sf \$656,410(95% of Actual Vacancy)

Rent Loss: \$28.00 psf 65,641 sf \$1,837,948(95% of Actual Vacancy)

Tenant Improvement \$15.00 psf 65,641 sf \$984,615(95% of Actual Vacancy)

Variable Expenses \$6.00 psf 65,641 sf (\$393,846)

\$3,085,127

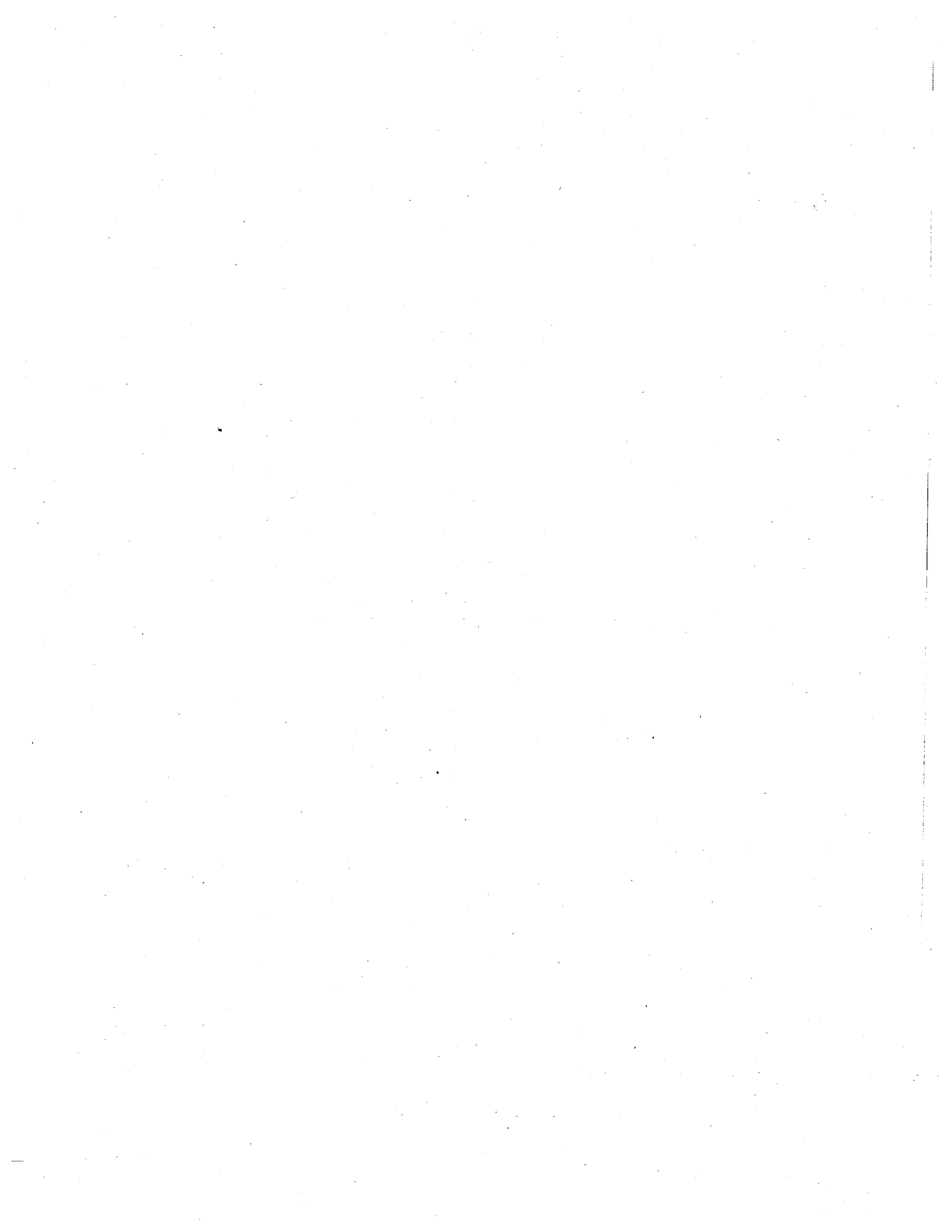
Taxable Value – Three-Way Comparison

1 Restricted Value \$16,590,000(By Income Approach)

2 Factored Base Year Value \$9,500,000(Sales price 7/24/2012, by income)

3 Market Value \$25,180,000(By Sales Comparison Approach)

Exhibit E: Mills Act Application



APPLICATION FOR Mills Act Historical Property Contract

1. Owner/Applicant Information

PROPERTY OWNER 1 NAME: 1019 Market Street Properties, LLC	TELEPHONE: (310) 294-1239
PROPERTY OWNER 1 ADDRESS: 2361 Rosecrans Avenue, Suite 375, El Segundo, CA 90245	EMAIL: cdurnin@sentineldev.com
PROPERTY OWNER 2 NAME:	TELEPHONE: ()
PROPERTY OWNER 2 ADDRESS:	EMAIL:
PROPERTY OWNER 3 NAME:	TELEPHONE: ()
PROPERTY OWNER 3 ADDRESS:	EMAIL:

2. Subject Property Information

PROPERTY ADDRESS: 1019 Market Street San Francisco, CA	ZIP CODE: 94103
PROPERTY PURCHASE DATE: 24 July 2012	ASSESSOR BLOCK/LOT(S): 3703/076
MOST RECENT ASSESSED VALUE: 1,014,932	ZONING DISTRICT: C-3-G

Are taxes on all property owned within the City and County of San Francisco paid to date?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Do you own other property in the City and County of San Francisco? <i>If Yes, please list the addresses for all other property owned within the City of San Francisco on a separate sheet.</i>	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Property is designated as a City Landmark under Article 10 of the Planning Code	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Are there any outstanding enforcement cases on the property from the San Francisco Planning Department or the Department of Building Inspection?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>

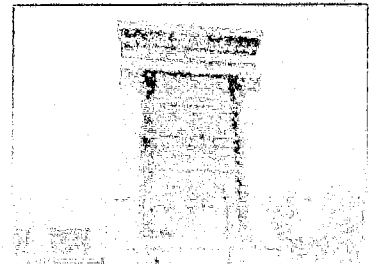
I/we am/are the present owner(s) of the property described above and hereby apply for an historical property contract.

Owner Signature: _____ Date: _____

Owner Signature: _____ Date: _____

Owner Signature: _____ Date: _____

I. APPLICATION FORM



3. Program Priority Criteria

The following criteria are used to rank applications. Please check the appropriate categories as they apply to your building. Use a separate sheet to explain why your building should be considered a priority when awarding a Mills Act Historical Property Contract. Buildings that qualify in three of the five categories are given priority consideration.

1. Property meets one of the six criteria for a qualified historic property:

Property is individually listed in the National Register of Historic Places	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Property is listed as a contributor to an historic district included on the National Register of Historic Places	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Property is designated as a City Landmark under Article 10 of the Planning Code	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Property is designated as a contributory building to an historic district designated under Article 10 of the Planning Code	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Property is designated as a Category I or II (significant) to a conservation district under Article 11 of the Planning Code	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Property is designated as a Category III or IV (contributory) to a conservation district under Article 11 of the Planning Code	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>

2. Property falls under the following Property Tax Value Assessments:

Residential Buildings: \$3,000,000	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Commercial, Industrial or Mixed Use Buildings: \$5,000,000	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>

**If property value exceeds these values please complete Part 4: Application of Exemption*

3. Rehabilitation/Restoration/Maintenance Plan:

A 10 Year Rehabilitation/Restoration/Maintenance Plan will be submitted detailing work to be performed on the subject property	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
--	---	-----------------------------

4. Required Standards:

Proposed work will meet the <i>Secretary of the Interior's Standards for the Treatment of Historic Properties</i> and/or the California Historic Building Code.	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
---	---	-----------------------------

**Detail how the proposed work meets the Secretary of Interior Standards on a separate sheet or include as part of Rehabilitation/Restoration/Maintenance Plan.*

5. Mills Act Tax Savings:

Property owner will ensure that a portion of the Mills Act tax savings will be used to finance the preservation, rehabilitation, and maintenance of the property	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
--	---	-----------------------------

4. Application for Exemption from Property Tax Valuation

If answered "no" to either question under No. 2 "Property fall under the following Property Tax Value Assessments" in the Program Priority Criteria Checklist, on a separate sheet of paper, explain how the property meets the following criteria and should be exempt from the property tax valuations. Also attach a copy of the most recent property tax bill.

1. The site, building, or object, or structure is a particularly significant resource and represents an exceptional example of an architectural style, the work of a master, or is associated with the lives of significant persons or events important to local or natural history; or

Please see Exhibit A for Exemption Statement and Significance Evaluation

2. Granting the exemption will assist in the preservation of a site, building, or object, or structure that would otherwise be in danger of demolition, substantial alteration, or disrepair. (A historic structures report by a qualified consultant must be submitted to demonstrate meeting this requirement).

Please see Exhibit B for Focused Historic Report (HSR)

NAMES:
1019 Market Street Properties, LLC
TAX ASSESSED VALUE:
1,014,932
PROPERTY ADDRESS:
1019 Market Street, San Francisco, CA 94103

By signing below, I/we acknowledge that I/we am/are the owner(s) of the structure referenced above and by applying for exemption from the limitations certify, under the penalty of perjury, that the information attached and provided is accurate.

Owner Signature: _____

Date: _____

Owner Signature: _____

Date: _____

Owner Signature: _____

Date: _____

Planning Department Staff Evaluation

THIS SECTION TO BE COMPLETED EXCLUSIVELY BY PLANNING DEPARTMENT STAFF

Exceptional Structure? YES NO

Percent above value limit: _____

Specific threat to resource? YES NO

No. of criteria satisfied: _____

Complete HSR submitted? YES NO

Planner's Initial: _____

7. Notary Acknowledgment Form

The notarized signature of the majority representative owner or owners, as established by deed or contract, of the subject property or properties is required for the filing of this application. (Additional sheets may be attached.)

State of California

County of: _____

On: _____ before me, _____
DATE INSERT NAME OF THE OFFICER

NOTARY PUBLIC personally appeared: _____
NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) who name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE

(PLACE NOTARY SEAL ABOVE)

8. Historical Property Tax Adjustment Worksheet Calculation

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. This form is a guideline only. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation.

Determine Annual Income and Annual Operating Expenses

An \$120,000 potential gross income less a vacancy and collection loss of \$2,400 and less \$17,640 annual expenses for maintenance, repairs, insurance, and utilities yields a net annual income of \$99,960. (Mortgage payments and property taxes are not considered expenses). Estimated vacancy and collection loss is based upon what is typically happening in the marketplace. It can be different for different properties (i.e. - residential properties generally have a lower vacancy and collection loss than commercial properties). The theory is that when estimating a property's value using the income approach (the approach required for Mills Act valuations) it is reasonable to assume some rent loss due to vacancy and inability to collect rents.

Determine Capitalization Rate

Add the following together to determine the Capitalization Rate:

- The Interest Component is determined by the Federal Housing Finance Board and is based on conventional mortgages. While this component will vary from year to year, the State Board of Equalization has set this at 4.75% for 2012.
- The Historical Property Risk Component of 4% (as prescribed in Sec. 439.2 of the State Revenue and Tax Code) applies to owner-occupied single-family dwellings. A 2% risk component applies to all other Properties.
- The Property Tax Component (Post-Prop. 13) of .01 times the assessment ratio of 100% (1%).
- The Amortization Component is a percentage equal to the reciprocal of the remaining life of the structure and is set at the discretion of the County Assessor for each individual property. In this example the remaining life of the building is 60 years and the improvements represent 45% of the total property value. The amortization component is calculated thus: $1/60 = .0167 \times .45 = .0075$.

Calculate New Assessed Value and Estimated Tax Reduction

The new assessed value is determined by dividing the annual net income (\$99,960) by the capitalization rate .1067 (10.67%) to arrive at the new assessed value of \$936,832.

Lastly, determine the amount of taxes to be paid by taking the current tax rate of 1.167 (1%) of the assessed value \$26,652. Compare this with the current property tax rate for land and improvements only (be sure not to include voter indebtedness, direct assessments, tax rate areas and special districts items on your tax bill).

In this example, the annual property taxes have been reduced by \$15,719 (\$26,652 - \$10,933), an approximately 40% property tax reduction.

EXAMPLE:

Simple Property Tax Calculation
 Current Assessed Value = \$2,283,810
 Current Tax Rate = X 1.167%
 Current Property Taxes = @26,652

Assessment Using Mills Act Valuation Methodology

Potential Annual Gross Income Using Market Rent (\$10,000 per month X 12 months)	\$120,000
Estimated Vacancy and Collection Loss of 2%	(\$2,400)
Effective Gross Income	\$117,600
Less Operating Expenses (i.e. utilities, insurance, maintenance, management)	(\$17,640)
Net Income	\$99,960
Restricted Capitalization Rate	10.67%
Historical Property Value	\$936,832
Current Tax Rate	X 1.167%
New Tax Calculation	\$10,933

Property Tax Savings **\$15,719**

9. Historical Property Tax Adjustment Worksheet Guide

PROPERTY ADDRESS: 1019 Market Street, San Francisco, CA 94103

PROPERTY DESCRIPTION: Seven-story Commercial Office Building with Ground-floor Retail

OWNER OCCUPIED: YES NO

STEP 1: Determine Annual Income of Property

ANNUAL PROPERTY INCOME	CURRENT	EXPLANATION
1. Monthly Rental Income	\$ 239,604	For owner-occupied properties estimate a monthly rental income. Include all potential sources of income (filming, advertising, photo shoots, billboard rentals, etc.)
2. Annual Rental Income	\$ 2,875,294	Multiply Line 1 by 12
3. Deduction for Vacancy	\$ 2,731,529	5% (subtract %5 from line 2)

STEP 2: Calculate Annual Operating Expenses

ANNUAL OPERATING EXPENSES	CURRENT	EXPLANATION
4. Insurance	\$ 127,736	Fire, Liability, etc.
5. Utilities	\$ 146,660	Water, Gas, Electric, etc.
6. Maintenance*	\$ 118,274	Maintenance includes: Painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, structural repairs, security, and property management.
7. Management*	\$ 136,576	
8. Other Operating Expenses	\$ 365,718	Security, services, etc. Provide breakdown on separate sheet.
9. Total Expenses†	\$ 894,964	Add Lines 4 through 8

* If calculating for commercial property, provide the following back-up documentation where applicable:

- Rent Roll (include rent for on-site manager's unit as income if applicable)
- Maintenance Records (provide detailed break-down; all costs should be recurring annually)
- Management Expenses (include expense of on-site manager's unit and 5% off-site management fee; and describe other management costs. Provide breakdown on separate sheet.)

† Annual operating expenses do not include mortgage payments, property taxes, depletion charges, corporate income taxes or interest on funds invested in the property.

STEP 3: Determine Annual Net Income

NET OPERATING INCOME	CURRENT	EXPLANATION
9. Net Operating Income	\$ 1,836,565	Line 3 minus Line 9

STEP 4: Determine Capitalization Rate

CAPITALIZATION RATE	CURRENT	EXPLANATION
10. Interest Component	6.50%	As determined by the State Board of Equalization for 2009/2010
11. Historic Property Risk Component	2%	Single-family home = 4% All other property = 2%
12. Property Tax Component	1%	.01 times the assessment ratio of 100%
13. Amortization Component (Reciprocal of life of property)	5%	If the life of the improvements is 20 years Use $100\% \times 1/20 = 5\%$
14. Capitalization Rate	14.5%	Add Lines 10 through 13

STEP 5: Calculate New Assessed Value

NEW ASSESSED VALUE	CURRENT	EXPLANATION
15. Mills Act Assessed Value	\$ 12,665,966	Line 9 divided by Line 14

STEP 6: Determine Estimated Tax Reduction

NEW TAX ASSESSMENT	CURRENT	EXPLANATION
16. Current Tax (Exclude voter indebtedness, direct assessments, tax rate areas and special districts)	\$ 234,029.18	General tax levy only - do not include voted indebtedness or other direct assessments
17. Tax under Mills Act	\$ 131,065.03	Line 15 x .01
18. Estimated Tax Reduction	\$ 102,964.15	Line 16 minus Line 17

The Assessor Recorder's Office may request additional information. A timely response is required to maintain hearing and review schedules.

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: 1019 Market Properties, LLC	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Colby Durnin, CEO and Cameron Bassett, Vice President	
Contractor address: 27741 Crown Valley Parkway Suite 329, Mission Viejo, CA 92691	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contracts: \$ \$ (10,810 estimated property tax savings)
Describe the nature of the contract that was approved: Mills Act Historical Property Contract	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

