

# 2018 Mills Act Contracts

Government Audit and Oversight Committee Review

November 7, 2018



SAN FRANCISCO  
**PLANNING DEPARTMENT**

# What is the Mills Act?

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



# Active Mills Act Contracts



# 2019 Mills Act Application Changes

1. Qualified historic properties must also meet **Priority Consideration Criteria** in order to be considered for a Mills Act Contract:
  - (a) Necessity
  - (b) Investment
  - (c) Distinctiveness
  - (d) Legacy Business
  - (e) Recently Designated City Landmarks (requires amendment to Administrative code)
  
2. Properties with **outstanding violations are not eligible to apply** for the Mills Act.
  
3. Mills Act Contracts must include **minimum scopes of work**, such as seismic work, accessibility, and life safety improvements.



4. Scopes of work **may be completed in the calendar year** the Mills Act application is made.
  
5. All proposed scopes of **completed during the first ten years** of the contract.
  
6. A Certificate of Appropriateness (COA) for scopes of work must be **filed and approved during the Mills Act application process.**

*Most of these policy changes may be made at the staff level.<sup>\*\*</sup>*





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



District 2



**353 Kearny Street (built 1907)**

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



District 3



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



District 5





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



District 8



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



Prior to rehabilitation.



Existing condition.  
Rehabilitation completed 2015-2016.



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



District 9





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

**Three Way Value Comparison**

**Lesser of the 3 Comparisons**

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

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

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

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

(c) Lease-up \$140,000

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

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

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