

CITY AND COUNTY OF SAN FRANCISCO

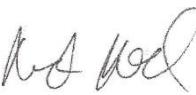
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

November 25, 2025

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst 

SUBJECT: December 4, 2025 Government Audit and Oversight Committee Meeting

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EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolutions would approve a Mills historical property contract (a) with SFCA Real Estate Holdings LLC, the owner of 530 Jackson Street, and (b) with John Sweeney, the owner of 1035 Howard Street, and (c) authorize the Director of Planning and the Assessor to execute the subject historical property contracts in both cases. • The Mills Act is a state law that authorizes local governments to enter into historic property contracts with owners of qualified historical properties, in which local governments reduce property taxes payable by the property owner, provided that the subject owners rehabilitate and maintain the property. 	
<p>Key Points</p> <ul style="list-style-type: none"> • For the property at 530 Jackson Street, the first-year annual property taxes to be paid to the City by the property owner would be \$117,503, which is \$261,620 less than the \$379,124 in estimated annual property taxes that would otherwise be paid to the City, if the proposed historical property contract is not authorized. • For the property at 1035 Howard Street, the first-year annual property taxes to be paid to the City by the property owner would be \$143,473, which is \$260,660 less than the \$404,133 in estimated annual property taxes that would otherwise be paid to the City. 	
<p>Fiscal Impact</p> <ul style="list-style-type: none"> • Over ten years, the property tax rebate for each property equates to about \$2.6 million, assuming a stable assessed market value. The total estimated cost to the property owner of rehabilitating and maintaining 530 Jackson Street over the initial ten-year period of the proposed Mills Act Historical Property contract is approximately \$1 million, which is \$1.6 million less than the estimated reduction in property tax of \$2.6 million over the same period. • In the case of 1035 Howard Street, the cost to rehabilitate and maintain the property over the initial ten-year period is \$3.8 million—\$1.2 million higher than the property tax rebate of \$2.6 million. 	
<p>Policy Consideration</p> <ul style="list-style-type: none"> • For the 530 Jackson Street property, because the property tax rebate is likely to exceed the rehabilitation and maintenance cost, the Board should consider putting the contract in non-renewal status so the contract expires after ten years. Otherwise, the historic property contract continues in perpetuity unless the property owner or the Board of Supervisors files a notice of nonrenewal. 	
<p>Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed resolutions in File 25-1126 and 25-1127 is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

Chapter 71 of the Administrative Code states that Mills Act contracts are subject to Board of Supervisors approval.

BACKGROUND**Mills Act**

The Mills Act, codified in State Government Code Section 50280, authorizes local governments to enter into historic property contracts with owners of qualified historical properties, in which local governments reduce the assessed value of the property according to a formula established in the Mills Act, thereby reducing property taxes payable by the property owner to the City, provided that the subject owners rehabilitate, restore, preserve, and maintain their qualified historical properties.

Chapter 71 of the Administrative Code specifies (a) required qualifications for properties to allow for approval of a Mills Act historical property contract, (b) the Mills Act historical property application and approval processes, and (c) the terms and fees for individual property owners to apply for Mills Act historical property contracts with the City in order to receive such Mills Act Property Tax reductions, subject to Board of Supervisors approval.

Since 2002, the Board of Supervisors has approved 55 Mills Act contracts, all of which are ongoing, as shown in an Appendix to this report.

Provisions of the Mills Act

In order for a Mills Act historical property contract to be approved, the property must be designated a qualified historical property by being listed or designated in one of the following ways on or before December 31 of the year before the application is made:

- Individually listed in the National Register of Historic Places or the California Register of Historical Resources;
- Listed as a contributor to a historic district included on the National Register of Historic Places or the California Register of Historical Resources;
- Listed as a City landmark pursuant to Planning Code Article 10;
- Designated as contributory to a historic district; or

- Designated as significant¹ (Categories I and II) or contributory² (Categories III or IV).

In addition, eligibility for Mills Act historical property contracts is limited to sites, buildings, or structures with an assessed valuation, as of December 31 of the year before the application is made, of \$3,000,000 or less for single-family dwellings and \$5,000,000 or less for commercial, industrial, or mixed-use buildings, unless the Board of Supervisors grants an exemption.

The lifecycle of a Mills Act application typically runs from May to December over the course of one year. If the foregoing conditions are met, a property owner may submit a Mills Act application to the Planning Department for review. The Planning Department reviews the application for completeness and forwards the application to the Assessor, which then calculates property valuations with and without a Mills Act contract. Once the property owner has had a chance to review the Assessor's findings, the application is passed to the Historic Preservation Commission for review. The Historic Preservation Commission will then review the application, including the proposed rehabilitation and maintenance plan, hold a public hearing, and make a recommendation for approval or disapproval to the Board of Supervisors. The Board of Supervisors will then review the Mills Act application and related materials from the Historic Preservation Commission and Assessor, hold a public hearing, and determine whether the City should enter into a Mills Act contract with the property owner. The process is complete once the City Attorney finalizes the Mills Act contract, which is then signed by the Planning Department, Assessor-Recorder, and property owner and recorded by the Assessor. Onsite property inspections occur every five years and are carried out by the Planning Department and the Assessor to monitor compliance with the Mills Act contract. Owners must also submit a yearly affidavit verifying compliance with the approved maintenance and rehabilitation plans.

As required by State law, the proposed Mills Act historical property contract would be in effect for 10 years, with an additional year added automatically to the initial term on each anniversary date of the proposed historical property contract execution date,³ unless either party terminates the contract by submitting a notice of nonrenewal,⁴ subject to Board of Supervisors approval. In

¹ Planning Code Section 1102(a) designates a building as Category I significant if it is (1) at least 40 years old and (2) judged to be a building of individual importance, and (3) is rated excellent in architectural design or as very good in both architectural design and relationship to the environment. Planning Code Section 1102(b) designates a building as Category II significant if (1) it meets the standards in Section 1102(a) and (2) it is feasible to add different and higher replacement structures or additions to the height at the rear of the structure without affecting the architectural quality or relationship to the environment and without affecting the appearance of the retained portions as a separate structure when viewing the principal facade.

² Planning Code Section 1102(c) designates a building as Category III contributory if it is (1) located outside a designated conservation district, (2) at least 40 years old, (3) judged to be a building of individual importance, and (4) rated either very good in architectural design or excellent or very good in relationship to the environment. Planning Code Section 1102(d) designates a building as Category IV contributory if it is (1) located in a designated conservation district, (3) judged to be a building of individual importance, (4) judged to be a building of contextual importance, and (4) rated either very good in architectural design or excellent or very good in relationship to the environment.

³ According to State Government Code Section 50282.

⁴ The City must submit a nonrenewal notice 60 days prior to the date of renewal and the owners must submit a nonrenewal notice 90 days prior to the date of renewal.

other words, the reduced property taxes would continue annually, in perpetuity, until the Mills Act historical property contract is terminated. The Board of Supervisors may cancel a Mills Act contract based on the recommendation of a monitoring agency⁵ that the property owner is not complying with the terms of the contract.

Mills Act: Rehabilitation Plan Requirements

Under the Mills Act contract, the property owners must apply for appropriate building permits within six months after the Mills Act contract is recorded. Further, rehabilitation work must begin within six months of acquiring the necessary permits, and all of the rehabilitation work must be completed within three years of the date of receipt of the permits. Should the property owners fail to comply with the rehabilitation plan according to the deadlines listed above and fail to secure an exemption from meeting those deadlines from the Zoning Administrator, the Board of Supervisors may cancel the Mills Act contract. In that case, the property owner must pay a cancellation fee of 12.5 percent of the fair market value of the property, which is determined by the Assessor. If the property owner successfully obtains an exemption from the Zoning Administrator, then no fees would be owed.

The Mills Act contract requires the property owner to comply to periodic examinations of the property by representatives of (a) the Historic Preservation Commission, (b) the Office of the Assessor-Recorder, (c) the Department of Building Inspection, (d) the Planning Department, (e) the Office of the Historic Preservation of the California Department of Parks and Recreation, and (f) the State Board of Equalization with 72 hours advance notice to ensure compliance with the proposed historic property contract. Furthermore, the Planning Department conducts an inspection program to monitor the provisions of the contract. This program also requires a yearly affidavit issued by the property owner verifying compliance with the approved maintenance and rehabilitation plans as well as onsite inspections every five years.

Mills Act: Property Valuation

Property taxes are typically determined as a portion of a property's assessed value, which largely depends on the property's sale price and year of purchase. According to the Assessor's Office, under a Mills Act contract, the calculation of the property tax is based on an income approach to valuation and includes the following factors:

1. Market rates for rental income
2. Actual rent paid, if a unit is encumbered by a lease subject to rental control
3. An interest rate component as annually determined by the State Board of Equalization
4. Whether a unit is owner-occupied
5. The property tax rate
6. The estimated remaining life of the property

⁵ The monitoring agencies are the Assessor-Recorder, 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.

Following State law, the Assessor determines the actual/estimated net rental income of the historical property (items 1 & 2 above) and uses items 3–6 above to determine a capitalization rate. The income and capitalization rate in turn determine the overall value of the property, which is then taxed at the prevailing property tax rate. The Assessor recalculates the Mills Act valuation every year. Therefore, property tax rates, economic conditions in the local real estate market, and the extent to which the historical property is rented or owner-occupied may increase or decrease the Mills Act property valuation and taxes payable to the City each year. In addition, if a property has undergone substantial rehabilitation, the Assessor may extend the estimated remaining life of the property, which would enhance the Mills Act valuation and increase property taxes payable to the City.

DETAILS OF PROPOSED LEGISLATION

File 25-1126: The proposed resolution would (a) approve a Mills historical property contract with SFCA Real Estate Holdings LLC, the owner of the mixed-use property located at 530 Jackson Street, and (b) authorize the Director of Planning and the Assessor to execute the subject historical property contract.

File 25-1127: The proposed resolution would (a) approve a Mills historical property contract with John Sweeney, the owner of the industrial property located at 1035 Howard Street, and (b) authorize the Director of Planning and the Assessor to execute the subject historical property contract.

File 25-1128: We note that a third proposed Mills historical property contract for 331 Pennsylvania Street does not meet the BLA reporting threshold because the annual property tax savings are projected to be less than \$200,000.

Characteristics of the Two Historic Properties Seeking a Mills Act Contract

A Mills Act historical property contract application was submitted for each of the two subject properties to the Planning Department on May 1, 2025, which included a rehabilitation program detailing estimates of the necessary improvements to preserve each property as well as an annual maintenance plan. The City's Historic Preservation Commission has reviewed the Mills Act historical property contract application for the subject properties, including the proposed rehabilitation program and annual maintenance plans. The Historic Preservation Commission recommended approval of the proposed Mills Act historical property contract, rehabilitation program, and maintenance plan for the two subject properties. In order to continue work on the rehabilitation program included in the Mills Act historical property contract application, the owner of the mixed-use building at 530 Jackson Street intends to apply for a Certificate of

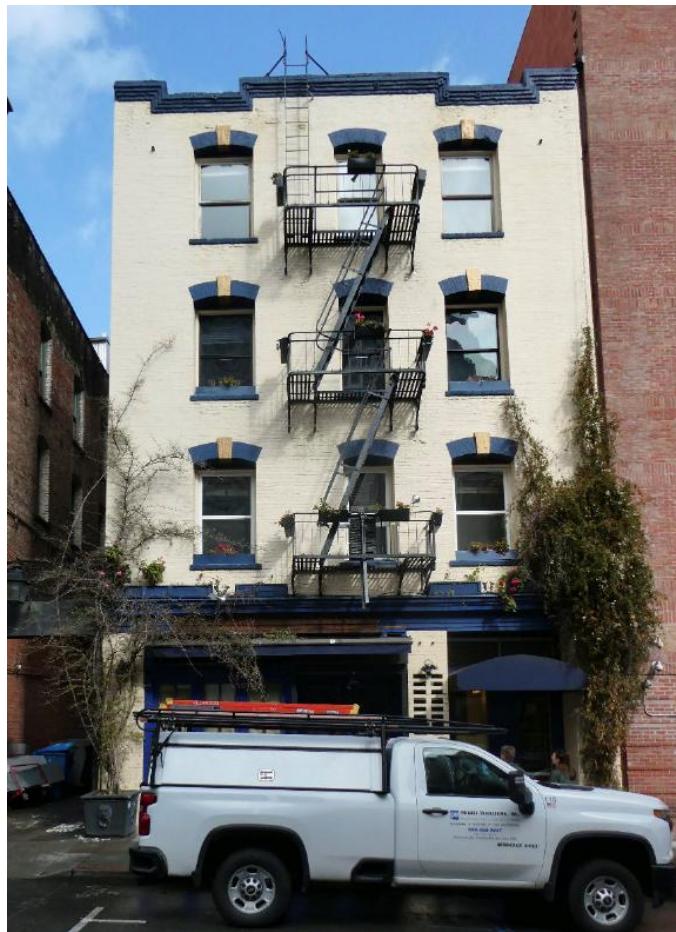
Appropriateness⁶ from the Historic Preservation Commission.⁷ The owner of the industrial building located at 1035 Howard Street has applied for and received a Major Permit to Alter from the Historic Preservation Commission.

The mixed-use property located at 530 Jackson Street pending before the Board of Supervisors is listed as a contributor⁸ to the Jackson Square Historic District. The industrial property located at 1035 Howard Street is listed as significant pursuant to Article 11, Section 1102 of the Planning Code. Therefore, each property qualifies as a historical property under the Administrative Code and is eligible for Mills Act historical property contract approval.

⁶ A Certificate of Appropriateness is the entitlement required to alter an individual landmark and any property within a landmark district. It is not required for ordinary maintenance and repairs, if the replacement materials and details are in-kind.

⁷ The Historic Preservation Commission is a seven-member body, appointed by the Mayor subject to Board of Supervisors' approval, that makes recommendations directly to the Board of Supervisors on the designation of landmark buildings, historic districts, and significant buildings.

⁸ According to the Planning Department's Preservation Bulletin, No. 10, a contributing property in a Historic District is "A classification applied to a site, structure or object within an historic district signifying that it generally shares, along with most of the other sites, structures or objects in the historic district, the qualities that give the historic district cultural, historic, architectural or archaeological significance as embodied by the criteria for designating the historic district."

Exhibit 1: 530 Jackson Street

Source: Page & Turnbull, 530 Jackson Street, Focused Historic Structure Report

According to the Planning Department's Mills Act Contract Case Report on 530 Jackson Street, the existing building between Montgomery Street and Columbus Avenue, built in 1907, is a five-story, over-basement, steel reinforced brick masonry and timber frame mixed-use building with Classical motifs. The basement and first floor are retail, the second and third floor are offices, and the fourth and fifth floors are not part of the Mills Act application (See Exhibit 1 above).

Exhibit 2: 1035 Howard Street

Source: Assessor-Recorder

According to the Planning Department's Mills Act Contract Case Report on [1035 Howard Street](#), the existing building between Harriet and Russ Streets, built in 1930, is a three-story, reinforced concrete, industrial building in the Art Deco style. The building was originally constructed for a flavoring extracts manufacturer, and housed a laboratory, manufacturing plant, warehouse, and office space until 2016; the building is currently vacant (See Exhibit 2 above).

File 25-1126: 530 Jackson StreetRehabilitation and Maintenance

Table 1 below summarizes actual and estimated costs of the work included in the rehabilitation program as well as the estimated completion dates. As shown in Exhibit 3, the rehabilitation work has not yet started and the work is expected to be completed in various years ranging from 2026 to 2035, as required by the Mills Act contract.

Exhibit 3: Actual and Estimated Costs of Rehabilitation Program at 530 Jackson Street

Scope	Rehabilitation Plan	Total Expenditures	Completion Date
1	Wrought Iron Fire Escape – South (Jackson Street)	\$20,584	2026
2	Mid-Band Cornice – South (Jackson Street)	4,650	2026
3	Interior - Basement	155,000	2026
4	Flashing at the Masonry/Stucco – West and North	7,432	2026
5	Roof – Fifth Floor Balcony	33,627	2027
6	Windows – West Façade	120,358	2028
7	Windows – North Façade	27,900	2028
8	Brick Masonry – West and North Façades	242,963	2028
9	Brick Masonry – South (Jackson Street)	80,988	2030
10	Windows – South (Jackson Street)	46,500	2030
11	Wrought Iron Fire Escape – South (Jackson Street)	4,650	2030
12	Jackson Street Storefront	17,050	2030
13	Roof – Fifth Floor Balcony	42,617	2035
Total		\$804,319	

Source: Department of Planning

In addition to the rehabilitation plan detailed above in Exhibit 3, the property owner has agreed to a maintenance plan, including maintenance of the roof, brick masonry, mid-band cornice, wrought-iron fire escape, windows, storefront, and basement. Ongoing maintenance is currently estimated to cost the owner of 530 Jackson Street \$19,530 annually, as shown in Exhibit 4 below.

Exhibit 4: Maintenance Budget for 530 Jackson Street

Scope	Maintenance	Cost	Timing
14	Roof – Fifth Floor Balcony	\$4,340	Inspect annually and repair as needed; paint every 10 years
15	Brick Masonry – West, North, and South Façades	4,340	Inspect annually and repair as needed; paint every 10 years
16	Mid-Band Cornice – South (Jackson Street)	1,085	Inspect annually; paint every 10 years
17	Wrought-Iron Fire Escape – South (Jackson Street)	1,085	Paint every 10 years
18	All Windows	4,340	Paint and install new perimeter sealant every 10 years
19	Jackson Street Storefront	2,170	Inspect annually and repair as needed
20	Interior – Basement	2,170	Inspect annually and repair waterproofing as needed
Total		\$19,530 annually	

Source: Department of Planning

File 25-1127: 1035 Howard StreetRehabilitation and Maintenance

Exhibit 5 below summarizes estimated costs of the work included in the rehabilitation program as well as the estimated completion dates. As shown in Exhibit 5, the rehabilitation work has not yet started and is expected to be completed by 2030, as required by the Mills Act contract.

Exhibit 5: Actual and Estimated Costs of Rehabilitation Program at 1035 Howard Street

Scope	Rehabilitation Plan	Total Expenditures	Completion Date
1	Seismic Upgrades (Foundation, Walls, Floors)	\$1,000,000	2030
2	Roof, Parapets & Skylights	400,000	2030
3	Exterior Concrete Elevations	800,000	2030
4	Upper & Penthouse Windows; Ground Floor Stucco Windows	800,000	2030
5	Terra Cotta Tile at Bulkhead and Column Base	100,000	2030
6	Doors	125,000	2030
7	Fire Escapes	75,000	2030
8	Interior Perimeter Walls & Columns	100,000	2030
9	Boiler Room	5,000	2030
Total		\$3,405,000	

Source: Department of Planning

In addition to the rehabilitation plan detailed above in Exhibit 5, the property owner has agreed to a maintenance plan, including maintenance of the roof, exterior elevations including windows, art deco features, doors, fire escapes, and interior perimeter walls and columns. Ongoing maintenance is currently estimated to cost the owners of 1035 Howard Street \$25,000 annually, with an additional \$50,000 every three to five years for painting, as shown in Exhibit 6 below.

Exhibit 6: Maintenance Budget for 1035 Howard Street

Scope	Maintenance	Cost	Timing
10	Roof	\$5,000	Inspect annually and repair as needed
11	Exterior Elevations Including Windows	50,000	Painted as needed, likely every 3-5 years
12	Art Deco Features	5,000	Inspect annually
13	Doors	5,000	Inspect annually
14	Fire Escapes	5,000	Inspect annually
15	Interior Perimeter Walls & Columns	5,000	Inspect annually
Total		\$25,000 annually + \$50,000 every 3-5 years	

Source: Department of Planning

FISCAL IMPACT**File 25-1126 530 Jackson Street**

According to the Assessor-Recorder, the property at 530 Jackson Street is estimated to be assessed at \$32,365,000, with property taxes payable to the City in the estimated amount of \$379,124 in FY 2024-25.⁹ Exhibit 7 below reflects the estimated assessed value of 530 Jackson Street both with and without the requested Mills Act Historical Property contract. As shown in Exhibit 7 below, the first-year annual property taxes to be paid to the City by the property owner would be \$117,503, which is \$261,620 or 69.01 percent less than the \$379,124 in estimated annual property taxes that would otherwise be paid to the City, if the proposed historical property contract is not authorized. The estimated reduction in property taxes to be received by the City would be approximately \$2,616,200 (\$261,620 annually x ten years) over the initial ten-year period of the proposed Mills Act Historical Property contract, assuming a stable assessed market value.¹⁰ According to the Office of Assessor-Recorder, the market value of the property is reassessed annually to determine whether the property tax amount will increase or decrease.

Exhibit 7: Summary of Estimated Assessed Value (FY 2024-25)

	Without Mills Act	With Mills Act	First Year Reduction	Percent Reduction
530 Jackson Street				
Estimated Assessed Property Value	\$32,365,000	\$10,031,000	(\$22,334,000)	-69.01%
Estimated Property Tax Payable to the City	\$379,124	\$117,503	(\$261,620)	-69.01%
1035 Howard Street				
Estimated Assessed Property Value	\$34,500,000	\$12,248,000	(\$22,252,000)	-64.50%
Estimated Property Tax Payable to the City	\$404,133	\$143,473	(\$260,660)	-64.50%

Source: Office of the Assessor-Recorder

⁹ The Assessor-Recorder advises that property tax rates had not been finalized for FY 2025-26 when these estimates were developed and therefore the estimated property taxes assessed are based on the FY 2024-25 property tax rate of 1.1714 percent of assessed value.

¹⁰ The actual reduction in Property Taxes payable to the City fluctuates annually based on (a) variables in the formula specified in the Mills Act which determine the assessed value of the subject property, such as market rental rates and conventional mortgage interest rates, (b) the factored base year value of the subject property (which increases by no more than 2 percent per year) had a Mills Act Historical Property Contract not been approved, and (c) the Property Tax rate each year. Therefore, the actual annual reductions in Property Taxes payable to the City over the ten-year term of a Mills Act Historical Property Contract and payable annually thereafter, are not equal to the first year reduction in property tax.

As shown in Exhibit 3 above, the rehabilitation program is currently estimated to cost a total of \$804,319 and is to be fully paid by the property owner. In addition, as shown in Exhibit 4 above, ongoing maintenance costs estimated to be \$19,530 annually are to be fully paid by the property owner, with total maintenance costs estimated to be \$215,000 (\$19,530 annually x 10 years with five percent inflation) over the initial ten-year period. Therefore, total estimated cost to the property owner of rehabilitating and maintaining 530 Jackson Street over the initial ten-year period of the proposed Mills Act Historical Property contract is approximately \$1 million, which is \$1.6 million less than the estimated reduction in property tax of \$2.6 million over the same period. According to the Office of the Assessor-Recorder, the total renovation cost will be higher and includes seismic work, but this is outside the scope of Mills Act expenses for rehabilitation and maintenance of building characteristics.

File 25-1127 1035 Howard Street

According to the Assessor-Recorder, the property at 1035 Howard Street is estimated to be assessed at \$34,500,000, with property taxes payable to the City in the estimated amount of \$404,133 in FY 2024-25.¹¹ Exhibit 7 above reflects the estimated assessed value of 1035 Howard Street both with and without the requested Mills Act Historical Property contract. As shown in Exhibit 7 above, the first-year annual property taxes to be paid to the City by the property owners would be \$143,473, which is \$260,660 or 64.50 percent less than the \$404,133 in estimated annual property taxes that would otherwise be paid to the City, if the proposed historical property contract is not authorized. The estimated reduction in property taxes to be received by the City would be approximately \$2,606,600 (\$260,660 annually x ten years) over the initial ten-year period of the proposed Mills Act Historical Property contract.¹² According to the Office of Assessor-Recorder, the market value of the property is reassessed annually to determine whether the property tax amount will increase or decrease.

As shown in Exhibit 5 above, the rehabilitation program is currently estimated to cost a total of \$3,405,000 and is to be fully paid by the property owner. In addition, as shown in Exhibit 6 above, ongoing maintenance costs estimated to be \$25,000 annually (along with \$50,000 in painting costs at least every five years) are to be fully paid by the property owner, with total maintenance costs estimated to be \$420,000 over the initial ten-year period.¹³ Therefore, total estimated cost to the property owner of rehabilitating and maintaining 1035 Howard Street over the initial ten-

¹¹ The Assessor-Recorder advises that property tax rates had not been finalized for FY 2025-26 when these estimates were developed and therefore the estimated property taxes assessed are based on the FY 2024-25 property tax rate of 1.1714 percent of assessed value.

¹² The actual reduction in property taxes payable to the City fluctuates annually based on market conditions. Therefore, the actual annual reductions in property taxes payable to the City over the ten-year term of a Mills Act Historical Property Contract and payable annually thereafter, are not equal to the first year reduction in property tax. However, actual data from current Mills Act contracts shows an increasing amount of property tax loss over the past five years for most properties.

¹³ This estimate of maintenance costs assumes \$25,000 annually plus five percent inflation annually, along with \$60,775 in year 5 and \$77,566 in year 10 to account for painting costs which we assume also increase by five percent annually from the year one estimate of \$50,000.

year period of the proposed Mills Act Historical Property contract is \$3.8 million which is \$1.2 million more than the estimated reduction in property tax of \$2.6 million over the same period.

POLICY CONSIDERATION

Oversight of Mills Act Historical Properties

Program Fees

The Planning Department reported to the BLA that they conduct inspections from the public right-of-way of all 55 current Mills Act properties every five years. On an annual basis, Mills Act property owners are required to provide an affidavit to verify compliance with the approved maintenance and rehabilitation plans for the previous year. The Planning Department assesses a fee for Mills Act applications, however it does not charge an inspection fee, although it is authorized to do so per the Administration Code Section 71.6. Enacting a fee for inspections and maintenance would offset ongoing costs the City incurs to manage the Mills Act program.

Exemption From Policy Limit

We note that the mixed-use property at 530 Jackson Street is valued at \$32,365,000 and the industrial property at 1035 Howard Street is valued at \$34,500,000; in both cases, the value exceeds the \$5,000,000 cap in Administrative Code Chapter 71 for commercial, industrial, or mixed-use buildings, and the Board of Supervisors is required to grant an exemption for a Mills Act contract in both cases.

Property Tax Revenue Loss

Once the Mills Act contract has been enacted, the initial term is for ten years, which is automatically extended each year on the anniversary date of the contract pursuant to California Government Section 50281. The historic property contract continues in perpetuity unless the property owner or the Board of Supervisors files a notice of nonrenewal; once the notice of nonrenewal has been filed, the term of the historic property contract extends for a final ten-year term and is no longer automatically renewed each year.

As noted above, the property tax revenue loss from the 530 Jackson property exceeds the projected spending on renovation and maintenance by \$1.6 million. In at least that case, the Board should consider putting the contract in non-renewal status so the contract expires after ten years. Currently, eight Mills Act contracts are in non-renewal status, with seven non-renewals filed by the Board of Supervisors and one filed by the Department of Planning for non-compliance with Mills Act contract terms.

Lack of Annual Reporting

When the Board of Supervisors approved Mills Act contracts in 2013, the Board amended the resolutions to request the Director of Planning submit an annual report to the Board of Supervisors, Mayor, Controller, and Budget and Legislative Analyst that details for each property with an existing historic property agreement (1) the original date of approval by the Board of Supervisors of the agreement; (2) the annual property tax amount under the historic property

agreement; (3) the percent reduction in the annual property tax amount due to the historic property agreement; (4) the reduction in annual property tax revenues to the City; and (5) conformance of the property to the provisions of the historic property agreement. The Planning Department reported to the BLA that they have not been preparing this report. Meeting the required annual reporting requirement could help the Board of Supervisors to determine whether it wishes to initiate nonrenewal for a Mills Act property.

We note that the Administrative Code Section 71.7 requires that the Planning Department and the Assessor-Recorder's Office to submit a joint report to the Board of Supervisors and the Historic Preservation Commission every three years. The Planning Department submitted a report on January 17, 2024 for 2023.

RECOMMENDATION

Approval of the proposed resolutions in File 25-1126 and 25-1127 is a policy matter for the Board of Supervisors.

APPENDIX**The Board of Supervisors Has Previously Approved 55 Mills Act Contracts, with Estimated Annual Property Tax Reductions of \$3,290,475**

Since 2002, the Board of Supervisors has approved 55 Mills Act contracts, all of which are ongoing, as shown in Exhibit 9 below. If the Board of Supervisors approves the three pending Mills Act contracts (Files 25-1126 and 25-1127, which our report covers, plus File 25-1128), total estimated annual property tax reductions will increase by \$557,682, from \$3,290,475¹⁴ to \$3,484,157.

¹⁴ This amount reflects estimated property tax savings for FY 2024-25, according to the Office of the Assessor-Recorder.

Exhibit 8: Previously Approved and Pending Mills Act Contracts¹⁵

Address	Property Type	W/o Mills Act Assessed Value	With Mills Act Value	Reduction in Assessed Value	Percent Reduction	Estimated Property Tax Savings
1036 Vallejo	SFR*	\$2,321,166	\$970,000	\$(1,351,166)	-58%	\$(15,828)
101 Vallejo	Office	12,800,575	3,980,000	(8,820,575)	-69%	(103,324)
450 Pacific	Office	34,065,144	9,940,000	(24,125,144)	-71%	(282,602)
807 Montgomery	Office	38,760,000	4,370,000	(34,390,000)	-89%	(402,844)
353 Kearny	Office	7,585,526	4,430,000	(3,155,526)	-42%	(36,964)
460 Bush	Commercial	8,268,120	2,250,000	(6,018,120)	-73%	(70,496)
761 Post	Hotel	39,240,511	39,240,511	-	0%	-
1772 Vallejo	SFR	7,545,509	2,200,000	(5,345,509)	-71%	(62,617)
2550 Webster	SFR	3,644,497	1,640,000	(2,004,497)	-55%	(23,481)
2253 Webster	SFR	2,390,410	390,000	(2,000,410)	-84%	(23,433)
2251 Webster	SFR	3,069,180	390,000	(2,679,180)	-87%	(31,384)
2209 Webster	SFR	2,184,840	631,685	(1,553,155)	-71%	(18,194)
1735 Franklin	SFR	3,417,021	1,470,000	(1,947,021)	-57%	(22,807)
1818 California	SFR	4,599,913	1,330,000	(3,269,913)	-71%	(38,304)
940 Grove	SFR	5,276,129	1,240,000	(4,036,129)	-76%	(47,279)
722 Steiner	SFR	6,242,400	1,155,000	(5,087,400)	-81%	(59,594)
942 Fell	Condo	1,142,926	457,285	(685,641)	-60%	(8,032)
944 Fell	Condo	1,331,452	532,715	(798,737)	-60%	(9,356)
361 Oak	SFR	3,018,199	740,000	(2,278,199)	-75%	(26,687)
465 - 467 Oak	2 units	2,918,372	860,000	(2,058,372)	-71%	(24,112)
215 Haight/55 Laguna (Non-Renewal)	Apartments			-	-	-
201 Buchanan	2 units	1,978,044	910,000	(1,068,044)	-54%	(12,511)
50 Carmelita	SFR	3,163,775	750,000	(2,413,775)	-76%	(28,275)
60-62 Carmelita	2 units	2,478,362	810,000	(1,668,362)	-67%	(19,543)
66 Carmelita	SFR	2,496,900	560,000	(1,936,900)	-78%	(22,689)
627 Waller (Non-Renewal)	2 units	4,218,298	3,393,341	(824,957)	-20%	(9,664)
621 Waller	SFR	2,769,572	520,000	(2,249,572)	-81%	(26,351)
59 Potomac	SFR	4,253,466	1,166,680	(3,086,786)	-73%	(36,159)
56 Pierce	3 units	1,853,853	840,000	(1,013,853)	-55%	(11,876)
64 Pierce	SFR	3,123,693	660,000	(2,463,693)	-79%	(28,860)
68 Pierce	SFR	2,746,424	1,121,376	(1,625,048)	-59%	(19,036)
587 Waller	SFR	3,437,315	650,000	(2,787,315)	-81%	(32,651)
563-567 Waller	3 units	2,737,752	1,210,000	(1,527,752)	-56%	(17,896)
101-105 Steiner	3 units	3,196,940	1,220,000	(1,976,940)	-62%	(23,158)
56 Potomac	SFR	1,285,019	521,000	(764,019)	-59%	(8,950)

¹⁵ Estimated annual property taxes are based on information provided by the Office of the Assessor-Recorder to the Budget and Legislative Analyst's Office at the time of Board of Supervisors approval of the Mills Act contracts.

Address	Property Type	W/o Mills Act Assessed Value	With Mills Act Value	Reduction in Assessed Value	Percent Reduction	Estimated Property Tax Savings
64 Potomac	SFR	2,908,807	440,000	(2,468,807)	-85%	(28,920)
66 Potomac	SFR	1,983,266	560,000	(1,423,266)	-72%	(16,672)
1080 Haight	SFR	5,311,968	3,177,080	(2,134,888)	-40%	(25,008)
1315 Waller	SFR	3,637,624	1,439,812	(2,197,812)	-60%	(25,745)
1401 Howard	Office	19,403,427	11,500,000	(7,903,427)	-41%	(92,581)
2168-2174 Market	Retail	748,283	748,283	-	0%	-
3769 20th	SFR	2,335,240	1,035,000	(1,300,240)	-56%	(15,231)
354-356 San Carlos	2 units	1,721,441	765,000	(956,441)	-56%	(11,204)
811 Treat	Apartments	825,770	698,000	(127,770)	-15%	(1,497)
2731-2735 Folsom	3 units	6,748,866	1,966,000	(4,782,866)	-71%	(56,026)
1019 Market	Office	56,852,239	15,800,000	(41,052,239)	-72%	(480,886)
973 Market (Non-Renewal)	Apartments	37,832,291	16,500,000	(21,332,291)	-56%	(249,886)
984 Market	Office Condo	203,992	71,614	(132,378)	-65%	(1,551)
986 Market	Office Condo	269,816	94,722	(175,094)	-65%	(2,051)
990 Market	Office Condo	181,300	63,647	(117,653)	-65%	(1,378)
994 Market	Office Condo	189,280	66,449	(122,831)	-65%	(1,439)
998 Market	Office Condo	1,091,568	372,672	(718,896)	-66%	(8,421)
16 Taylor	Office Condo	208,467	73,184	(135,283)	-65%	(1,585)
988 Market ¹⁶	Office Condo	21,683,268	7,612,080	(14,071,188)	-65%	(164,830)
690 Market ¹⁷	Timeshare/Condo	115,058,853	72,322,899	(42,735,954)	-37%	(500,609)
Total Previously Approved		\$508,757,069	\$227,856,035	\$(280,901,034)		\$(3,290,475)
Proposed New Mills Act Contracts						
530 Jackson	Condo Res.	\$32,365,000	\$10,031,000	\$(22,334,000)	-69%	\$(261,620)
1035 Howard	Mixed Use	34,500,000	12,248,000	(22,252,000)	-64%	(260,660)
331 Pennsylvania	Industrial	7,963,200	4,941,000	(3,022,200)	-39%	(35,402)
Total Pending		\$66,865,000	\$22,279,000	\$(44,586,000)		\$(577,682)
Total		\$575,622,069	\$250,135,035	\$(325,487,034)		\$(3,848,157)

Source: Office of the Assessor-Recorder

*Note: SFR means single-family residential.

¹⁶ This address includes 16 office condo units, and the property tax amounts shown reflect the sum total for all 16 units.

¹⁷ This address includes 58 units, and the property tax amounts shown reflect the sum total for all 58 units.