


**CITY AND COUNTY OF SAN FRANCISCO**  
**BOARD OF SUPERVISORS**  
**BUDGET AND LEGISLATIVE ANALYST**

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December 12, 2013

**TO:** Budget and Finance Committee

**FROM:** Budget and Legislative Analyst 

**SUBJECT:** December 16, 2013 Special Budget and Finance Committee Meeting

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| <b>EXECUTIVE SUMMARY</b>  |   |

The Mills Act, codified in State Government Code Section 50280, authorizes local governments to enter into historic property agreements with owners of qualified historic 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 owners rehabilitate, restore, preserve, and maintain their qualified historic properties.

The proposed resolutions would approve 11 new historic property agreements in accordance with the Mills Act for ten residential properties and one commercial property in which the property owners agree to rehabilitate and maintain their properties to specific historic preservation standards and receive a reduced property assessment, resulting in reduced property tax payments to the City. The following table shows the 11 properties and the assessed property values with and without an historic property agreement.

**Table: Proposed 11 Historic Property Agreements and the Assessed Property Values with and without an Historic Property (Mills Act) Agreement**

| Item | File         | Property            | Property Type | Assessed Value without Mills Act Designation | Assessed Value with Mills Act Designation | Reduction in Assessed Value |
|------|--------------|---------------------|---------------|--|---|-----------------------------|
| 2    | 13-0463      | 1772 Vallejo Street | Single Family | \$6,250,000                                  | \$2,220,625                               | \$4,029,375                 |
| 3    | 13-0479      | 2550 Webster Street | Single Family | 2,924,570                                    | 2,523,438                                 | 401,132                     |
| 4    | 13-0506      | 1019 Market Street  | Commercial    | 17,500,000                                   | 16,540,000                                | 960,000                     |
| 5    | 13-0521      | 3769 20th Street    | Single Family | 1,785,000                                    | 932,783                                   | 852,217                     |
| 6    | 13-0522      | 50 Carmelita Street | Single Family | 2,620,582                                    | 970,000                                   | 1,650,582                   |
| 7    | 13-0577      | 66 Carmelita Street | Single Family | 1,999,993                                    | 720,000                                   | 1,279,993                   |
| 8    | 13-0640      | 70 Carmelita Street | Single Family | 635,263                                      | 780,000                                   | n/a                         |
| 9    | 13-1157      | 56 Pierce Street    | Single Family | 1,535,568                                    | 910,000                                   | 625,568                     |
| 10   | 13-1158      | 64 Pierce Street    | Single Family | 2,526,192                                    | 950,000                                   | 1,576,192                   |
| 11   | 13-1159      | 56 Potomac Street   | Single Family | 1,064,403                                    | 630,000                                   | 434,403                     |
| 12   | 13-1160      | 66 Potomac Street   | 3 Unit Rental | 1,895,874                                    | 900,000                                   | 995,874                     |
|      | <b>Total</b> |                     |               | <b>\$40,737,445</b>                          | <b>\$28,076,846</b>                       | <b>\$12,805,336</b>         |

Under the 11 proposed historic property agreements, total estimated rehabilitation, renovation, and maintenance costs over the initial 10-year term of the agreements are \$10,811,283, as shown in the following table.

**Table: Rehabilitation and Renovation and Maintenance Costs under the 11 Proposed Historic Property Agreements**

| Item | File    | Address             | Property Type | Estimated Costs of Rehabilitation and Renovation | Estimated Costs of Maintenance over 10 Years | Total Rehabilitation, Renovation, and Maintenance Cost over 10 Years |
|------|---------|---------------------|---------------|--|--|--|
| 2    | 13-0463 | 1772 Vallejo Street | Single Family | \$621,000  | \$990,000                                    | \$1,611,000  |
| 3    | 13-0479 | 2550 Webster Street | Single Family | 1,539,000  | 370,000                                      | 1,909,000  |
| 4    | 13-0506 | 1019 Market Street  | Commercial    | 5,412,783  | 225,000                                      | 5,637,783  |
| 5    | 13-0521 | 3769 20th Street    | Single Family | 101,000  | 50,000                                       | 151,000  |
| 6    | 13-0522 | 50 Carmelita Street | Single Family | 0  | 411,000                                      | 411,000  |
| 7    | 13-0577 | 66 Carmelita Street | Single Family | 192,000  | 25,000                                       | 217,000  |
| 8    | 13-0640 | 70 Carmelita Street | Single Family | 43,000   | 12,000                                       | 55,000   |
| 9    | 13-1157 | 56 Pierce Street    | Single Family | 0  | 227,000                                      | 227,000  |
| 10   | 13-1158 | 64 Pierce Street    | Single Family | 141,000  | 92,000                                       | 233,000  |
| 11   | 13-1159 | 56 Potomac Street   | Single Family | 25,000   | 32,500                                       | 57,500   |
| 12   | 13-1160 | 66 Potomac Street   | 3 Unit Rental | 189,000  | 113,000                                      | 302,000  |
|      |         | <b>Total</b>        |               | <b>\$8,263,783</b>                               | <b>\$2,547,500</b>                           | <b>\$10,811,283</b>  |

Approval of the proposed historic property agreements for the 11 properties would result in reduced property tax revenues to the City in 2014 of \$152,129, as shown in the table below, and over the initial 10-year period of approximately \$1,521,290.

**Table: Estimated Reduction in Property Tax Revenues to the City**

| Item | File    | Address             | No Historic Property Agreement (Estimated) | Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction Over 10 Years |
|------|---------|---------------------|--|-----------------------------|----------------------|-------------------|-----------------------------------|
| 2    | 13-0463 | 1772 Vallejo Street | \$74,250                                   | \$26,381                    | \$47,869             | 64%               | \$478,690                         |
| 3    | 13-0479 | 2550 Webster Street | 34,744                                     | 29,978                      | 4,766                | 14%               | 47,660                            |
| 4    | 13-0506 | 1019 Market Street  | 207,900                                    | 196,495                     | 11,405               | 5%                | 114,050                           |
| 5    | 13-0521 | 3769 20th Street    | 21,206                                     | 11,081                      | 10,125               | 48%               | 101,250                           |
| 6    | 13-0522 | 50 Carmelita Street | 31,133                                     | 11,524                      | 19,609               | 63%               | 196,090                           |
| 7    | 13-0577 | 66 Carmelita Street | 23,760                                     | 8,554                       | 15,206               | 64%               | 152,060                           |
| 8    | 13-0640 | 70 Carmelita Street | 7,547                                      | 7,547                       | 0                    | 0%                | 0                                 |
| 9    | 13-1157 | 56 Pierce Street    | 18,243                                     | 10,811                      | 7,432                | 41%               | 74,320                            |
| 10   | 13-1158 | 64 Pierce Street    | 30,011                                     | 11,286                      | 18,725               | 62%               | 187,250                           |
| 11   | 13-1159 | 56 Potomac Street   | 12,645                                     | 7,484                       | 5,161                | 41%               | 51,610                            |
| 12   | 13-1160 | 66 Potomac Street   | 22,523                                     | 10,692                      | 11,831               | 53%               | 118,310                           |
|      |         | <b>Total</b>        | <b>\$483,962</b>                           | <b>\$331,833</b>            | <b>\$152,129</b>     |                   | <b>\$1,521,290</b>                |

The City currently has six historic property agreements, which were approved by the Board of Supervisors from 2002 through 2013. The estimated annual reduction in property tax revenues to the City due to the existing historical property agreements is \$702,740, as shown in the following table.

**Table: Estimated Annual Reduction in Property Tax Revenues to the City under the Six Existing Mills Act Historical Property Agreements**

| 2013-2014 Property Tax Payment to the City |                      |                               |                                  |                  |                   |
|--|----------------------|-------------------------------|----------------------------------|------------------|-------------------|
| Board of Supervisors Approval Date         | Address              | Historical Property Agreement | No Historical Property Agreement | Reduction        | Percent Reduction |
| May 13, 2002                               | 460 Bush Street      | \$24,472                      | \$44,519                         | \$20,047         | 45%               |
| May 15, 2007                               | 1080 Haight Street   | 32,453                        | 82,415                           | 49,962           | 61%               |
| August 7, 2007                             | 1735 Franklin Street | 23,853                        | 35,708                           | 11,856           | 33%               |
| November 18, 2008                          | 690 Market Street    | 1,282,186                     | 1,807,186                        | 525,000          | 29%               |
| December 3, 2010                           | 1818 California      | 28,504                        | 112,791                          | 84,287           | 75%               |
| July 30, 2013                              | 201 Buchanan Street  | 19,465                        | 31,052                           | 11,588           | 37%               |
|  | <b>Total</b>         | <b>\$1,410,932</b>            | <b>\$2,113,672</b>               | <b>\$702,740</b> |                   |

The total reduction in annual property tax revenues to the City will be \$854,869, including \$702,740 for the existing six historical property agreements and \$152,129 for the proposed 11 historic property agreements.

#### **Exemptions from the Mills Act Property Program Requirements**

Eligibility for Mills Act historical property agreements 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 multi-unit residential, commercial, or industrial buildings, unless the Board of Supervisors grants an exemption. Two of the proposed properties have assessed values that exceed these limits:

- 1772 Vallejo Street is currently valued by the Assessor's Office at \$6,250,000 or \$3,250,000 more than the eligibility limit of \$3,000,000 established by the Mills Act for a single family residence. According to Mr. Tim Frye, Planning Department Preservation Coordinator, the single family residence at 1772 Vallejo qualifies for an exemption as it is a City Landmark under Article 10 of the Planning Code.
- 1019 Market Street is currently valued by the Assessor's Office at \$17,500,000, or \$12,500,000 more than the eligibility limit of \$5,000,000 established by the Mills Act for a commercial property. According to Mr. Frye, the commercial property at 1019 Market Street qualifies for an exemption as it is listed on the National Register of Historic Places and is a contributor to the National Register-listed Market Street Theater and Loft District.

### **Reporting on the Mills Act Historic Property Program**

Administrative Code Section 71.7 requires that the Planning Department and Assessor/Recorder's Office submit a joint report to the Board of Supervisors and the Historic Preservation Commission on March 31, 2013 and every three years thereafter providing the Departments' analysis of the historical property agreement (Mills Act) program. Such report has not been submitted to the Board of Supervisors.

Because, according to Mr. Tim Frye, Planning Department Preservation Coordinator, the Board of Supervisors will not receive an analysis of the historical property agreement program required by Administrative Code Section 71.7 until approximately March 31, 2016, the Budget and Legislative Analyst recommends amending each of the 11 proposed resolutions to request the Director of Planning to submit an annual report to the Board of Supervisors, Mayor, Controller, and Budget and Legislative Analyst that details for each of the 17 properties (11 proposed and six existing) with an 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.

### **RECOMMENDATIONS**

- Amend Resolution 13-0463 to specify that approval of the proposed historical property agreement authorizes an exemption to the Mills Act historical property agreement eligibility limit of \$3,000,000 for a single family residence.
- Amend Resolution 13-0506 to specify that approval of the proposed historical property agreement authorizes an exemption to the Mills Act historical property agreement eligibility limit of \$5,000,000 for a commercial property.
- Amend each of the 11 proposed 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.
- Approval of the proposed 11 resolutions, as amended, is a policy matter for the Board of Supervisors.

## MANDATE STATEMENT/BACKGROUND

### Mandate Statement

The Mills Act, codified in State Government Code Section 50280, authorizes local governments to enter into historic property agreements with owners of qualified historic 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 owners rehabilitate, restore, preserve, and maintain their qualified historic properties.

The City's Administrative Code<sup>1</sup> specifies (a) required qualifications for properties to allow for approval of a Mills Act historic property agreement, (b) the Mills Act historic property application and approval processes, and (c) the terms and fees for individual property owners to apply for Mills Act historic property agreements with the City in order to receive such Mills Act Property Tax reductions, subject to Board of Supervisors approval.

### Background

In order for a Mills Act historic property agreement to be approved<sup>2</sup>, the property must be designated a qualified historic 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 significant<sup>3</sup> (Categories I and II) or contributory<sup>4</sup> (Categories III or IV).

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<sup>1</sup> Administrative Code Chapter 71

<sup>2</sup> Administrative Code Section 71.2

<sup>3</sup> Planning Code Section 1102(a) designates a building as Category I significant if it is (1) at least 40 years old, (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 it (1) meets the standards in Section 1102(a) and (2) if 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.

<sup>4</sup> Planning Code Section 1102(c) designates a building as Category III contributory if it is (1) located outside a designated conservation district, (2) is at least 40 years old, (3) judged to be a building of individual importance, and (4) is 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, (2) judged to be a building of individual importance, (3) judged to be a building

In addition, eligibility for Mills Act historic property agreements 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 multi-unit residential, commercial, or industrial buildings, unless the Board of Supervisors grants an exemption.

Once the Mills Act historic property agreement has been enacted, the initial term is for 10 years, which is automatically extended each year on the anniversary date of the agreement<sup>5</sup>. Therefore, the historic property agreement and reduced property taxes continue into perpetuity.

Either the property owner or the Board of Supervisors may file a notice of nonrenewal to not automatically extend the term of the agreement.<sup>6</sup> Once the notice of nonrenewal has been filled, the final term of the historic property agreement is for ten years and is no longer automatically extended each year.<sup>7</sup>

## DETAILS OF PROPOSED LEGISLATION

**File 13-0463** is a resolution (a) approving a Mills Act historic property agreement with John Moran, the owner of the residential property located at 1772 Vallejo Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-0479** is a resolution (a) approving a Mills Act historic property agreement with Pacific Heights, LLC, the owners of the residential property located at 2550 Webster Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-0506** is a resolution (a) approving a Mills Act historic property agreement with 1019 Market St. Properties, LLC, the owners of the commercial property located at 1019 Market Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-0521** is a resolution (a) approving a Mills Act historic property agreement with Brian Jackson and Thomas Ranese, the owners of the residential property located at 3769 20<sup>th</sup> Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

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of contextual importance, and (4) is rated either Very Good in architectural design or excellent or very good in relationship to the environment.

<sup>5</sup> According to State Government Code Section 50282

<sup>6</sup> 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.

<sup>7</sup> 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.

**File 13-0522** is a resolution (a) approving a Mills Act historic property agreement with Adam Spiegel and Guillemette Broulliat-Spiegel, the owners of the residential property located at 50 Carmelita Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-0577** is a resolution (a) approving a Mills Act historic property agreement with Amy Hockman and Brian Bone, the owners of the residential property located at 66 Carmelita Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-0640** is a resolution (a) approving a Mills Act historic property agreement with Elise Sommerville, the owner of the residential property located at 70 Carmelita Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-1157** is a resolution (a) approving a Mills Act historic property agreement with Adam Wilson and Quyen Nguyen, the owners of the residential property located at 56 Pierce Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-1158** is a resolution (a) approving a Mills Act historic property agreement with Jean Paul and Ann Balajadia, the owners of the residential property located at 64 Pierce Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-1159** is a resolution (a) approving a Mills Act historic property agreement with Karli Sager and Jason Monberg, the owners of the residential property located at 56 Potomac Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.

**File 13-1160** is a resolution (a) approving a Mills Act historic property agreement with Adam Wilson and Quyen Nguyen, the owners of the residential property located at 66 Potomac Street, and (b) authorizing the Director of Planning and the Assessor to execute the subject historic property agreement.



**Item 2 – File 13-0463**

**Applicant:** John Moran

**Property Address:** 1772 Vallejo Street

**Date of Historical Landmark Designation by the Board of Supervisors:** March 30, 1970

**Board of Supervisors Ordinance Number:** Ordinance No. 103-70 designated the Burr House located at 1772 Vallejo Street as a landmark pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** December 4, 2013

The subject property located at 1772 Vallejo Street is currently valued by the Assessor's Office at \$6,250,000 or \$3,250,000 more than the eligibility limit of \$3,000,000 established by the Mills Act for a single family residence. According to Mr. Tim Frye, Planning Department Preservation Coordinator, the single family residence at 1772 Vallejo qualifies for an exemption as it is a City Landmark under Article 10 of the Planning Code. A required Historic Structures Report by the Planning Department determined that granting the exemption would assist in the preservation of a property that might otherwise be in danger of demolition or substantial alterations. Because Board of Supervisors' approval of proposed historic property agreement for the property at 1772 Vallejo Street would grant the exemption, Resolution 13-0463 should be amended to specify that approval of the proposed historic property agreement authorizes an exemption to the Mills Act historic property agreement eligibility limit of \$3,000,000 for a single family residence.

**Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 1772 Vallejo Street, the subject property is located on the north side of Vallejo Street between Gough and Franklin Streets. Assessor's Block 0522, Lot 029. 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 #31. The three-story-over-basement house was designed primarily in the Italianate style with French Second Empire influences.

**Exhibit 1: 1772 Vallejo Street****Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department's Mills Act Agreement Case Report for 1772 Vallejo Street, the property owners propose to begin rehabilitation efforts and the proposed rehabilitation program involves and includes the following components:

- Evaluating the structural soundness of unreinforced masonry foundation;
- Removing interior unreinforced chimney (not visible from street);
- Improving the landscape drainage to redirect water flow from the house; work to rehabilitate the historic garden setting;
- Completing a feasibility study for upgrading the unreinforced foundation of the rear cottage,
- Repairing the historic windows at the cottage;
- Repairing and reinforcing the fireplace and chimney of the cottage;
- Replacing the roofing, and any damaged rafters as needed, of the cottage;
- Completing a feasibility study for demolishing the non-historic garage to restore the historic character of the property;

- Repairing and replacing historic wood windows as necessary;
- Repairing deteriorated wood siding and millwork in-kind;
- Repainting the exterior for historic accurate paint colors; and
- Replacing the roof.

The proposed rehabilitation and renovations are currently estimated to cost \$621,000.

### **Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Care of the garden;
- Wood siding, windows/glazing, roof, millwork and ornamentation;
- Gutters, downspouts and drainage; and
- The attic and foundation.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$89,000 per year.

### **Impact on Property Taxes**

Table 1 below reflects the estimated assessed value of 1772 Vallejo Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

**Table 1: Summary of Assessed Value of 1772 Vallejo Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$6,250,000                                     | \$2,220,625                                  | \$4,029,375          | 64%               | n/a   |
| Estimated Property Taxes Payable to the City | \$74,250  | \$26,381                                     | \$47,869             | 64%               | \$478,690   |

Source: Assessor/Recorder's Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$478,690 shown in the table above.

Mr. Michael Jine, Office of the Assessor-Recorder, advises that since property tax rates have not been finalized for FY 2014-15, the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$1,611,000 in property renovation and maintenance and save an estimated \$478,690 in property taxes, for net costs to the property owner of \$1,132,310 in historic renovations and maintenance, as shown in Table 2 below.

**Table 2: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                    |
|--|--------------------|
| Property Owner Costs                               |                    |
| Estimated Historic Renovation Costs                | \$621,000          |
| Estimated Annual Maintenance Costs Over 10 Years   | 890,000            |
| Estimated Periodic Maintenance Costs Over 10 Years | 100,000            |
| <b>Total Costs to Property Owner</b>               | <b>1,611,000</b>   |
| Property Tax Savings Over 10 Years                 | \$478,690          |
| <b>Net Costs to Property Owner</b>                 | <b>\$1,132,310</b> |

According to Mr. Greg Kato, Treasurer/Tax Collector's Office, all property taxes assessed to 1772 Vallejo Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 3 – File 13-0479**

**Applicant:** Pacific Heights, LLC

**Property Address:** 2550 Webster Street

**Date of Historical Landmark Designation by the Board of Supervisors:** March 1, 1971

**Board of Supervisors Ordinance Number:** Ordinance No. 51-71 designated the Bourn Mansion located at 2550 Webster Street as a landmark pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** October 16, 2013

**Property Description**

According to the Planning Department’s Mills Act Agreement Case Report for 2550 Webster Street, 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. 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.

**Exhibit 2: 2550 Webster Street**



**Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department's Mills Act Agreement Case Report 2550 Webster Street, the property owners proposed rehabilitation program involves exterior work to the Bourn Mansion and includes the following components:

- Repairing and in-kind replacing of the historic slate roofing, including structural framing and reinforcement;
- Repairing the historic windows; and
- Restoring the conservatory roof and leaded glass windows.

The proposed rehabilitation and renovations are currently estimated to cost \$1,539,000.

**Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Care of the roof chimneys, masonry, millwork and ornamentation;
- Sheet metal; and
- Windows and doors.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$37,000 per year.

**Impact on Property Taxes**

Table 3 below reflects the estimated assessed value of 2550 Webster Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

**Table 3: Summary of Assessed Value of 2550 Webster Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$2,924,570                                     | \$2,523,438                                  | \$401,132            | 14%               | n/a   |
| Estimated Property Taxes Payable to the City | \$34,744  | \$29,978                                     | \$4,766              | 14%               | \$47,660  |

Source: Assessor/Recorder’s Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$47,660 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$1,909,000 in property renovation and maintenance and save an estimated \$47,660 in property taxes, for net costs to the property owner of \$1,861,340 in historic renovations and maintenance, as shown in Table 4 below.

**Table 4: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                    |
|--|--------------------|
| Property Owner Costs                               |                    |
| Estimated Historic Renovation Costs                | \$1,539,000        |
| Estimated Annual Maintenance Costs Over 10 Years   | 370,000            |
| Estimated Periodic Maintenance Costs Over 10 Years | 0                  |
| <b>Total Costs to Property Owner</b>               | <b>1,909,000</b>   |
| Property Tax Savings Over 10 Years                 | 47,660             |
| <b>Net Costs to Property Owner</b>                 | <b>\$1,861,340</b> |

According to Mr. Kato, all property taxes assessed to 2550 Webster Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 4 – File 13-0506**

**Applicant:** 1019 Market St. Properties, LLC

**Property Address:** 1019 Market Street

**Date of Historical Landmark Designation by the Board of Supervisors:** N/A

**Board of Supervisors Ordinance Number:** N/A

The property at 1019 Market Street is eligible for a Mills Act agreement because it is listed on the National Register of Historic Places and is designated under Article 11 of the Planning Code as a Category II building.

**Date of Historic Preservation Commission Approval:** October 16, 2013

The subject property located at 1019 Market Street is currently valued by the Assessor's Office at \$17,500,000, or \$12,500,000 more than the eligibility limit of \$5,000,000 established by the Mills Act for a commercial property. According to Mr. Frye, the commercial property at 1019 Market Street qualifies for an exemption as it is listed on the National Register of Historic Places as it is designated under Article 11 of the Planning Code as a Category II building and is a contributor to the National Register-listed Market Street Theater and Loft District. A required Historic Structures Report by the Planning Department determined that granting the exemption would assist in the preservation of a property that might otherwise be in danger of demolition or substantial alterations. Because Board of Supervisors' approval of proposed historic property agreement for the property at 1019 Market Street would grant the exemption, Resolution 13-0506 should be amended to specify that approval of the proposed historic property agreement authorizes an exemption to the Mills Act historic property agreement eligibility limit of \$5,000,000 for a commercial property.

**Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 1019 Market Street, 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.

### **Exhibit 3: 1019 Market Street**



### **Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department's Mills Act Agreement Case Report 1019 Market Street, the property owners proposed to continue rehabilitation efforts approved administratively under a Minor Permit to Alter<sup>8</sup> by Planning Department Staff on July 2, 2013. The proposed rehabilitation program involves the following components:

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<sup>8</sup> A Permit to Alter is the entitlement required to alter Article 11 of the Planning Code designated Significant or Contributory buildings or any building within a conservation district. A Permit to Alter is required for any construction, addition, major alteration, relocation, removal, or demolition of a structure, object or feature. A

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

The proposed rehabilitation and renovations are currently estimated to cost \$5,412,783.

### **Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes care of the roof, sheet metal, terra cotta, wood window sashes, sheet metal window mullions, and the parged concrete walls.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$20,000 per year.

### **Impact on Property Taxes**

Table 5 below reflects the estimated assessed value of 1019 Market Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

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Minor Permit to Alter can be approved by Planning Department Staff; however, a Major Permit to Alter must be approved by Historic Preservation Commission.

**Table 5: Summary of Assessed Value of 1019 Market Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$17,500,000                                    | \$16,540,000                                 | \$960,000            | 5%                | n/a   |
| Estimated Property Taxes Payable to the City | \$207,900                                       | \$196,495                                    | \$11,405             | 5%                | \$114,050   |

Source: Assessor/Recorder’s Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$114,050 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$5,637,738 in property renovation and maintenance and save an estimated \$114,050 in property taxes, for net costs to the property owner of \$5,523,688 in historic renovations and maintenance, as shown in Table 6 below.

**Table 6: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                    |
|--|--------------------|
| Property Owner Costs                               |                    |
| Estimated Historic Renovation Costs                | \$5,412,783        |
| Estimated Annual Maintenance Costs Over 10 Years   | 200,000            |
| Estimated Cyclical Maintenance Costs Over 10 Years | 25,000             |
| <b>Total Costs to Property Owner</b>               | <b>5,637,738</b>   |
| Property Tax Savings Over 10 Years                 | 114,050            |
| <b>Net Costs to Property Owner</b>                 | <b>\$5,523,688</b> |

According to Mr. Kato, all property taxes assessed to 1019 Market Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 5 – File 13-0521**

**Applicant:** Brian Jackson and Thomas Ranese

**Property Address:** 3769 20<sup>th</sup> Street

**Date of Historical Landmark Designation by the Board of Supervisors:** October 15, 1985

**Board of Supervisors Ordinance Number:** Ordinance No. 757-85 designated the Liberty-Hill Historic District, and the property at 3769 20<sup>th</sup> Street is a contributor to the Liberty-Hill Historic District pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** October 16, 2013

**Property Description**

According to the Planning Department’s Mills Act Agreement Case Report for 3769 20th Street, 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 of the Planning Code as a contributor to the Liberty-Hill Historic District. The two-story-over-basement, frame residence was built in 1871 in the Italianate style.

**Exhibit 4: 3769 20th Street**



### **Proposed Property Rehabilitation and Renovation Program**

Brian Jackson and Thomas Ranese received a Certificate of Appropriateness<sup>9</sup> from the Historic Preservation Commission on November 21, 2012, which approved a rehabilitation program that involves in-kind replacement of historic elements and seismic improvements to the historic portions of the house. To date, the property owner has spent \$69,000 in rehabilitation and renovation costs, and the Mills Act historic property agreement includes an additional \$32,000 in proposed rehabilitation and renovation work, for a total of \$101,000 in rehabilitation and renovation costs included in the historic preservation.

### **Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Wood siding, windows/glazing, roof, millwork and ornamentation;
- Gutters, downspouts and drainage; and
- The foundation.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$5,000 per year.

### **Impact on Property Taxes**

Table 7 below reflects the estimated assessed value of 3769 20th Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

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<sup>9</sup> A Certificate of Appropriateness is the entitlement required to alter an individual landmark and any property within a landmark district.

**Table 7: Summary of Assessed Value of 3769 20th Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$1,785,000                                     | \$932,783                                    | \$852,217            | 48%               | n/a   |
| Estimated Property Taxes Payable to the City | \$21,206  | \$11,081                                     | \$10,125             | 48%               | \$101,250   |

Source: Assessor/Recorder’s Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$101,250 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$151,000 in property renovation and maintenance and save an estimated \$101,250 in property taxes, for net costs to the property owner of \$49,750 in historic renovations and maintenance, as shown in Table 8 below.

**Table 8: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                 |
|--|-----------------|
| Property Owner Costs                               |                 |
| Estimated Historic Renovation Costs                | \$101,000       |
| Estimated Annual Maintenance Costs Over 10 Years   | 50,000          |
| Estimated Periodic Maintenance Costs Over 10 Years | 0               |
| <b>Total Costs to Property Owner</b>               | <b>151,000</b>  |
| Property Tax Savings Over 10 Years                 | 101,250         |
| <b>Net Costs to Property Owner</b>                 | <b>\$49,750</b> |

According to Mr. Kato, all property taxes assessed to 3769 20th Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

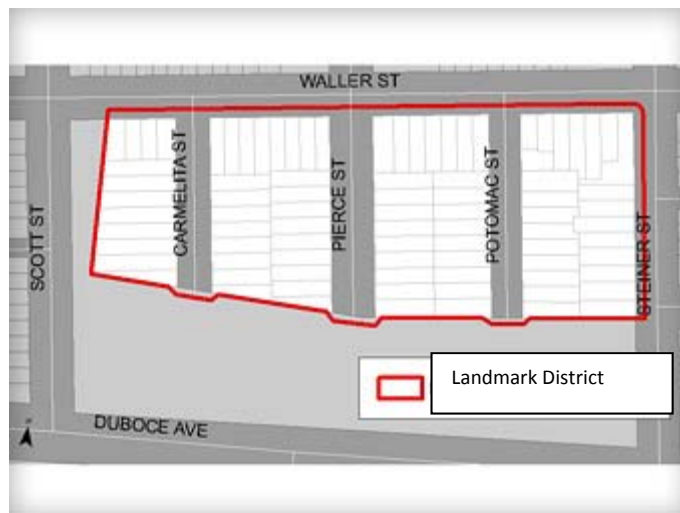
**Duboce Park Historic District**

The following seven properties are in the Duboce Park Historic District:

| Item | File    | Property            |
|------|---------|---------------------|
| 6    | 13-0522 | 50 Carmelita Street |
| 7    | 13-0577 | 66 Carmelita Street |
| 8    | 13-0640 | 70 Carmelita Street |
| 9    | 13-1157 | 56 Pierce Street    |
| 10   | 13-1158 | 64 Pierce Street    |
| 11   | 13-1159 | 56 Potomac Street   |
| 12   | 13-1160 | 66 Potomac Street   |

On June 4, 2013, the Board of Supervisors approved Ordinance No. 107-13 to create the Duboce Park Historic District located in the Duboce Triangle Neighborhood in San Francisco.<sup>10</sup> The Duboce Park Historic District includes 87 properties and the three interior block park entrances at Carmelita, Pierce, and Potomac Streets, as shown in the map below. This historic district designation was initiated by the Historic Preservation Committee and recommended for approval by the Planning Commission pursuant to its authority under the City’s Charter to recommend approval, disapproval, or modification of landmark and historic district designations under the Planning Code to the Board of Supervisors.

**Exhibit 5: Duboce Park Historic District**



<sup>10</sup> Article 10, Section 1004 of the Planning Code authorizes the Board of Supervisors to designate individual structures or groups of structures that have special character or special historic, architectural or aesthetic interest or values as a City landmarks or a districts.

Under Article 10 of the Planning Code, following the designation of a structure or a group of structures as a landmark or a district, any construction, alteration, removal or demolition for which a City permit is required and that may affect the character-defining features of the landmark or district necessitates a Certificate of Appropriateness from the Historic Preservation Commission.

The following seven properties are located in the Duboce Park Historic District.



**Item 6 - File 13-0522****Applicant:** Adam Spiegel and Guillemette Broulliat-Spiege**Property Address:** 50 Carmelita Street**Date of Historical Landmark Designation by the Board of Supervisors:** June 4, 2013

**Board of Supervisors Ordinance Number:** Ordinance No. 107-13 designated the Duboce Park Historic District and the property at 50 Carmelita Street is a contributor to the Duboce Park Historic District pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** December 4, 2013**Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 50 Carmelita Street, also known as the "Patrick and Carolina Reedy House," the subject property is located on the east side of Carmelita Street between Waller and Duboce Streets, the lot is adjacent to Duboce Park. Assessor's Block 0864, Lot 011. 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 of the Planning Code as a contributor to the Duboce Park Landmark District. The 2 1/2 story frame house was built in 1899 in a combination of the Queen Anne and Shingle styles.

**Exhibit 6: 50 Carmelita Street**

**Proposed Property Rehabilitation and Renovation Program**

The property was fully rehabilitated at the time of purchase two years ago.

**Proposed Property Maintenance Plan**

The property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Painting and repairing the historic shingled siding and wood trim as needed,
- Inspecting the roof, flashing and vents regularly and replacing elements or the entire roof when needed,
- Inspection of the gutters, downspouts, grading to ensure there is no damage to the foundation,
- Maintenance of the exterior doors, stairways, balustrades, and decking for dry rot; and
- Routine inspections of the historic wood windows and non-historic skylights checking for dry rot, damage, or leaks, and repairing any damage found according to best practices.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$23,000 per year.

**Impact on Property Taxes**

Table 9 below reflects the estimated assessed value of 50 Carmelita Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

**Table 9: Summary of Assessed Value of 50 Carmelita Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$2,620,582                                     | \$970,000                                    | \$1,650,582          | 63%               | n/a   |
| Estimated Property Taxes Payable to the City | \$31,133  | \$11,524                                     | \$19,609             | 63%               | \$196,090   |

Source: Assessor/Recorder’s Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$196,090 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$411,000 in property renovation and maintenance and save an estimated \$196,090 in property taxes, for net costs to the property owner of \$214,910 in historic renovations and maintenance, as shown in Table 10 below.

**Table 10: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                  |
|--|------------------|
| Property Owner Costs                               |                  |
| Estimated Historic Renovation Costs                | \$0              |
| Estimated Annual Maintenance Costs Over 10 Years   | 230,000          |
| Estimated Periodic Maintenance Costs Over 10 Years | 181,000          |
| <b>Total Costs to Property Owner</b>               | <b>411,000</b>   |
| Property Tax Savings Over 10 Years                 | 196,090          |
| <b>Net Costs to Property Owner</b>                 | <b>\$214,910</b> |

According to Mr. Kato, all property taxes assessed to 50 Carmelita Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 7 - File 13-0577****Applicant: Amy Hockman and Brian Bone****Property Address: 66 Carmelita Street****Date of Historical Landmark Designation by the Board of Supervisors: June 4, 2013**

**Board of Supervisors Ordinance Number:** Ordinance No. 107-13 designated the Duboce Park Historic District and the property at 66 Carmelita Street is a contributor to the Duboce Park Historic District pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval: December 4, 2013****Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 66 Carmelita Street, The subject property is located on the east side of Carmelita Street between Waller and Duboce Streets. Assessor's Block 0864, Lot 015. 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 of the Planning Code as a contributor to the Duboce Park Historic District. The 1 ½ story-over-basement frame house was built in 1900 by master builder Fernando Nelson in the Queen Anne style.

**Exhibit 7: 66 Carmelita Street**

**Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department's Mills Act Agreement Case Report for 66 Carmelita Street, the property owner proposes to continue rehabilitation efforts and the proposed rehabilitation program involves the following components:

- Replacing historic elements with in-kind customs, including rotted entry stairs, balustrades and porch decking;
- Repainting of the stairs and porch;
- Repairing (or replacing, if needed) non-functional double hung windows at the front bay on main floor and rear parlor;
- Replacing the roof;
- Replacing deteriorated non-historic skylights and resealing others;
- Repairing and repainting of historic siding; and
- Completing repairs based on structural engineers inspection to the brick foundation

The proposed rehabilitation and renovations are currently estimated to cost \$192,000.

**Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Wood siding, windows/glazing, roof, millwork and ornamentation;
- Gutters, downspouts and drainage; and
- The foundation.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$2,500 per year.

### Impact on Property Taxes

Table 11 below reflects the estimated assessed value of 66 Carmelita Street both with and without the requested Mills Act Historic Property agreement, after the proposed improvements are completed.

**Table 11: Summary of Assessed Value of 66 Carmelita Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$1,999,993                                     | \$720,000                                    | \$1,279,993          | 64%               | n/a   |
| Estimated Property Taxes Payable to the City | \$23,760  | \$8,554                                      | \$15,206             | 64%               | \$152,060   |

Source: Assessor/Recorder's Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$152,060 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$217,000 in property renovation and maintenance and save an estimated \$152,060 in property taxes, for net costs to the property owner of \$64,940 in historic renovations and maintenance, as shown in Table 12 below.

**Table 12: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                 |
|--|-----------------|
| Property Owner Costs                               |                 |
| Estimated Historic Renovation Costs                | \$192,000       |
| Estimated Annual Maintenance Costs Over 10 Years   | 25,000          |
| Estimated Periodic Maintenance Costs Over 10 Years | 0               |
| <b>Total Costs to Property Owner</b>               | <b>217,000</b>  |
| Property Tax Savings Over 10 Years                 | 152,060         |
| <b>Net Costs to Property Owner</b>                 | <b>\$64,940</b> |

According to Mr. Kato, all property taxes assessed to 66 Carmelita Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 8 - File 13-0640****Applicant:** Elise Sommerville**Property Address:** 70 Carmelita Street**Date of Historical Landmark Designation by the Board of Supervisors:** June 4, 2013

**Board of Supervisors Ordinance Number:** Ordinance No. 107-13 designated the Duboce Park Historic District and the property at 70 Carmelita Street is a contributor to the Duboce Park Historic District pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** December 4, 2013**Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 70 Carmelita Street, the subject property is located on the east side of Carmelita Street between Waller and Duboce Streets. Assessor's Block 0864, Lot 016. 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 Duboce Park Landmark District. The 1 ½ story-over-basement frame house was built in 1900 by master builder Fernando Nelson in the Queen Anne style.

**Exhibit 8: 70 Carmelita Street**



**Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department's Mills Act Agreement Case Report for 70 Carmelita Street, the property owner proposes to continue rehabilitation efforts and the proposed rehabilitation program involves the following components:

- Replacing or repairing historic wood siding and millwork;
- Reroofing and installing a Dutch gutter on the south side of roof (shared with 66 Carmelita St.; and
- Installing a trench drain to remediate water run-off that is flooding the basement and damaging the foundation, and walls.

The proposed rehabilitation and renovations are currently estimated to cost \$43,000.

**Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Wood siding, windows/glazing, roof, millwork and ornamentation;
- Gutters, downspouts and drainage; and
- The foundation.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$1,200 per year.

**Impact on Property Taxes**

Table 13 below reflects the estimated assessed value of 70 Carmelita Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

**Table 13: Summary of Assessed Value of 70 Carmelita Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$635,263                                       | \$780,000                                    | \$0                  | 0%                | n/a   |
| Estimated Property Taxes Payable to the City | \$7,547   | \$7,547                                      | \$0                  | 0%                | \$0   |

Source: Assessor/Recorder’s Office

Because the current assessed value of the property with a historic property agreement is higher than the assessed value without this agreement, the property owner would not receive a reduction in property taxes in FY 2014-15. Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$55,000 in property renovation and maintenance, as show in Table 14 below. Property tax savings may be realized in later years of the ten-year agreement due to changes in assessed value that cannot be estimated at this time.

**Table 14: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                 |
|--|-----------------|
| Property Owner Costs                               |                 |
| Estimated Historic Renovation Costs                | \$43,000        |
| Estimated Annual Maintenance Costs Over 10 Years   | 12,000          |
| Estimated Periodic Maintenance Costs Over 10 Years | 0               |
| <b>Total Costs to Property Owner</b>               | <b>55,000</b>   |
| Property Tax Savings Over 10 Years                 | 0               |
| <b>Net Costs to Property Owner</b>                 | <b>\$55,000</b> |

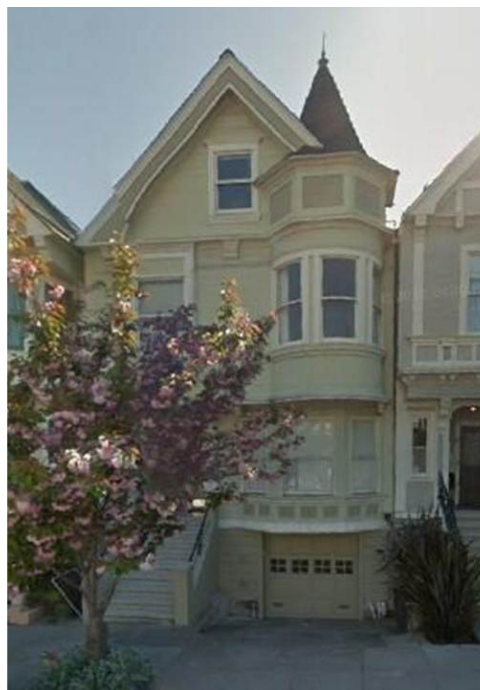
According to Mr. Kato, all property taxes assessed to 70 Carmelita Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 9 - File 13-1157****Applicant:** Adam Wilson and Quyen Nguyen**Property Address:** 56 Pierce Street**Date of Historical Landmark Designation by the Board of Supervisors:** June 4, 2013

**Board of Supervisors Ordinance Number:** Ordinance No. 107-13 designated the Duboce Park Historic District and the property at 56 Pierce Street is a contributor to the Duboce Park Historic District pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** December 4, 2013**Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 56 Pierce Street, the subject property is located on the east side of Pierce Street between Waller and Duboce Streets. Assessor's Block 0865, 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 of the Planning Code as a contributor to the Duboce Park Historic District. The 2 1/2 story-over-basement frame house was built c. 1905 by master builder Fernando Nelson in the Queen Anne style and features applied stick work reminiscent of the Tudor style.

**Exhibit 9: 56 Pierce Street**

**Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department’s Mills Act Agreement Case Report for 56 Pierce Street, the property was fully rehabilitated prior to the Mills Act historic property agreement application and as such, the property owners do not propose rehabilitation effort only the maintenance plan discussed below.

**Proposed Property Maintenance Plan**

The property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Wood siding, windows/glazing, roof, millwork and ornamentation;
- Gutters, downspouts and drainage; and
- The foundation.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$11,700 per year.

**Impact on Property Taxes**

Table 15 below reflects the estimated assessed value of 56 Pierce Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

**Table 15: Summary of Assessed Value of 56 Pierce Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$1,535,568                                     | \$910,000                                    | \$625,568            | 41%               | n/a   |
| Estimated Property Taxes Payable to the City | \$18,243  | \$10,811                                     | \$7,432              | 41%               | \$74,320  |

Source: Assessor/Recorder’s Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$74,320 shown in the table above.

Mr. Jine advises that property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$227,000 in property maintenance and save an estimated \$74,320 in property taxes, for net costs to the property owner of \$152,680 in historic renovations and maintenance, as shown in Table 16 below.

**Table 16: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                  |
|--|------------------|
| Property Owner Costs                               |                  |
| Estimated Historic Renovation Costs                | \$0              |
| Estimated Annual Maintenance Costs Over 10 Years   | 117,000          |
| Estimated Periodic Maintenance Costs Over 10 Years | 110,000          |
| <b>Total Costs to Property Owner</b>               | <b>227,000</b>   |
| Property Tax Savings Over 10 Years                 | 74,320           |
| <b>Net Costs to Property Owner</b>                 | <b>\$152,680</b> |

According to Mr. Kato, all property taxes assessed to 56 Pierce Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 10 - File 13-1158****Applicant:** Jean Paul and Ann Balajadia**Property Address:** 64 Pierce Street**Date of Historical Landmark Designation by the Board of Supervisors:** June 4, 2013

**Board of Supervisors Ordinance Number:** Ordinance No. 107-13 designated the Duboce Park Historic District and the property at 64 Pierce Street is a contributor to the Duboce Park Historic District pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** December 4, 2013**Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 64 Pierce Street, the subject property is located on the east side of Pierce Street between Waller and Duboce Streets. Assessor's Block 0865, Lot 015. 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 of the Planning Code as a contributor to the Duboce Park Historic District. The 2 1/2 story-over-basement frame house was built c. 1905 by master builder Fernando Nelson in the Queen Anne style and features applied stick work reminiscent of the Tudor style.

**Exhibit 10: 64 Pierce Street**

**Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department's Mills Act Agreement Case Report for 64 Pierce Street, the property owners propose to continue rehabilitation efforts and the proposed rehabilitation program involves the following components:

- Repairing and painting historic wood siding;
- Repairing and replacing, as needed, historic millwork including wood trim and corbels;
- Repairing the leaded glass windows and transoms;
- Repairing the historic front door;
- Repairing or replacing all windows at the front of the house;
- Restoring the front entry, including flooring, lighting and removing non-historic detailing;
- Replacing railings at the front entry stairs to be code compliant and historically accurate;
- Encasing the deteriorated brick foundation in concrete, adding structural steel beams, comment frames, sheer walls and steel framing throughout the house to meet seismic standards;
- Leveling the house to improve drainage at grade; removed concrete slabs at front yard and replaced with planter areas and borders (to improve the property);
- Remediating water pooling at the exterior of house by re-grading and installing trench drain repaired existing roof drains; installed new roof drains to correct drainage issues from neighboring houses.

The proposed rehabilitation and renovations are currently estimated to cost \$141,000.

**Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Wood siding, windows/glazing, roof, millwork and ornamentation;
- Gutters, downspouts and drainage; and
- The foundation.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$6,500 per year.

### Impact on Property Taxes

Table 17 below reflects the estimated assessed value of 64 Pierce Street both with and without the requested Mills Act Historic Property agreement, after the proposed improvements are completed.

**Table 17: Summary of Assessed Value of 64 Pierce Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$2,526,192                                     | \$950,000                                    | \$1,576,192          | 62%               | n/a   |
| Estimated Property Taxes Payable to the City | \$30,011  | \$11,286                                     | \$18,725             | 62%               | \$187,250   |

Source: Assessor/Recorder's Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$187,250 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$233,000 in property renovation and maintenance and save an estimated \$187,250 in property taxes, for net costs to the property owner of \$45,750 in historic renovations and maintenance, as shown in Table 18 below.



**Table 18: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                 |
|--|-----------------|
| Property Owner Costs                               |                 |
| Estimated Historic Renovation Costs                | \$141,000       |
| Estimated Annual Maintenance Costs Over 10 Years   | 65,000          |
| Estimated Periodic Maintenance Costs Over 10 Years | 27,000          |
| <b>Total Costs to Property Owner</b>               | <b>233,000</b>  |
| Property Tax Savings Over 10 Years                 | 187,250         |
| <b>Net Costs to Property Owner</b>                 | <b>\$45,750</b> |

According to Mr. Kato, all property taxes assessed to 64 Pierce Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 11 - File 13-1159****Applicant:** Karli Sager and Jason Monberg**Property Address:** 56 Potomac Street**Date of Historical Landmark Designation by the Board of Supervisors:** June 4, 2013

**Board of Supervisors Ordinance Number:** Ordinance No. 107-13 designated the Duboce Park Historic District and the property at 56 Potomac Street is a contributor to the Duboce Park Historic District pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** December 4, 2013**Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 56 Potomac Street, the subject property is located on the east side of Potomac Street between Waller and Duboce Streets. Assessor's Block 0866, Lot 012. 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 of the Planning Code as a contributor to the Duboce Park Historic District. The 1 1/2 story-over basement frame house was built in 1899 by neighborhood builders George Moore & Charles Olinger in the Queen Anne style. This property was the informal sales office and home of George Moore and his family.

**Exhibit 11: 56 Potomac Street**

**Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department's Mills Act Agreement Case Report for 56 Potomac, the property owners propose to begin rehabilitation efforts and the proposed rehabilitation program involves reconstructing and completing structural repairs to the historic front stairs and porch based on historic photographs.

The proposed rehabilitation and renovations are currently estimated to cost \$25,000.

**Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis, and includes the following components:

- Wood siding, windows/glazing, roof, millwork and ornamentation;
- Gutters, downspouts and drainage; and
- The foundation.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

Ongoing maintenance is currently estimated to cost \$3,250 per year.

**Impact on Property Taxes**

Table 19 below reflects the estimated assessed value of 56 Potomac Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

**Table 19: Summary of Assessed Value of 56 Potomac Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | Without a Mills Act Historic Property Agreement | With a Mills Act Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction in Property Taxes Over 10 Years |
|--|---|--|----------------------|-------------------|---|
| Estimated Assessed Property Value            | \$1,064,403                                     | \$630,000                                    | \$434,403            | 41%               | n/a   |
| Estimated Property Taxes Payable to the City | \$12,645  | \$7,484                                      | \$5,161              | 41%               | \$51,610  |

Source: Assessor/Recorder’s Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$51,610 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$57,500 in property renovation and maintenance and save an estimated \$51,610 in property taxes, for net costs to the property owner of \$5,890 in historic renovations and maintenance, as shown in Table 20 below.

**Table 20: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                |
|--|----------------|
| Property Owner Costs                               |                |
| Estimated Historic Renovation Costs                | \$25,000       |
| Estimated Annual Maintenance Costs Over 10 Years   | 32,500         |
| Estimated Periodic Maintenance Costs Over 10 Years | 0              |
| <b>Total Costs to Property Owner</b>               | <b>57,500</b>  |
| Property Tax Savings Over 10 Years                 | 51,610         |
| <b>Net Costs to Property Owner</b>                 | <b>\$5,890</b> |

According to Mr. Kato, all property taxes assessed to 56 Potomac Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.

**Item 12 - File 13-1160****Applicant:** with Adam Wilson and Quyen Nguyen**Property Address:** 66 Potomac Street**Date of Historical Landmark Designation by the Board of Supervisors:** June 4, 2013

**Board of Supervisors Ordinance Number:** Ordinance No. 107-13 designated the Duboce Park Historic District and the property at 66 Potomac Street is a contributor to the Duboce Park Historic District pursuant to Article 10 of San Francisco Planning Code and thus qualifies as a historic property.

**Date of Historic Preservation Commission Approval:** December 4, 2013**Property Description**

According to the Planning Department's Mills Act Agreement Case Report for 66 Potomac Street, the subject property is located on the east side of Potomac Street between Waller and Duboce Streets. Assessor's Block 0866, Lot 015. 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 of the Planning Code as a contributor to the Duboce Park Historic District. The 1 ½ story-over basement frame house was built in 1899 by neighborhood builders George Moore & Charles Olinger in the Queen Anne style.

**Exhibit 12: 66 Potomac Street****Proposed Property Rehabilitation and Renovation Program**

According to the Planning Department's Mills Act Agreement Case Report for 66 Potomac, the property owners propose to continue rehabilitation efforts and the proposed rehabilitation program involves and includes the following components:

- Repairing and repainting the historic wood siding for historical accuracy;
- Repairing and replacing, as needed, the historic millwork, including the decorative shingles at the front pediment, existing dentils and corbeling;
- Reroofing and installing moisture and thermal protection;
- Installing new wood windows at the rear of the house;
- Repairing all windows at the front of the house;
- Rebuilding all sashes, as needed;
- Replacing the entire compromised brick foundation with a concrete foundation to meet seismic standards;
- Adding structural steel and leveling the house to improve drainage at grade;
- Patching and repairing stucco at front façade; and
- Rebuilding decks; railings and balconies.

The proposed rehabilitation and renovations are currently estimated to cost \$189,000.

**Proposed Property Maintenance Plan**

In addition to the historic renovation discussed above, the property owners have agreed to a maintenance plan with annual inspections for maintenance which needs to be done on an ongoing basis.

Inspections would be conducted by (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 agreement. In addition, the Planning Department will administer an inspection program to monitor the provisions of the agreement and 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.

The proposed property maintenance plan does not include annual maintenance cost, but Ms. Susan Parks, Planning Department, estimates periodic maintenance over the ten years to total \$113,000.

**Impact on Property Taxes**

Table 21 below reflects the estimated assessed value of 66 Potomac Street both with and without the requested Mills Act Historical Property agreement, after the proposed improvements are completed.

**Table 21: Summary of Assessed Value of 66 Potomac Street and Estimated Reduction in Property Taxes Over 10 Years**

|  | <b>Without a Mills Act Historic Property Agreement</b> | <b>With a Mills Act Historic Property Agreement</b> | <b>First Year Reduction</b> | <b>Percent Reduction</b> | <b>Estimated Reduction in Property Taxes Over 10 Years</b> |
|--|--|---|-----------------------------|--------------------------|--|
| Estimated Assessed Property Value            | \$1,895,874  | \$900,000   | \$995,874                   | 53%                      | n/a  |
| Estimated Property Taxes Payable to the City | \$22,523   | \$10,692  | \$11,831                    | 53%                      | \$118,310  |

Source: Assessor/Recorder’s Office

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historical Property agreement. Under the provisions of the Mills Act Historical Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property

tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$118,310 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

Over the initial 10-year Mills Act Historical Property agreement, the property owner will invest an estimated \$302,000 in property renovation and maintenance and save an estimated \$118,310 in property taxes, for net costs to the property owner of \$183,690 in historic renovations and maintenance, as shown in Table 22 below.

**Table 22: Estimated Net Historic Renovation and Maintenance Costs to Property Owner**

|  |                  |
|--|------------------|
| Property Owner Costs                               |                  |
| Estimated Historic Renovation Costs                | \$189,000        |
| Estimated Annual Maintenance Costs Over 10 Years   | 0                |
| Estimated Periodic Maintenance Costs Over 10 Years | 113,000          |
| <b>Total Costs to Property Owner</b>               | <b>302,000</b>   |
| Property Tax Savings Over 10 Years                 | 118,310          |
| <b>Net Costs to Property Owner</b>                 | <b>\$183,690</b> |

According to Mr. Kato, all property taxes assessed to 66 Potomac Street have been paid to the City, through FY 2012-13, with no remaining balance outstanding.



**FISCAL IMPACT**

Approval of the proposed historic property agreements for the 11 properties would result in estimated reduced property tax revenues to the City in 2014 of \$152,129 and estimated reduced property tax revenues to the City over the initial 10-year period of \$1,521,290, as shown in the Table 23 below.

**Table 23: Estimated Reduction in Property Tax Revenues to the City in 2014**

| 2014-2015 Reduced Property Tax Revenues to the City |         |                     |                                       |                                    |                      |                   |                                   |
|---|---------|---------------------|---------------------------------------|------------------------------------|----------------------|-------------------|-----------------------------------|
| Item  | File    | Address             | Without a Historic Property Agreement | With a Historic Property Agreement | First Year Reduction | Percent Reduction | Estimated Reduction Over 10 Years |
| 2   | 13-0463 | 1772 Vallejo Street | \$74,250                              | \$26,381                           | \$47,869             | 64%               | \$478,690                         |
| 3   | 13-0479 | 2550 Webster Street | 34,744                                | 29,978                             | 4,766                | 14%               | 47,660                            |
| 4   | 13-0506 | 1019 Market Street  | 207,900                               | 196,495                            | 11,405               | 5%                | 114,050                           |
| 5   | 13-0521 | 3769 20th Street    | 21,206                                | 11,081                             | 10,125               | 48%               | 101,250                           |
| 6   | 13-0522 | 50 Carmelita Street | 31,133                                | 11,524                             | 19,609               | 63%               | 196,090                           |
| 7   | 13-0577 | 66 Carmelita Street | 23,760                                | 8,554                              | 15,206               | 64%               | 152,060                           |
| 8   | 13-0640 | 70 Carmelita Street | 7,547                                 | 7,547                              | 0                    | 0%                | 0                                 |
| 9   | 13-1157 | 56 Pierce Street    | 18,243                                | 10,811                             | 7,432                | 41%               | 74,320                            |
| 10  | 13-1158 | 64 Pierce Street    | 30,011                                | 11,286                             | 18,725               | 62%               | 187,250                           |
| 11  | 13-1159 | 56 Potomac Street   | 12,645                                | 7,484                              | 5,161                | 41%               | 51,610                            |
| 12  | 13-1160 | 66 Potomac Street   | 22,523                                | 10,692                             | 11,831               | 53%               | 118,310                           |
|   |         | <b>Total</b>        | <b>\$483,962</b>                      | <b>\$331,833</b>                   | <b>\$152,129</b>     |                   | <b>\$1,521,290</b>                |

The Budget and Legislative Analyst notes that estimated property tax savings over 10 years is a calculation of the possible impact of the Mills Act Historic Property agreement. Under the provisions of the Mills Act Historic Property agreement the property must be revalued each January 1st to determine the taxable Mills Act value for that year, and the estimated property tax savings over 10 years will change based on adjusted assessed property value and property tax rates. Therefore, the estimated property tax reduction to the City over 10 years could be greater or less than \$1,521,290 shown in the table above.

Mr. Jine advises that since property tax rates have not been finalized for FY 2014-15 and the estimated property taxes assessed are based on the FY 2013-14 property tax rate of 1.188 percent of assessed value.

## POLICY CONSIDERATION

### **Approval of the 11 Proposed Historic Property Agreements , Together with the Six Previously Approved Historic Property Agreements, Would Result in Estimated Reduced Property Taxes to the City of \$854,869 in FY 2014-15**

The Mills Act was established in 1976 as an incentive to property owners to improve their properties to historic standards. The City currently has six historic property agreements, which were approved by the Board of Supervisors from 2002 through 2013<sup>11</sup>. The estimated annual reduction in property tax revenues to the City due to the existing historic property agreements is \$702,740, as shown in the following table.

**Table 24: Estimated Annual Reduction in Property Tax Revenues to the City under the Six Existing Mills Act Historical Property Agreements**

| <b>Board of Supervisors Approval Date</b> | <b>Address</b>       | <b>Without Historical Property Agreement</b> | <b>With Historical Property Agreement</b> | <b>Estimated Reduction in Property Tax</b> | <b>Percent Reduction</b> |
|---|----------------------|--|---|--|--------------------------|
| May 13, 2002                              | 460 Bush Street      | 44,519                                       | 24,472                                    | 20,047                                     | 45%                      |
| May 15, 2007                              | 1080 Haight Street   | 82,415                                       | 32,453                                    | 49,962                                     | 61%                      |
| August 7, 2007                            | 1735 Franklin Street | 35,708                                       | 23,853                                    | 11,856                                     | 33%                      |
| November 18, 2008                         | 690 Market Street    | 1,807,186                                    | 1,282,186                                 | 525,000                                    | 29%                      |
| December 3, 2010                          | 1818 California      | 112,791                                      | 28,504                                    | 84,287                                     | 75%                      |
| July 30, 2013                             | 201 Buchanan Street  | 31,052                                       | 19,465                                    | 11,588                                     | 37%                      |
|   | <b>Total</b>         | <b>2,113,672</b>                             | <b>1,410,932</b>                          | <b>702,740</b>                             |                          |

The total estimated reduction in property tax revenues to the City in FY 2014-15 will be \$854,869, including \$702,740 for the existing six historic property agreements and \$152,129 for the proposed 11 historic property agreements, as shown in Table 23 above.

### **The Historic Property Agreements Are Extended Annually into Perpetuity Unless the Property Owner or the Board of Supervisors Terminates the Agreement**

Administrative Code Chapter 71 provides for the Board of Supervisors “full discretion to determine whether it is in the public interest to enter into a historic property agreement regarding a particular qualified historic property. The Board of Supervisors may approve, disapprove, or modify and approve the terms of the historic property agreement”. Therefore, approval of the 11 proposed historic property agreements is a policy decision for the Board of Supervisors.

<sup>11</sup> The Board of Supervisors previously rejected a Mills Act application (File 09-0263), and capped the property tax reduction for another Mills Act applicant (690 Market Street, File 08-0953).

Once the Mills Act historic property agreement has been enacted, the initial term is for ten years, which is automatically extended each year on the anniversary date of the agreement. The historic property agreement continues into 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 historical property agreement extends for a final 10 year term and is no longer automatically extended each year.

Administrative Code Section 71.7 requires that the Planning Department and Assessor/Recorder's Office submit a joint report to the Board of Supervisors and the Historic Preservation Commission on March 31, 2013 and every three years thereafter providing the Departments' analysis of the historical property agreement (Mills Act) program. Such report has not been submitted to the Board of Supervisors.

Because, according to Mr. Tim Frye, Planning Department Preservation Coordinator, the Board of Supervisors will not receive an analysis of the historical property agreement program required by Administrative Code Section 71.7 until approximately March 31, 2016, the Budget and Legislative Analyst recommends amending each of the 11 proposed resolutions to request the Director of Planning to submit an annual report to the Board of Supervisors, Mayor, Controller, and Budget and Legislative Analyst that details for each of the 17 properties (11 proposed and six existing) with an 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.

## RECOMMENDATIONS

1. Amend Resolution 13-0463 to specify that approval of the proposed historic property agreement authorizes an exemption to the Mills Act historic property agreement eligibility limit of \$3,000,000 for a single family residence.
2. Amend Resolution 13-0506 to specify that approval of the proposed historic property agreement authorizes an exemption to the Mills Act historic property agreement eligibility limit of \$5,000,000 for a commercial property.
3. Amend each of the 11 proposed 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.

4. Approval of the proposed 11 resolutions, as amended, is a policy matter for the Board of Supervisors.