

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

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May 2, 2002

**TO:** Finance Committee

**FROM:** Budget Analyst

**SUBJECT:** May 8, 2002 Finance Committee Meeting

Item 1 - File 02-0640

**Department:** Office of the Assessor/Recorder

**Item:** Resolution under Chapter 71 of the San Francisco Administrative Code, approving an historical property contract between Alice Ross Carey, the owner of San Francisco Landmark No. 143 located at 460 Bush Street (Fire Department Old Station No. 2) and the City and County of San Francisco; authorizing the Director of Planning and the Assessor to execute the historical property contract.

**Description:** The Mills Act, a State of California law, also called the Historical Property Contract Act, authorizes city and county governments to enter into a contract for a minimum of ten years with the owner of a qualified historical property. The property owner must agree to rehabilitate, restore, preserve, and maintain the property. In return, the property owner would receive a Property Tax reduction from a city or county, in accordance with the California Revenue and Taxation Code. The Property Tax reduction would continue to be received by a new owner until the expiration date of the contract, if the property is sold within the term of a historic property contract.

In 1996, the Board of Supervisors approved the adoption of Chapter 71 of the San Francisco Administrative Code to implement the provisions of the Mills Act in 1996 (File 191-96). Under the Administrative Code, Chapter 71, qualifying historical properties are (a) those properties that are individually listed in the National Register of Historic Places and/or (b) those properties that have been designated as a City Landmark by the Landmarks Preservation Advisory Board.

This resolution would authorize an historical property contract under the Mills Act between the City and the owner of 460 Bush Street, Ms. Alice Ross Carey, for a 10-year period. The 460 Bush Street building is a commercial office building and is zoned C-3-R (Downtown Retail District). Under this contract, the owner of 460 Bush Street would be required to repair, rehabilitate and maintain the property at her own expense in return for receiving a Property Tax reduction.

Mr. Jeffrey Tully of the Planning Department advises that the subject property has been designated as a City Landmark by the City's Landmarks Preservation Advisory Board and is in the process of being listed in the National Register of Historic Places. Therefore, this property is eligible for Mills Act consideration as a historical property in accordance with the Administrative Code. The subject historical property contract requires that the owner, Ms. Carey, of 460 Bush Street (Fire Department Old Station No. 2) complete the cleaning and rehabilitation of the exterior of the building at an estimated cost of \$35,000. This cost was estimated by Ms. Carey in her Mills Act application to the Planning Department, according to Mr. Tully. Attachment I, provided by the Planning Department is the rehabilitation program and maintenance plan for 460 Bush Street under the Mills Act.

In addition, the subject historic property contract provides that the property owner:

- maintain the historic property in accordance with established preservation techniques and standards;
- replace and repair any damaged areas should the historic property incur damages to 50 percent or less of the historic property;

- secure adequate property insurance to cover 100 percent of replacement cost of the historic property;
- permit periodic examination of the exterior and interior of the historic property; and
- pay a cancellation fee of 12.5 percent of the fair market value of the historic property at the time of cancellation if the property owner terminates the contract before the expiration of the 10-year contract or if the City determines that the property owner breached any condition or covenant of the contract.

Attachment II, provided by the Assessor's Office describes the method for estimating the reduction in Property Taxes for the historical property under the Mills Act. Under the Mills Act, the Property Tax reductions would be recalculated every year for the 10 year duration of the historical property contract.

**Comments:**

1. Mr. Tully reports that the subject property at 460 Bush Street is San Francisco Landmark No. 143 and is considered a significant historic building under the Planning Code. Mr. Tully further reports that the subject property at 460 Bush Street, or San Francisco Fire Department Old Station No. 2, was built in 1908 following the 1906 earthquake. Mr. Tully reports that the Planning Commission adopted a resolution to approve the Mills Act Historical Property Contract for 460 Bush Street and to recommend approval of the subject historical property contract to the Board of Supervisors on April 18, 2002. The Landmarks Preservation Advisory Board previously adopted a resolution recommending that the Planning Commission approve this subject Mills Act Historical Property Contract on March 20, 2002.

2. The proposed historical property contract between the owner of 460 Bush Street and the City requires that the owner of 460 Bush Street (a) complete an exterior cleaning and rehabilitation project at an estimated cost of \$35,000, (b) complete all work through the application of established preservation techniques and standards, (c) begin the work within six months of the approval of the contract, (d) complete the work within three years of the approval of the contract, and (e) maintain 460 Bush Street in accordance with established preservation techniques and standards. Attachment III, provided by

the Planning Department, explains that the Planning Department is responsible for ensuring that the owner of 460 Bush Street complies with the provisions of the historical property contract.

3. As shown in Attachment IV, provided by the Assessor's Office, the current assessed value of 460 Bush Street is \$1,910,174 and the current estimated Property Taxes for the 460 Bush Street property is \$21,470, based on the FY 2001-2002 Property Tax rate of \$1.124 per \$100 of assessed value. Under the Mills Act, 460 Bush would have an assessed value of an estimated \$1,050,000 instead of \$1,910,174, and the estimated Property Tax would be \$11,802 instead of \$21,470 if the property were not designated as a qualified historic property, thereby resulting in a Property Tax reduction to the owner of 45 percent, or \$9,668.

4. If this resolution is approved, the historical property contract for 460 Bush Street would be the first such historical property contract approved by the Board of Supervisors.

5. Under the current Administrative Code those properties individually listed in the National Register of Historic Places and those designated as a City Landmark would qualify for Mills Act consideration for Property Tax reductions, as stated above. According to Mr. Tully, an estimated additional 350 qualified historic properties could be eligible for Property Tax reductions in San Francisco under the Mills Act because they are currently individually listed in the National Register of Historic Places and/or designated as a City Landmark.

6. According to Mr. John Scott of the Assessor's Office, the Assessor's Office is unable at this time to provide the estimated annual Property Tax revenue reduction to the City if the Board of Supervisors were to approve historical property contracts under the Mills Act for the estimated additional 350 qualified historic properties in San Francisco. Mr. Scott advises that the Assessor's Office would require specific information for each of the estimated 350 historic properties.

Memo to Finance Committee  
May 8, 2002 Finance Committee Meeting

**Recommendation:** Approval of the proposed resolution is a policy matter for the Board of Supervisors.