



SAN FRANCISCO PLANNING DEPARTMENT

Mills Act Contracts Case Report

Hearing Date: October 1, 2014

- a. *Filing Date:* May 1, 2014
Case No.: 2014.0719U
Project Address: **68 Pierce Street**
Landmark District: Duboce Park Landmark District
Zoning: RH-2 (Residential - House, Two Family)
40-X Height and Bulk District
Block/Lot: 0865/016
Applicant: Diarmuid Russell & Heather Podruchny
68 Pierce St.
San Francisco, CA 94117
- b. *Filing Date:* May 1, 2014
Case No.: 2014.0720U
Project Address: **563-567 Waller Street**
Landmark District: Duboce Park Landmark District
Zoning: RTO (Residential Transit Oriented)
40-X Height and Bulk District
Block/Lot: 0865/025
Applicant: Brandon Miller & Jay Zalewski
567 Waller St.
San Francisco, CA 94117
- c. *Filing Date:* May 1, 2013
Case No.: 2014.0746U
Project Address: **621 Waller Street**
Landmark District: Duboce Park Landmark District
Zoning: RTO (Residential Transit Oriented)
40-X Height and Bulk District
Block/Lot: 0864/023
Applicant: Claude Zellweger & Renee Zellweger
621 Waller St.
San Francisco, CA 94117

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

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415.558.6377

PROPERTY DESCRIPTIONS

- a. **68 Pierce Street:** The subject property is located on the east side of Pierce Street between Waller Street and Duboce Avenue in Assessor's Block 0865, Lot 016. The subject property is within 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. It is a two-story over raised-basement, wood frame, single-family dwelling designed in the Shingle style and constructed in 1899.

b. 563-567 Waller Street: The subject property is located on the south side of Waller Street between Potomac and Pierce streets in Assessor's Block 0865, Lot 025. The subject property is within in a RTO (Residential Transit Oriented) 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. It is a 3½-story over raised-basement, wood frame, three-family dwelling designed in the Queen Anne style and constructed in 1900.

c. 621 Waller Street: The subject property is located on the south side of Waller Street between Pierce and Carmelita streets in Assessor's Block 0864, Lot 023. The subject property is within in a RTO (Residential Transit Oriented) 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. It is a 2½-story over raised-basement, wood frame, single-family dwelling designed in the Queen Anne style and constructed in 1900 by master builder Fernando Nelson.

PROJECT DESCRIPTION

This project is a Mills Act Historical Property Contract application.

MILLS ACT REVIEW PROCESS

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

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

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

MILLS ACT REVIEW PROCEDURES

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

- The draft Mills Act Historical Property Contract between the property owner and the City and

County of San Francisco.

- The proposed rehabilitation and maintenance plan.

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

APPLICABLE PRESERVATION STANDARDS

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

TERM

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

ELIGIBILITY

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

- (a) Individually listed in the National Register of Historic Places;
- (b) Listed as a contributor to an historic district included on the National Register of Historic Places;
- (c) Designated as a City landmark pursuant to San Francisco Planning Code Article 10;
- (d) Designated as contributory to a landmark district designated pursuant to San Francisco Planning Code Article 10; or
- (e) Designated as significant (Categories I or II) or contributory (Categories III or IV) to a conservation district designated pursuant to San Francisco Planning Code Article 11.

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

Residential Buildings

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

Commercial, Industrial or Mixed Use Buildings

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

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

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

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

PUBLIC/NEIGHBORHOOD INPUT

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

STAFF ANALYSIS

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

- 68 Pierce Street:** As detailed in the Mills Act application, the Project Sponsor proposes to maintain the historic property. Staff determined that the proposed work, detailed in the attached exhibits, is consistent with the Secretary of Interior's Standards for Rehabilitation and for Restoration.

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

The applicants have developed a thorough Rehabilitation and Maintenance Plan that involves the following scopes of work: replacing six non-historic windows on the primary facade with historically appropriate double-hung wood sash windows with ogee lugs; replacing three (3) non-historic windows on the second floor rear elevation with historically appropriate double-hung wooden-sash windows with ogee lugs; replacing the current entry stairs with a new wooden staircase that features a straight run, closed risers, a balustrade railing with a turned

profile or turned elements and newel posts; engaging a structural engineer to investigate the foundation and implementing any necessary repairs or improvements to seismically stabilize the property; replacing or repairing the roof; repainting the primary elevation of the property; and repairing wood rot at the garage. In addition, the rehabilitation and maintenance plan will include a cycle of regular inspections and maintenance to be performed as necessary. The maintenance plan includes: inspecting the wooden elements of the facade and repainting as necessary; if damage or deterioration is found, any needed repairs will avoid altering, removing or obscuring character-defining features of the building; any necessary replacements will be made in kind; conducting periodic roof inspections; and servicing rain gutters and downspouts to ensure water is directed away from the property. No changes to the use of the property are proposed. Please refer to the attached Rehabilitation and Maintenance Plan for a full description of the proposed work. The attached draft historical property contract will help the Project Sponsor mitigate these expenditures and will induce the Project Sponsor to maintain the property in excellent condition in the future.

- b. 563-567 Waller Street:** As detailed in the Mills Act application, the Project Sponsor proposes to maintain the historic property. Staff determined that the proposed work, detailed in the attached exhibits, is consistent with the Secretary of Interior's Standards for Rehabilitation and for Restoration.

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

The applicants have already completed substantial rehabilitation efforts. The proposed Rehabilitation and Maintenance Plan involves the following scopes of work: relocating the property's gas meters beneath the entry stairs; if deemed infeasible by the utility, the meters will be enclosed in a painted wood cabinet finished to match the building's existing wood cladding; performing annual inspections of the windows, roof, rain gutters, siding, paint and trim; if any damage or deterioration is found, the extent and nature of the damage will be assessed; any needed repairs will avoid altering, removing or obscuring character-defining features of the building.

No changes to the use of the property are proposed. Please refer to the attached Rehabilitation and Maintenance Plan for a full description of the proposed work. The attached draft historical property contract will help the Project Sponsor mitigate these expenditures and will induce the Project Sponsor to maintain the property in excellent condition in the future.

- c. 621 Waller Street:** As detailed in the Mills Act application, the Project Sponsor proposes to maintain the historic property. Staff determined that the proposed work, detailed in the attached exhibits, is consistent with the Secretary of Interior's Standards for Rehabilitation and for Restoration.

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

The applicants have developed a thorough Rehabilitation and Maintenance Plan that involves the following scopes of work: repairing existing ornamental wrought iron at front stair and porch, including rust removal, priming and repainting; repairing existing wood windows on the front elevation, either with single-pane glazing or retrofitting the windows to accept double-glazed sashes; where retention of existing windows is not possible, all replacements will be made in kind; performing site grading and drainage work at the front of the property to direct water away from the foundation walls and entry stairs; waterproofing the building envelope and repairing leaks; repairing or reconstructing the existing rear balconies to apply new waterproofing membrane and flashing; repairing existing interior ceiling damage caused by water leakage; and repainting the exterior of the building. The maintenance plan involves a cycle of periodic inspections to inspect the wooden elements of the facade and repaint as necessary; if damage or deterioration is found, any needed repairs will avoid altering, removing or obscuring character-defining features of the building; any necessary replacements will be made in kind; servicing gutters and downspouts to remove debris and inspect for leaks; and inspecting the roof and repairing or replacing as necessary.

No changes to the use of the property are proposed. Please refer to the attached Rehabilitation and Maintenance Plan for a full description of the proposed work. The attached draft historical property contract will help the Project Sponsor mitigate these expenditures and will induce the Project Sponsor to maintain the property in excellent condition in the future.

PLANNING DEPARTMENT RECOMMENDATION

The Planning Department recommends that the Historic Preservation Commission adopt a resolution recommending approval of these Mills Act Historical Property Contracts and Rehabilitation and Maintenance Plans to the Board of Supervisors.

ISSUES AND OTHER CONSIDERATIONS

None.

HISTORIC PRESERVATION COMMISSION ACTIONS

Review and adopt a resolution for each property:

1. Recommending to the Board of Supervisors the approval of the proposed Mills Act Historical Property Contract between the property owner(s) and the City and County of San Francisco;
2. Approving the proposed Mills Act Rehabilitation and Maintenance Plan for each property.

Attachments:

a. 68 Pierce Street

Draft Resolution

Exhibit A: Draft Mills Act Historical Property Contract

Exhibit B: Draft Rehabilitation & Maintenance Plan

Exhibit C: Draft Mills Act Valuation provided by the Assessor-Recorder's Office

Exhibit D: Mills Act Application

b. 563-567 Waller Street

Draft Resolution

Exhibit A: Draft Mills Act Historical Property Contract

Exhibit B: Draft Rehabilitation & Maintenance Plan

Exhibit C: Draft Mills Act Valuation provided by the Assessor-Recorder's Office

Exhibit D: Mills Act Application

c. 621 Waller Street

Draft Resolution

Exhibit A: Draft Mills Act Historical Property Contract

Exhibit B: Draft Rehabilitation & Maintenance Plan

Exhibit C: Draft Mills Act Valuation provided by the Assessor-Recorder's Office

Exhibit D: Mills Act Application

Site Photo



Historic Preservation Commission

Case No. 2014.0746U

Mills Act Historical Property Contract

621 Waller Street

Aerial Photo



Historic Preservation Commission

Case No. 2014.0746U

Mills Act Historical Property Contract

621 Waller Street

EXHIBIT A:

DRAFT MILLS ACT HISTORICAL PROPERTY CONTRACT

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

**CALIFORNIA MILLS ACT
HISTORIC PROPERTY AGREEMENT
621 WALLER STREET
SAN FRANCISCO, CALIFORNIA**

THIS AGREEMENT is entered into by and between the City and County of San Francisco, a California municipal corporation (“City”) and Claude Zellweger and Renee Zellweger (“Owners”).

RECITALS

Owners are the owners of the property located at 621 Waller Street, in San Francisco, California (Block 0864, Lot 023). The building located at 621 Waller Street is designated as a contributor to the Duboce Park Landmark District pursuant to Article 10 of the Planning Code and is also known as the (“Historic Property”).

Owners desire to execute a rehabilitation and ongoing maintenance project for the Historic Property. Owners' application calls for the rehabilitation and restoration of the Historic Property according to established preservation standards, which it estimates will cost approximately one hundred seventeen thousand five hundred dollars (\$117,500). (See Rehabilitation Plan, Exhibit A.) Owners' application calls for the maintenance of the Historic Property according to established preservation standards, which is estimated will cost approximately one thousand two hundred and fifty dollars (\$1,250) annually (See Maintenance Plan, Exhibit B).

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

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

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

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

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

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

4. Damage. Should the Historic Property incur damage from any cause whatsoever, which damages fifty percent (50%) or less of the Historic Property, Owners shall replace and repair the damaged area(s) of the Historic Property. For repairs that do not require a permit, Owners shall commence the repair work within thirty (30) days of incurring the damage and shall diligently prosecute the repair to completion within a reasonable period of time, as determined by the City. Where specialized services are required due to the nature of the work and the historic character of the features damaged, "commence the repair work" within the meaning of this paragraph may include contracting for repair services. For repairs that require a permit(s), Owners shall proceed diligently in applying for any necessary permits for the work and shall apply for such permits not less than sixty (60) days after the damage has been incurred, commence the repair work within one hundred twenty (120) days of receipt of the required permit(s), and shall diligently prosecute the repair to completion within a reasonable period of time, as determined by the City. Upon written request by the Owners, the Zoning Administrator, at his or her discretion, may grant an extension of the time periods set forth in this paragraph. Owners may apply for an extension by a letter to the Zoning Administrator, and the Zoning Administrator may grant the extension by letter without a hearing. All repair work shall comply with the design and standards established for the Historic Property in Exhibits A and B attached hereto and Paragraph 3 herein. In the case of damage to twenty percent (20%) or more of the Historic Property due to a catastrophic event, such as an earthquake, or in the case of damage from any cause whatsoever that destroys more than fifty percent (50%) of the Historic Property, the City and Owners may mutually agree to terminate this Agreement. Upon such termination, Owners shall not be obligated to pay the cancellation fee set forth in Paragraph 14 of this Agreement. Upon such termination, the City shall assess the full value of the Historic Property without regard to any restriction imposed upon the Historic Property by this Agreement and Owners shall pay property taxes to the City based upon the valuation of the Historic Property as of the date of termination.

5. Insurance. Owners shall secure adequate property insurance to meet Owners' repair and replacement obligations under this Agreement and shall submit evidence of such insurance to the City upon request.
6. Inspections. Owners shall permit periodic examination of the exterior and interior of the Historic Property by representatives of the Historic Preservation Commission, the City's Assessor, the Department of Building Inspection, the Planning Department, the Office of Historic Preservation of the California Department of Parks and Recreation, and the State Board of Equalization, upon seventy-two (72) hours advance notice, to monitor Owners' compliance with the terms of this Agreement. Owners shall provide all reasonable information and documentation about the Historic Property demonstrating compliance with this Agreement as requested by any of the above-referenced representatives.
7. Term. This Agreement shall be effective upon the date of its recordation and shall be in effect for a term of ten years from such date ("Initial Term"). As provided in Government Code section 50282, one year shall be added automatically to the Initial Term, on each anniversary date of this Agreement, unless notice of nonrenewal is given as set forth in Paragraph 10 herein.
8. Valuation. Pursuant to Section 439.4 of the California Revenue and Taxation Code, as amended from time to time, this Agreement must have been signed, accepted and recorded on or before the lien date (January 1) for a fiscal year (the following July 1-June 30) for the Historic Property to be valued under the taxation provisions of the Mills Act for that fiscal year.
9. Termination. In the event Owners terminates this Agreement during the Initial Term, Owners shall pay the Cancellation Fee as set forth in Paragraph 15 herein. In addition, the City Assessor shall determine the fair market value of the Historic Property without regard to any restriction imposed on the Historic Property by this Agreement and shall reassess the property taxes payable for the fair market value of the Historic Property as of the date of Termination without regard to any restrictions imposed on the Historic Property by this Agreement. Such reassessment of the property taxes for the Historic Property shall be effective and payable six (6) months from the date of Termination.
10. Notice of Nonrenewal. If in any year after the Initial Term of this Agreement has expired either the Owners or the City desires not to renew this Agreement that party shall serve written notice on the other party in advance of the annual renewal date. Unless the Owners serves written notice to the City at least ninety (90) days prior to the date of renewal or the City serves written notice to the Owners sixty (60) days prior to the date of renewal, one year shall be automatically added to the term of the Agreement. The Board of Supervisors shall make the City's determination that this Agreement shall not be renewed and shall send a notice of nonrenewal to the Owners. Upon receipt by the Owners of a notice of nonrenewal from the City, Owners may make a written protest. At any time prior to the renewal date, City may withdraw its notice of nonrenewal. If in any year after the expiration of the Initial Term of the Agreement, either party serves notice of nonrenewal of this Agreement, this Agreement shall remain in effect for the balance of the period remaining since the execution of the last renewal of the Agreement.
11. Payment of Fees. Within one month of the execution of this Agreement, City shall tender to Owners a written accounting of its reasonable costs related to the preparation and approval of the Agreement as provided for in Government Code Section 50281.1 and San Francisco Administrative Code Section 71.6. Owners shall promptly pay the requested amount within forty-five (45) days of receipt.
12. Default. An event of default under this Agreement may be any one of the following:

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

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

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

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

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

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

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

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

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

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

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

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

23. No Implied Waiver. No failure by the City to insist on the strict performance of any obligation of the Owners under this Agreement or to exercise any right, power, or remedy arising out of a breach hereof shall constitute a waiver of such breach or of the City’s right to demand strict compliance with any terms of this Agreement.

24. Authority. If the Owners sign as a corporation or a partnership, each of the persons executing this Agreement on behalf of the Owners does hereby covenant and warrant that such

entity is a duly authorized and existing entity, that such entity has and is qualified to do business in California, that the Owner has full right and authority to enter into this Agreement, and that each and all of the persons signing on behalf of the Owners are authorized to do so.

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

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO:

By: _____
Carmen Chu
Assessor-Recorder

DATE: _____

By: _____
John Rahaim
Director of Planning

DATE: _____

APPROVED AS TO FORM:
DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Andrea Ruiz-Esquide, Deputy City Attorney

DATE: _____

OWNERS

By: _____
Claude Zellweger, Owner

DATE: _____

By: _____
Renee Zellweger, Owner

DATE: _____

OWNER(S)' SIGNATURE(S) MUST BE NOTARIZED.

ATTACH PUBLIC NOTARY FORMS HERE.

EXHIBIT B:
DRAFT REHABILITATION AND MAINTENANCE PLAN

621 Waller Street Rehabilitation and Maintenance Plan

SCOPE #1
Rehab/Restoration <input checked="" type="checkbox"/> Proposed <input checked="" type="checkbox"/>
Contract Year Work Completion: 2016
Total Cost (rounded to the nearest dollar): \$18,250
Description of Work
Repair existing ornamental wrought iron (at front stair rails and porch eaves) where deteriorated or replacement with a comparable, period-appropriate rail system as reviewed by Planning Department preservation staff. Repair work to iron elements will include removal of rust, preparation of surfaces for priming and painting. Finish treatment will include 1 coat of primer and 2 coats of finish paint. Work will be in accordance with the Secretary of the Interior's <i>Standards for Rehabilitation</i> , specifically Standards 2, 5, 6 and 9. Supplemental or replacement rail systems will be selected with guidance from the National Park Service's publication, <i>ITS Number 46: Modifying Historic Interior Railings to Meet Building Code</i> (May 2007).

SCOPE #2
Rehab/Restoration <input checked="" type="checkbox"/> Proposed <input checked="" type="checkbox"/>
Contract Year Work Completion: 2016
Total Cost (rounded to the nearest dollar): \$17,800
Description of Work
Repair of existing wood windows on the front elevation, either as single-pane glazing or retrofitted to accept double glazing in the existing wood sashes. Where retention of the existing wood windows is not possible on the front elevation, all-wood replacement windows will match the historic wood windows in material, dimension, profiles and ogee lug moulding detail. Glazing will be transparent, and will not have added tint or low-e glazing treatment. Repair work will be conducted in accordance with the National Park Service's <i>Preservation Brief #9: The Repair of Historic Wooden Windows</i> .
Windows not publicly visible from Waller Street will be replaced in-kind with historically appropriate, double-hung wood sash windows, to include either single or double glazing. The design of any new windows will replicate the material, dimensions, and sash profiles of the existing (presumed original) double-hung wood windows with ogee lugs.
Maintenance of the windows will be done in accordance with the National Park Service's <i>Preservation Brief #47: Maintaining the Exterior of Small and Medium Size Historic Buildings</i> .

SCOPE #3
Rehab/Restoration <input checked="" type="checkbox"/> Proposed <input checked="" type="checkbox"/>
Contract Year Work Completion: 2014
Total Cost (rounded to the nearest dollar): \$22,500
Description of Work
Site grading and drainage work from the north elevation to the front property line to direct water away from the foundation walls and front staircase structure. Accessibility improvements to the ground floor egress door on the north elevation. Re-grading plan and replacement walkway materials will be compatible with the character of the property, and adhere to the Secretary of the Interior's <i>Standards for Rehabilitation</i> , specifically Standard 1 as well as the National Park Service's <i>Preservation Brief #39: Holding the Line: Controlling Unwanted Moisture in Historic Buildings</i> .

621 Waller Street Rehabilitation and Maintenance Plan

SCOPE #4
Rehab/Restoration <input checked="" type="checkbox"/> Proposed <input checked="" type="checkbox"/>
Contract Year Work Completion: 2014
Total Cost (rounded to the nearest dollar): \$37,500
Description of Work
<p>Waterproofing of the exterior building envelope to repair leaks along the south elevation and inhibit further moisture infiltration to the wall cavities and building interior. This work will necessitate the repair and/or reconstruction of the existing rear balconies to apply new waterproofing membrane and flashing. Structural supports may be added per Planning Code allowances to alleviate separation of the balcony from the wall plane. Replacement balcony surface will be rebuilt with a minimum 2% slope to shed water away from the building. Repair interior ceiling damage caused by leak at south wall of the property. New interior ceiling finish will match the existing in material, texture and finish.</p> <p>Work to the building envelope will be in accordance with the National Park Service's <i>Preservation Brief #39: Holding the Line: Controlling Unwanted Moisture in Historic Buildings</i> and <i>Preservation Brief #47: Maintaining the Exterior of Small and Medium Size Historic Buildings</i>.</p>

SCOPE #5
Rehab/Restoration <input checked="" type="checkbox"/> Proposed <input checked="" type="checkbox"/>
Contract Year Work Completion: 2018
Total Cost (rounded to the nearest dollar): \$21,450
Description of Work
<p>Repaint exterior. Prior to painting, any loose and flaking paint will be thoroughly removed. The new exterior paint will be applied using 1 primer coat and 2 finish coats to ensure the greatest longevity of the finished surfaces.</p> <p>Once the house has been repainted, we will inspect the wooden elements of the façade approximately every 3 years and repaint as necessary. If any damage or deterioration is found, the extent and nature of the damage will be assessed. Any needed repairs will avoid altering, removing or obscuring character-defining features of the building. If any elements are determined to be damaged or deteriorated beyond repair, replacements will be made in kind with new wood elements to match the historic building material.</p> <p>Painting and maintenance of painted exterior elements will be undertaken in accordance with the National Park Service's <i>Preservation Brief #10: Exterior Paint Problems on Historic Woodwork</i> and <i>Preservation Brief #47: Maintaining the Exterior of Small and Medium Size Historic Buildings</i>.</p>

SCOPE #6
Maintenance <input checked="" type="checkbox"/> Proposed <input checked="" type="checkbox"/>
Contract Year Work Completion: Ongoing
Total Cost (rounded to the nearest dollar): \$1,000 - \$6,000
Description of Work
<p>We will service our gutters and downspouts approximately every other year, removing debris and inspecting for leaks. As such time we will confirm that the downspouts direct water away from the house and that no water is infiltrating the foundation. If any drainage issues are found, we will repair or replace the gutters and downspouts as necessary. Repair or replacement of the gutters will avoid altering, removing or obscuring character-defining features of the building. Work will be done in accordance with the National Park Service's <i>Preservation Brief #47: Maintaining the Exterior of Small and Medium Size Historic Buildings</i>.</p>

621 Waller Street Rehabilitation and Maintenance Plan

SCOPE #7
Rehab/Restoration <input checked="" type="checkbox"/> Proposed <input checked="" type="checkbox"/>
Contract Year Work Completion: 2020
Total Cost (rounded to the nearest dollar): \$50,000 - \$60,000
Description of Work
We will engage a licensed roofing contractor to assess the current roof, which was deemed to be in very good condition at a 2010 inspection. We will then either repair or replace the roof with new asphalt/composition shingles, based on inspection results. Installation of the new roof, when necessary, will avoid any changes to the roof structure, removing or obscuring character-defining features of the building, including decorative elements in the gable ends, as well as eave trim and moldings. Roof replacement will be done in accordance with the National Park Service's <i>Preservation Brief #47: Maintaining the Exterior of Small and Medium Size Historic Buildings</i> .

SCOPE #8
Maintenance <input checked="" type="checkbox"/> Proposed <input checked="" type="checkbox"/>
Contract Year Work Completion: Ongoing
Total Cost (rounded to the nearest dollar):
Description of Work
Once the roof has been replaced or repaired, we will conduct periodic inspections approximately every 5 years to ensure that it remains in good condition. Any needed repairs will avoid altering, removing or obscuring character-defining features of the building. Roof inspections will be done in accordance with the National Park Service's <i>Preservation Brief #47: Maintaining the Exterior of Small and Medium Size Historic Buildings</i> .

SCOPE 1

Matthew Figlietti and Associates

465 E Street
Colma, CA 94014

Estimate

Date	Estimate #
5/27/2014	2014-5-3

Client
Claude and Renee Zellweger 621 Waller Street San Francisco, CA 94117

PLANNED FOR: 2014

			Project
Description	Qty	Rate	Total
Repair existing ornamental wrought iron (at front stair rails and porch eaves) where deteriorated or replacement with a comparable, period appropriate rail system as reviewed by Planning Department preservation staff. Repair work to iron elements will include removal of rust, preparation of surfaces for priming and painting. Finish treatment will include one coat of primer and two coats of finish paint. Work will be in accordance with the Secretary of the Interior's Standards for Rehabilitation, specifically Standards 2, 5, 6 and 9. Supplemental or replacement rails systems will be selected with guidance from the National Park Services's publication, ITS Number 46: Modifying Historic Interior Railings to Meet Building Code (may 2007).		18,250.00	18,250.00
Phone 650-678-7546	mfiglietti@gmail.com	License #946888	Total \$18,250.00

Matthew Figlietti and Associates

SCOPE 2

Estimate

465 E Street
Colma, CA 94014

Date	Estimate #
5/27/2014	2014-5-2

Client
Claude and Renee Zellweger 621 Waller Street San Francisco, CA 94117

PLANNED FOR: 2016

			Project
Description	Qty	Rate	Total
Repair of existing wood windows on the front elevation (in the front bay and rear bay [six windows]) either as single-pane glazing or retrofitted to accept double glazing in the existing wood sashes. Where retention of the existing wood windows isn't possible than all wood replacement windows will match the historic wood windows in material, dimension, profiles and ogee lug moulding details. Glazing will be transparent and will not have added tint or low-e glazing treatment. Repair work will be in accordance with the National Park Service's Preservation Brief #9: The Repair of Historic Wooden Windows. Windows not publicly visible from Waller Street will be replaced in-kind with historically appropriate, double hung wood sash windows, to include either single or double glazing. The design of any new windows will replicate the material, dimensions, and sash profiles of the existing (presumed original) double hung wood windows with ogee lugs. Maintenance of the windows will be done in accordance with the National Park Services's Preservation Brief #47: Maintaining the Exterior of Small and Medium Size Historic Buildings.		17,800.00	17,800.00
Phone 650-678-7546	mfiglietti@gmail.com	License #946888	Total
			\$17,800.00

Matthew Figlietti and Associates

SCOPE 3

Estimate

465 E Street
Colma, CA 94014

Date	Estimate #
5/27/2014	2014-5-4

Client
Claude and Renee Zellweger 621 Waller Street San Francisco, CA 94117

PLANNED FOR: 2014

Project

Description	Qty	Rate	Total
Site grading and drainage work from the north elevation to the front property line to direct water away from the foundation walls and front staircase structure. Accessibility improvements to the ground floor egress door on the north elevation. Re-grading plan and replacement walkway materials will be compatible with the character of the property, and adhere to the Secretary of the Interior's Standards for Rehabilitation, specifically Standard 1 as well as the National Park Service's Preservation Brief #39: Holding the Line: Controlling Unwanted Moisture in Historic Buildings.		22,500.00	22,500.00

Phone 650-678-7546	mfiglietti@gmail.com	License #946888	Total	\$22,500.00
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Matthew Figlietti and Associates

SCOPE 4

Estimate

465 E Street
Colma, CA 94014

Date	Estimate #
5/27/2014	2014-5-1

Client
Claude and Renee Zellweger 621 Waller Street San Francisco, CA 94117

PLANNED FOR: 2014

			Project
Description	Qty	Rate	Total
Repair kitchen and master bedroom balconies. Involves demo of existing materials exposing the subframing. Repair of any dry rot or termite damage (\$2500 allowance). Installation of pressure treated framing and plywood with the proper pitch. Installation of copper pans with appropriate drainage and flashings around perimeter. Installation of appropriate walkable surfacing. Install new siding along perimeter where balconies meet the exterior walls. Installation of code compliant railings. Paint and finish. Estimate includes an allowance for wood railing system at \$75 per linear foot. Other systems would require a change order if cost is more than the allowance. Estimate includes an allowance for tile surfacing with \$15 per square foot for tile. A designer or architect is suggested for finishes.		37,500.00	37,500.00
Phone 650-678-7546	mfiglietti@gmail.com	License #946888	Total \$37,500.00

Matthew Figlietti and Associates

SCOPE 5

Estimate

465 E Street
Colma, CA 94014

Date	Estimate #
5/27/2014	2014-5-5

Client
Claude and Renee Zellweger 621 Waller Street San Francisco, CA 94117

PLANNED FOR: 2018

Project

Description	Qty	Rate	Total
Paint facade. Install scaffolding, power wash, prep and prime. No allowance for any dry rot repair. Paint with three colors, one body color and two trim colors using Benjamin Moore paints, two coats. This estimate is for budgeting purposes. A designer or architect is suggested for deciding on the appropriate color scheme.		21,450.00	21,450.00

Phone 650-678-7546	mfiglietti@gmail.com	License #946888	Total	\$21,450.00
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**EXHIBIT C:
DRAFT MILLS ACT VALUATION PROVIDED BY
SAN FRANCISCO ASSESSOR-RECORDER**

DRAFT

DRAFT



621 Waller St
APN 06-0864-023

2014 MILLS ACT VALUATION



APN: 06-0864-023 SF Landmark: _____
 Property Location: 621 Waller St Date of Mills Act Application: 6/1/2014
 Applicant's Name: Claude Zellweger Property Type: Single Family Dwelling
 Agt./Tax Rep./Atty: NA Date of Sale: 3/31/2010
 Applicant supplied appraisal? No Sale Price: \$1,975,000

DATE OF MILLS ACT VALUATION: June 1, 2014

TAXABLE VALUE - THREE WAY VALUE COMPARISON					
FACTORED BASE YEAR VALUE		RESTRICTED MILLS ACT VALUE		CURRENT MARKET VALUE	
Land	\$ 1,455,762	Land	\$ 498,000	Land	\$1,290,000
Imps	\$ 623,897	Imps	\$ 332,000	Imps	\$860,000
Total	\$ 2,079,659	Total	\$ 830,000	Total	\$2,150,000

PROPERTY CHARACTERISTICS

Present Use: SFR Neighborhood: Hayes Valley Number of Stories: 3
 Number of Units: 1 Year Built: 1900 Land Area (SF): 2,040
 Owner Occupied: Yes Building Area: 2,050 Zoning: RH-3

CONTENTS

Cover Sheet	Page 2
Photos	Page 3
Restricted Income Valuation	Page 4
Comparable Rents	Page 5
Sales Comparison Valuation	Page 6
Map of Comparable Sales	Page 7

CONCLUSION AND RECOMMENDATIONS

Based on the three-way value comparison, the lowest of the three values is the restricted Mills Act value.

The taxable Mills Act value on: June 1, 2014 is \$830,000

Appraiser: Timothy Landregan Date: 06/01/14
 Principal Appraiser: Cathleen Hoffman *CLH*

0864-023 Photos



RESTRICTED INCOME APPROACH

APN 06-0864-023
621 Waller St
Restricted Mills Act Value
Application Date: June 1, 2014

Owner Occupied

	GLA (SF)		Annual Rent / SF		
Potential Gross Income:	2,050	x	\$48.00	=	\$98,400
Less Vacancy & Collection Loss			2%		<u>(\$1,968)</u>
Effective Gross Income					\$96,432
Less Anticipated Operating Expenses*			15%		<u>(\$14,465)</u>
Net Operating Income (before property tax)					\$81,967
Restricted Capitalization Rate Components:					
<u>Rate Components:</u>					
2014 Interest Rate per SBE			4.0000%		
Risk rate (4% owner occupied / 2% all other property types)			4.0000%		
Property tax rate (2013)			1.1880%		
Amortization rate for the Improvements:					
Remaining Economic Life:	60				
Amortization per Year (reciprocal)	0.0167		<u>1.6667%</u>		
Overall Rates:					
			Land		9.1880%
			Improvements		10.8547%
Weighted Capitalization Rate					
			Land	60%	5.51%
			Improvements	40%	<u>4.34%</u>
			Total		9.85%

RESTRICTED VALUE **\$831,760**

ROUNDED TO **\$830,000**

Footnotes:

Topline rent potential concluded to be about \$8,200 per month, or \$48 per foot annually

**Annual Operating Expenses include PG& E, water service, refuse collection, insurance, maintenance and property management, typically estimated at 15% of effective gross income. No estimate of actual annual operating expenses of the subject property were provided by the taxpayer.*

Rental Comps

Comp #1: Eureka Valley



Listing Agent: By Owners
Address: 272 Eureka Street
Cross Streets: Eureka (between 19th and 20th St)
SF: 1,992
Layout: 3/1.5, 1 car parking
Monthly Rent \$5,035
Rent/Foot/Mo \$2.53
Annual Rent/Foot: \$30.33
Listing Date: July 2014, Craigs List

Comp #2: Eureka Valley



By Owners
 100 Eagle Street
 Near Market and Caselli
 825
 3/2, 1 car parking
 \$5,800
\$7.03
\$84.36
 July 2014, Craigs List

Comp #3: Midtown Terrace



By Owners
 76 Clairview Court
 Clairview near Panorama Drive
 1,274
 3/2, 2 car parking
 \$4,350
\$3.41
\$40.97
 July 2014, Craigs List

Comp #4: Midtown Terrace



Broker not identified
 35 Skyview Way (near City View Way)
 West side of the peaks
 2,128
 4/3, 1 car parking
 \$5,900
\$2.77
\$33.27
 July 2014, Craigs List

Comp #5: Eureka Valley



Listing Agent: Home Bell Construction
Address: Not Provided
Cross Streets: Market at Yukon
SF: 1,650
Layout: 2/2, 1 car parking
Monthly Rent \$6,100
Rent/Foot/Mo \$3.70
Annual Rent/Foot: \$44.36
Listing Date: July 2014, Craigs List

Comp #6: Clarendon Hts



Not Provided
 226 Twin Peaks Blvd
 Twin Peaks near Clarendon
 2,000
 4/2.5, 1 car parking
 \$8,000
\$4.00
\$48.00
 July 2014, Craigs List

Comp #7: Upper Market







Not Provided
 333 Caselli
 Caselli at Market
 2,100
 3/2, 1 car parking
 \$6,200
\$2.96
\$35.43
 July 2014, Craigs List

Comp #8: Eureka Valley



Not Provided
 Not Provided
 Eureka at 20th St
 2,300
 3/2, 1 car parking
 \$8,200
\$3.57
\$42.78
 July 2014, Craigs List

SINGLE FAMILY MARKET ANALYSIS

APN	Subject 0864-023	Sale 1 0841-004	Sale 2 0852-033	Sale 3 0864-008			
							
Address	621 Waller	405 Buchanan	188 Haight	55 Pierce St			
Sale Price / Square Foot		\$1,550,000	\$2,666,000	\$2,250,000			
		\$738	\$667	\$900			
	Description	Description	Adjust.	Description	Adjust.	Description	Adjust.
Date of Valuation/Sale	06/01/14	10/31/13	\$54,250	1/22/2014	\$53,320	05/22/13	\$135,000
Location	Hayes Valley	Hayes Valley		Hayes Valley		Hayes Valley	
Lot Size	2,040	2,021		2,700	(\$33,000)	2,374	(\$16,700)
View	Neighborhood	Neighborhood		City	(\$50,000)	Neighborhood	
Year Blt/Year Renovated	1900	1900		1883		1900	
Condition	Good/Remodeled	Some updates		Good/Remodeled		Good/Remodeled	
Construction Quality	Good	Good		Good		Good	
Gross Living Area	2,050	2,100		4,000	(\$585,000)	2,500	(\$135,000)
Total Rooms	10	6				6	
Bedrooms	5	3		4		3	
Bathrooms	2	1	\$25,000	3	(\$25,000)	3	(\$25,000)
Stories	3	2		2		3	
Garage	1 car	None	\$50,000	1 car		2 car	(\$50,000)
Net Adjustments			\$129,250		(\$639,680)		(\$91,700)
Indicated Value	\$2,150,000		\$1,679,250		\$2,026,320		\$2,158,300
Adjust. \$ Per Sq. Ft.	\$1,049		\$819		\$988		\$1,053

VALUE RANGE: \$819 to \$1053 per Sq Ft GLA

VALUE CONCLUSION: \$2,150,000 \$1,049

Adjustments Lot size adjustment: \$50/foot; Adjustment for view: \$50,000, GLA adjustment: \$300/foot; Adjustment for bath counts: \$25,000 for full bath. Adjustment for garage parking: \$50,000 per space.

Market Conditions Adjustment: 5 to 10% increase in value between 2013 and 2014 (.5% per month)

Subject was remodeled in 2000 including finishing the basement to add two bedrooms and a full bath (all of which is included in GLA and overall room count

405 Buchanan has had some updates but has no garage. There is a parking pad in front. Cost to cure the lack of garage exceeds the market value of the new parking. Comps #2 and #3 sold fully remodeled .

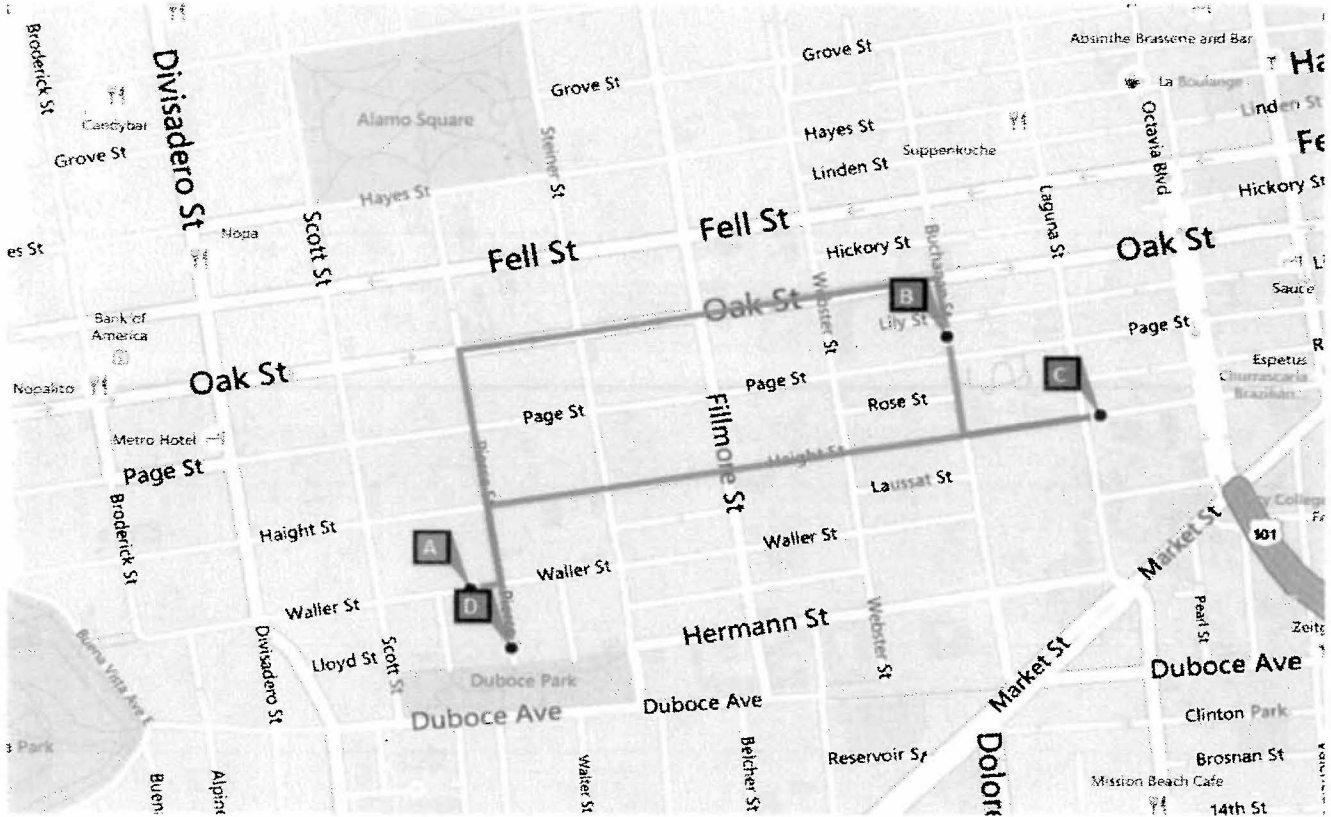
MARKET VALUE

LAND	\$1,290,000
IMPROVEMENTS	\$860,000
TOTAL	\$2,150,000
<i>Market Value / Foot</i>	<i>\$1,049</i>

ASSESSED VALUE

LAND	\$ 1,455,762
IMPROVEMENTS	\$ 623,897
TOTAL	\$2,079,659
<i>Assessed Value / Foot</i>	<i>\$1,014</i>

Map of Subject Property and Comparable Sales



A	Subject Property	621 Waller
B	Comp #1	405 Buchanan
C	Comp #2	188 Haight
D	Comp #3	55 Pierce St

**EXHIBIT D:
MILLS ACT APPLICATION**

Application Checklist to be Submitted with all Materials

Utilize this list to ensure a complete application package is submitted.

1 Historical Property Contract Application Have all owners signed and dated the application?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
2 Priority Consideration Criteria Worksheet Have three priorities been checked and adequately justified?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
3 Exemption Form & Historic Structure Report Required for Residential properties with an assessed value over \$3,000,000 and Commercial/Industrial properties with an assessed value over \$5,000,000 Have you included a copy of the Historic Structures Report completed by a qualified consultant?	YES <input type="checkbox"/> NO <input type="checkbox"/> u/a
4 Draft Mills Act Historical Property Agreement Are you using the Planning Department's standard form "Historical Property Contract?" Have all owners signed and dated the contract? Have all signatures been notarized?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
5 Notary Acknowledgement Form Is the Acknowledgement Form complete? Do the signatures match the names and capacities of signers?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
6 Draft Rehabilitation/Restoration/Maintenance Plan Have you identified and completed the Rehabilitation, Restoration, and Maintenance Plan organized by contract year and including all supporting documentation related to the scopes of work?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
7 Historical Property Tax Adjustment Worksheet Did you provide back-up documentation (for commercial property only)?	YES <input type="checkbox"/> NO <input type="checkbox"/> u/a
8 Photographic Documentation Have you provided both interior and exterior images? Are the images properly labeled?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
9 Site Plan Does your site plan show all buildings on the property including lot boundary lines, street name(s), north arrow and dimensions?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
10 Tax Bill Did you include a copy of your most recent tax bill?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
11 Payment Did you include a check payable to the San Francisco Planning Department?	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

APPLICATION FOR

14.0746 U

Mills Act Historical Property Contract

1. Owner/Applicant Information

PROPERTY OWNER 1 NAME: CLAUDE ZELLWEGER	TELEPHONE: (415) 260-2939
PROPERTY OWNER 1 ADDRESS: 621 WALLER STREET, SF, CA 94117	EMAIL: CLAUDE@ONEANDCO.COM
PROPERTY OWNER 2 NAME: RENEE ZELLWEGER	TELEPHONE: (415) 613-7415
PROPERTY OWNER 2 ADDRESS: 621 WALLER STREET, SF, CA 94117	EMAIL: reneezell@mac.com
PROPERTY OWNER 3 NAME: <i>/</i>	TELEPHONE: ()
PROPERTY OWNER 3 ADDRESS: <i>/</i>	EMAIL:

2. Subject Property Information

PROPERTY ADDRESS: 621 WALLER STREET	ZIP CODE: 94117
PROPERTY PURCHASE DATE: FEBRUARY 2010	ASSESSOR BLOCK/LOT(S):
MOST RECENT ASSESSED VALUE: 2,070,000 \$	ZONING DISTRICT:

Are taxes on all property owned within the City and County of San Francisco paid to date? YES NO

Do you own other property in the City and County of San Francisco? YES NO
If Yes, please list the addresses for all other property owned within the City of San Francisco on a separate sheet.

Property is designated as a City Landmark under Article 10 of the Planning Code YES NO

Are there any outstanding enforcement cases on the property from the San Francisco Planning Department or the Department of Building Inspection? YES NO

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

Owner Signature: *C. Zellweger* Date: 9/12/13

Owner Signature: *R. Zellweger* Date: 9.12.2013

Owner Signature: _____ Date: _____

3. Program Priority Criteria

Please check the appropriate categories as they apply to your building. Use a separate sheet to explain why your building should be considered a priority when awarding a Mills Act Historical Property Contract. As a matter of policy, priority is given to small-scale residential and mixed-use properties that answer "yes" to Criterion 2 (below), as well as those properties in need of substantial reinvestment and those that would support revitalization in the surrounding area.

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

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

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

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

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

3. Rehabilitation/Restoration/Maintenance Plan:

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

Proposed work will meet the <i>Secretary of the Interior's Standards for the Treatment of Historic Properties</i> and/or the California Historic Building Code.	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
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**Detail how the proposed work meets the Secretary of Interior Standards on a separate sheet or include as part of Rehabilitation/Restoration/Maintenance Plan.*

5. Mills Act Tax Savings:

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

4. Application for Exemption from Property Tax Valuation

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

1. The site, building, or object, or structure is a particularly significant resource and represents an exceptional example of an architectural style, the work of a master, or is associated with the lives of significant persons or events important to local or natural history; or
2. Granting the exemption will assist in the preservation of a site, building, or object, or structure that would otherwise be in danger of demolition, substantial alteration, or disrepair. (A historic structures report by a qualified consultant must be submitted to demonstrate meeting this requirement).

NAMES:
TAX ASSESSED VALUE:
PROPERTY ADDRESS:

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

Owner Signature: _____

Date: _____

Owner Signature: _____

Date: _____

Owner Signature: _____

Date: _____

Planning Department Staff Evaluation

THIS SECTION TO BE COMPLETED EXCLUSIVELY BY PLANNING DEPARTMENT STAFF

- | | |
|------------------------------|--|
| Exceptional Structure? | YES <input type="checkbox"/> NO <input type="checkbox"/> |
| Specific threat to resource? | YES <input type="checkbox"/> NO <input type="checkbox"/> |
| Complete HSR submitted? | YES <input type="checkbox"/> NO <input type="checkbox"/> |

Percent above value limit: _____

No. of criteria satisfied: _____

Planner's Initial: _____

5. Draft Mills Act Historical Agreement

Please complete and attach the Planning Department's "Mills Act Contract" form, which can be accessed at sfplanning.org, from the Permits and Zoning and Permit Forms tab. Any modifications made to this standard City contract by the applicant or an independently prepared contract shall be subject to approval by the City Attorney prior to consideration by the Historic Preservation Commission and the Board of Supervisors, which may result in additional processing time.

(SEE ATTACHED)

6. Rehabilitation/Restoration/Maintenance Plan

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

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

This plan will be included along with any other supporting documents as part of the Mills Act historical Property contract.

Draft Rehabilitation/Restoration/Maintenance Scope (SEE ATTACHED FINAL DOCUMENT)

①

BUILDING FEATURE:	Rehab/Restoration <input checked="" type="checkbox"/>	Maintenance <input type="checkbox"/>	Completed <input type="checkbox"/>	Proposed <input type="checkbox"/>
CONTRACT YEAR WORK COMPLETION:	2			
TOTAL COST (rounded to nearest dollar):	\$ 14,000.00			
DESCRIPTION OF WORK:	<p><u>STEEL STRUCTURES ABOVE ENTRANCE AND HANDRAILING.</u> <u>REMOVE RUST AND RE-PAINT IN ORIGINAL COLOR.</u> * PHOTOS ATTACHED</p>			

②

BUILDING FEATURE:	Rehab/Restoration <input checked="" type="checkbox"/>	Maintenance <input type="checkbox"/>	Completed <input type="checkbox"/>	Proposed <input type="checkbox"/>
CONTRACT YEAR WORK COMPLETION:	2-4			
TOTAL COST (rounded to nearest dollar):	\$ 22,500			
DESCRIPTION OF WORK:	<p>REPLACE <u>WINDOWS</u> FOR <u>EFFICIENT + UP-TO CODE WINDOWS</u> CURRENTLY SINGLE PANE ① BAY MAIN LEVEL, ENTRANCE, BAY GARDEN ② BEDROOMS 2ND LEVEL</p>			

THIS SECTION TO BE COMPLETED EXCLUSIVELY BY PLANNING DEPARTMENT STAFF

Property Address:	621 WALLER STREET
Block / Lot:	0864/023
Board of Supervisors Ordinance Number:	

Draft Rehabilitation/Restoration/Maintenance Scope Continued

③

BUILDING FEATURE:
 Rehab/Restoration Maintenance Completed Proposed

CONTRACT YEAR WORK COMPLETION: ~~2~~ 1

TOTAL COST (rounded to nearest dollar): \$12,000.

DESCRIPTION OF WORK:
 REPAIR / REPLACE CONCRETE TILES ON SIDE-ENTRANCE - ADJACENT TO THE ENTRANCE STAIRCASE (OUTDOOR). * SEE PHOTOS

④

BUILDING FEATURE:
 Rehab/Restoration Maintenance Completed Proposed

CONTRACT YEAR WORK COMPLETION: ~~2~~ 1

TOTAL COST (rounded to nearest dollar): \$26,000

DESCRIPTION OF WORK:
 RESTORE BOTH REAR FACING BALCONIES. CANTILEVERED BALCONY ON MAIN FLOOR IS CREATING WATERLEAK IN BASEMENT. * SEE PHOTOS

⑤

BUILDING FEATURE:
 Rehab/Restoration Maintenance Completed Proposed

CONTRACT YEAR WORK COMPLETION: 5-6

TOTAL COST (rounded to nearest dollar): \$18,000

DESCRIPTION OF WORK:
 RE-PAINT ENTIRE FRONT OF THE HOUSE. ENSURE PROPER SEALING AND COSMETIC FINISH.

8. Historical Property Tax Adjustment Worksheet Calculation

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

Determine Annual Income and Annual Operating Expenses

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

Determine Capitalization Rate

Add the following together to determine the Capitalization Rate:

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

Calculate New Assessed Value and Estimated Tax Reduction

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

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

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

EXAMPLE:

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

Assessment Using Mills Act Valuation Methodology

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

Property Tax Savings \$15,719

9. Historical Property Tax Adjustment Worksheet Guide

PROPERTY ADDRESS: _____

PROPERTY DESCRIPTION: _____

OWNER OCCUPIED: YES NO

STEP 1: Determine Annual Income of Property

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

STEP 2: Calculate Annual Operating Expenses

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

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

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

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

STEP 3: Determine Annual Net Income

NET OPERATING INCOME	CURRENT	EXPLANATION
9. Net Operating Income	\$	Line 3 minus Line 9

STEP 4: Determine Capitalization Rate

CAPITALIZATION RATE	CURRENT	EXPLANATION
10. Interest Component	4.75% 3.75%	As determined by the State Board of Equalization for 2009/2010
11. Historic Property Risk Component	4%	Single-family home = 4% All other property = 2%
12. Property Tax Component	1%	.01 times the assessment ratio of 100%
13. Amortization Component (Reciprocal of life of property)	5%	If the life of the improvements is 20 years Use $100\% \times 1/20 = 5\%$
14. Capitalization Rate	13.75%	Add Lines 10 through 13

STEP 5: Calculate New Assessed Value

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

STEP 6: Determine Estimated Tax Reduction

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

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



NOTIFICATION OF 2013-2014 ASSESSED VALUE

July 15, 2013

ELtrA83122

**ANNUAL NOTICE ONLY
THIS IS NOT A TAX BILL**

ZELLWEGER CLAUDE & RENEE

621 WALLER ST
SAN FRANCISCO, CA 94117

Dear San Francisco Property Owner:

I am writing to inform you of the **assessed value for your property as of January 1, 2013**. The assessed value is the basis for your 2013-2014 property tax bill that will be mailed to you in the fall. If you believe the current market value is less than the factored base year value, you may file a formal assessment appeal with the Assessment Appeals Board from July 2, 2013 to September 16, 2013 (see reverse side).

Attached are Frequently Asked Questions. If you have further questions, please contact us through the City & County of San Francisco's one-stop 311 Customer Service Center by dialing 3-1-1 (within San Francisco's 415 area code) or calling 415-701-2311 (outside San Francisco). Please visit our website at www.sfassessor.org for additional information.

PROPERTY LOCATION	
621 WALLER ST	
BLOCK and LOT	
0864 023	

Homeowner's Exemption Notice

If you own and occupy this property as your primary residence, you may be eligible for a homeowner's exemption. You are allowed only one homeowner's exemption in the state of California. If you are eligible and do not see an exemption amount listed in the exemption box to the left, please submit a completed Homeowner's Exemption Claim Form (available for download at www.sfassessor.org).

2013-2014 Factored Proposition 13 Base Year Value	\$	2,070,261
2013-2014 Assessed Value	\$	2,070,261
2013-2014 Personal Property/Fixtures	\$	0
2013-2014 Exemption (-)	\$	0
2013-2014 Net Assessed Value	\$	2,070,261

For last year's Assessed Value, go to: www.sftreasurer.org

Your assessed value may have changed from the previous year due to the following reasons:

1. Inflationary increase of up to 2% allowed under Proposition 13.
2. Change in ownership of your entire property or portion of property.
3. New construction, including remodeling, addition, etc.
4. Restoration of factored base year value from prior year temporary reductions due to economic conditions, fire damage, or other calamity.

Sincerely,

Carmen Chu
Assessor-Recorder

NOTE: The assessed value shown may reflect an assessment that is not up to date. Continue to pay the regular bills as issued and at a later date you will be sent a supplemental bill(s) for the difference. The assessed value is determined as of January 1, 2013. The 2013-2014 net assessed value shown above will be the basis of your 2013-2014 property tax bill. The Proposition 13 factored base year value shown above reflects your original assessment, plus adjustments for inflation, with annual increases limited to not more than 2%.

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

California Mills Act Historical Property Agreement

PROPERTY NAME (IF ANY)

621 WALLER

PROPERTY ADDRESS

San Francisco, California

THIS AGREEMENT is entered into by and between the City and County of San Francisco, a California municipal corporation ("City") and Claude Zellweger ("Owner/s").

RECITALS

Owners are the owners of the property located at 621 WALLER, in San Francisco, California

PROPERTY ADDRESS

The building located at 621 WALLER

BLOCK NUMBER

LOT NUMBER

PROPERTY ADDRESS

is designated as City Landmark under Art. 10 (e.g. "a City Landmark pursuant to Article 10 of the Planning Code") and is also known as the Duboce Park Historic District.

HISTORIC NAME OF PROPERTY (IF ANY)

Owners desire to execute a rehabilitation and ongoing maintenance project for the Historic Property. Owners' application calls for the rehabilitation and restoration of the Historic Property according to established preservation standards, which it estimates will cost approximately Ninetytwo thousand (\$92,500). See Rehabilitation Plan, Exhibit A.

AMOUNT IN WORD FORMAT

(\$

AMOUNT IN NUMERICAL FORMAT

\$ 92,500.

Owners' application calls for the maintenance of the Historic Property according to established preservation standards, which is estimated will cost approximately annually. See Maintenance Plan, Exhibit B.

AMOUNT IN WORD FORMAT

(\$

AMOUNT IN NUMERICAL FORMAT

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

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

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

Mills Act Application

1. Application of Mills Act.

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

2. Rehabilitation of the Historic Property.

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

3. Maintenance.

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

4. Damage.

Should the Historic Property incur damage from any cause whatsoever, which damages fifty percent (50%) or less of the Historic Property, Owners shall replace and repair the damaged area(s) of the Historic Property. For repairs that do not require a permit, Owners shall commence the repair work within thirty (30) days of incurring the damage and shall diligently prosecute the repair to completion within a reasonable period of time, as determined by the City. Where specialized services are required due to the nature of the work and the historic character of the features damaged, "commence the repair work" within the meaning of this paragraph may include contracting for repair services. For repairs that require a permit(s), Owners shall proceed diligently in applying for any necessary permits for the work and shall apply for such permits not less than sixty (60) days after the damage has been incurred, commence the repair work within one hundred twenty (120) days of receipt of the required permit(s), and shall diligently prosecute the repair to completion within a reasonable period of time, as determined by the City. Upon written request by the Owners, the Zoning Administrator, at his or her discretion, may grant an extension of the time periods set forth in this paragraph. Owners may apply for an extension by a letter to the Zoning Administrator, and the Zoning Administrator may grant the extension by letter without a hearing. All repair work shall comply with the design and standards established for the Historic Property in Exhibits A and B attached hereto and Paragraph 3 herein. In the case of damage to twenty percent (20%) or more of the Historic Property due to a catastrophic event, such as an earthquake, or in the case of damage from any cause whatsoever that destroys more than fifty percent (50%) of the Historic Property, the City and Owners may mutually agree to terminate this Agreement. Upon such termination, Owners shall not be obligated to pay the cancellation fee set forth in Paragraph 14 of this Agreement. Upon such termination, the City shall assess the full value of the Historic Property without regard to any restriction imposed upon the Historic Property by this Agreement and Owners shall pay property taxes to the City based upon the valuation of the Historic Property as of the date of termination.

5. Insurance.

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

6. Inspections.

Owners shall permit periodic examination of the exterior and interior of the Historic Property by representatives of the

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

7. Term.

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

8. Valuation.

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

9. Termination.

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

10. Notice of Nonrenewal.

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

11. Payment of Fees.

Within one month of the execution of this Agreement, City shall tender to Owners a written accounting of its reasonable costs related to the preparation and approval of the Agreement as provided for in Government Code Section 50281.1 and San Francisco Administrative Code Section 71.6. Owners shall promptly pay the requested amount within forty-five (45) days of receipt.

12. Default.

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

- (a) Owners' failure to timely complete the rehabilitation work set forth in Exhibit A in accordance with the standards set forth in Paragraph 2 herein;

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

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

13. Cancellation.

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

14. Cancellation Fee.

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

15. Enforcement of Agreement.

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

16. Indemnification.

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

17. Eminent Domain.

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

18. Binding on Successors and Assigns.

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

19. Legal Fees.

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

20. Governing Law.

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

21. Recordation.

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

22. Amendments.

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

23. No Implied Waiver.

No failure by the City to insist on the strict performance of any obligation of the Owners under this Agreement or to exercise any right, power, or remedy arising out of a breach hereof shall constitute a waiver of such breach or of the City's right to demand strict compliance with any terms of this Agreement.

24. Authority.

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

25. Severability.

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

26. Tropical Hardwood Ban.

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

27. Charter Provisions.

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

28. Signatures.

This Agreement may be signed and dated in parts

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

CARMEN CHU
ASSESSOR-RECORDER

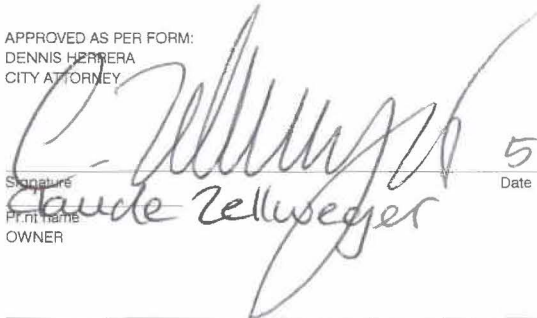
Date

JOHN RAHAIM
DIRECTOR OF PLANNING

Date

APPROVED AS PER FORM:
DENNIS HERRERA
CITY ATTORNEY

Signature
Print name
OWNER


5/1/14

Date

Signature
Print name
DEPUTY CITY ATTORNEY

Date

Signature
Print name
OWNER

Date

Signature
Print name
OWNER

Owner/s' signatures must be notarized. Attach notary forms to the end of this agreement.
(If more than one owner, add additional signature lines. All owners must sign this agreement.)

7. Notary Acknowledgment Form

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

State of California

County of: San Francisco

On: May 1, 2014 before me, Jason Whipple
DATE INSERT NAME OF THE OFFICER

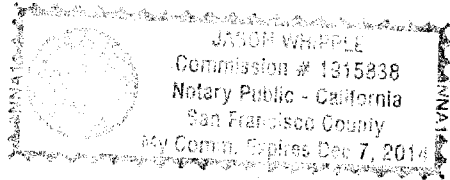
NOTARY PUBLIC personally appeared: Claude Zellweger
NAME(S) OF SIGNER(S)

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

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

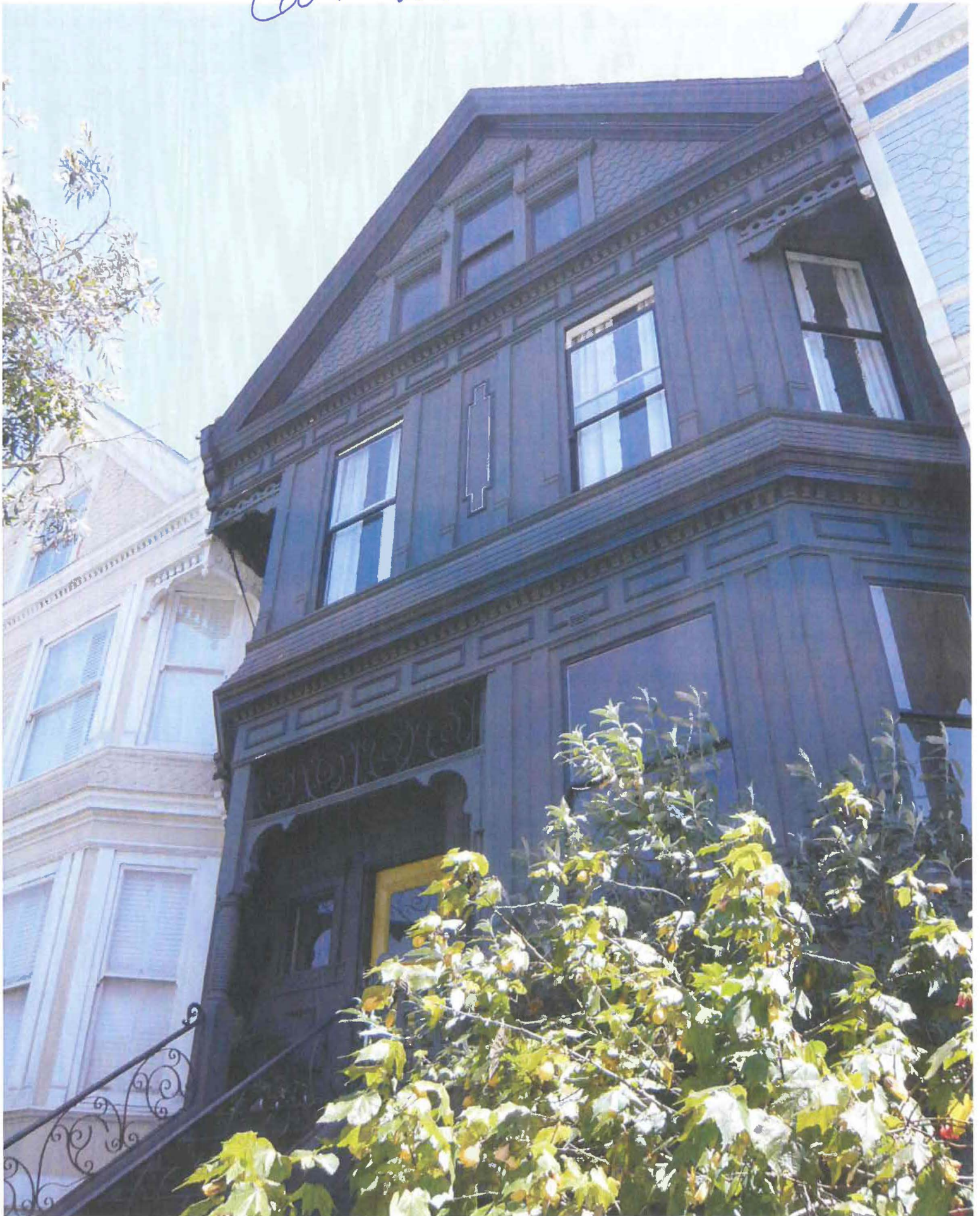
WITNESS my hand and official seal.

[Signature]
SIGNATURE



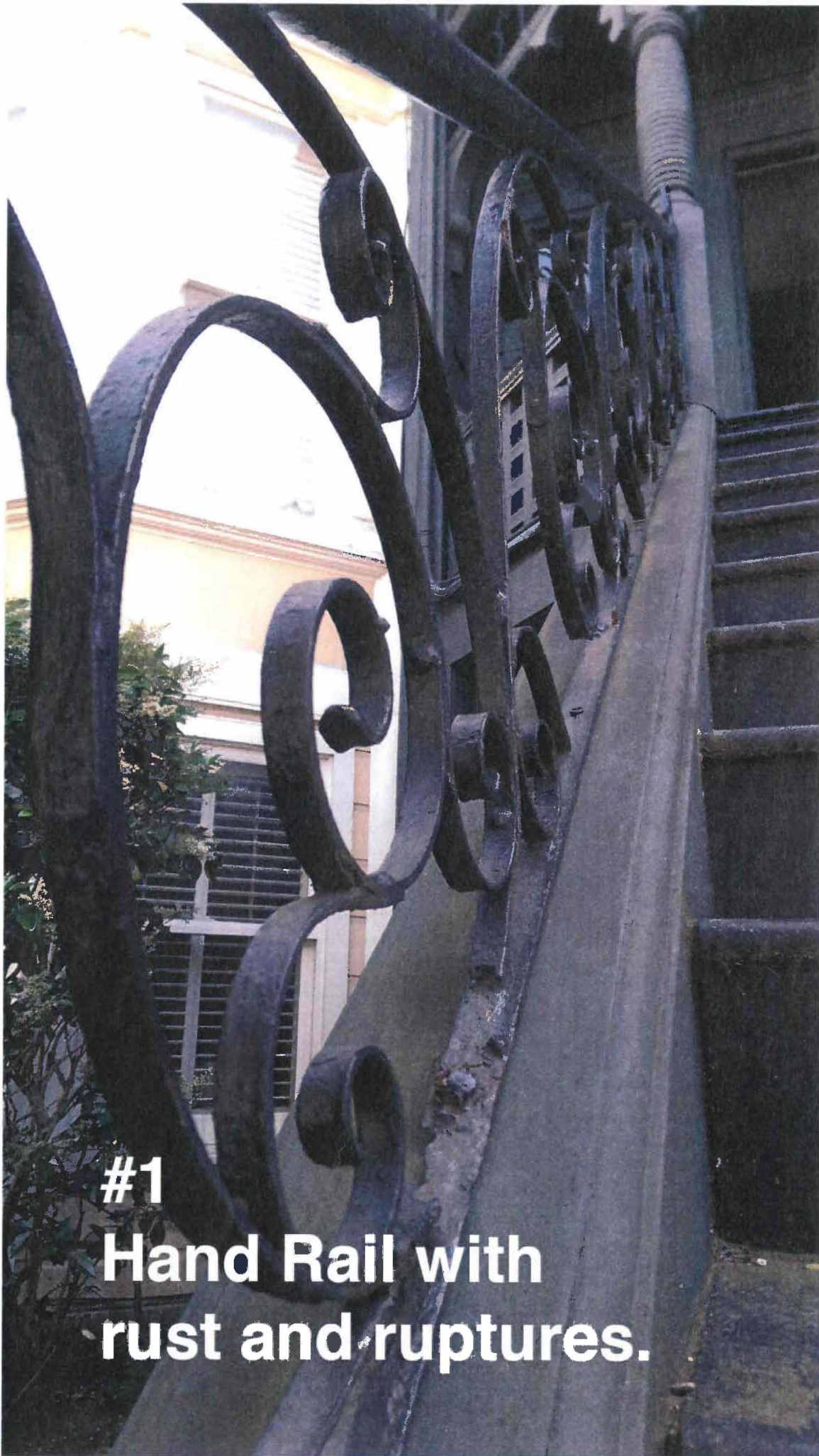
(PLACE NOTARY SEAL ABOVE)

6021 WAUER ST.

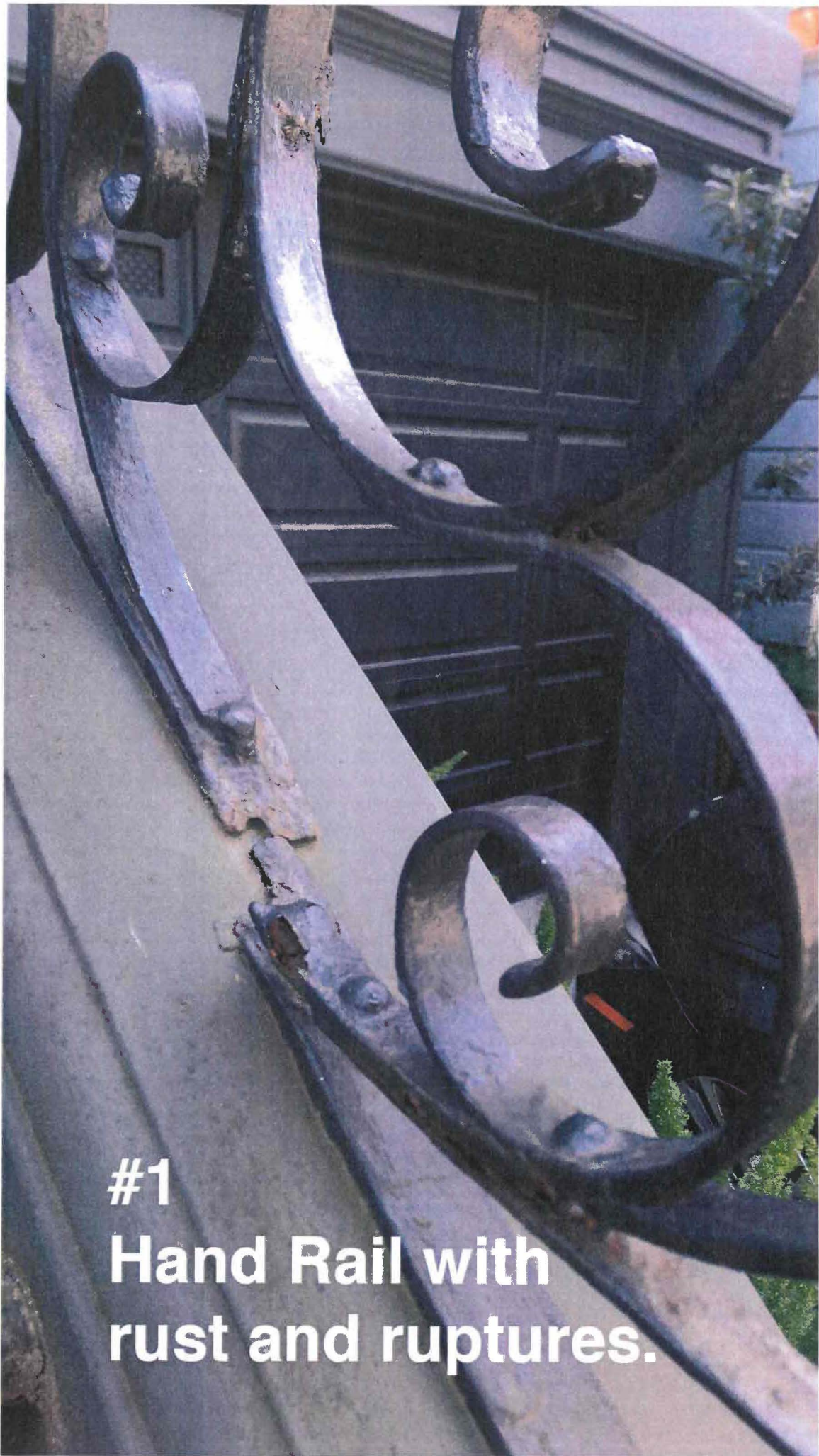




#1
**Steel structure with
rust and ruptures.**



**#1
Hand Rail with
rust and ruptures.**



**#1
Hand Rail with
rust and ruptures.**

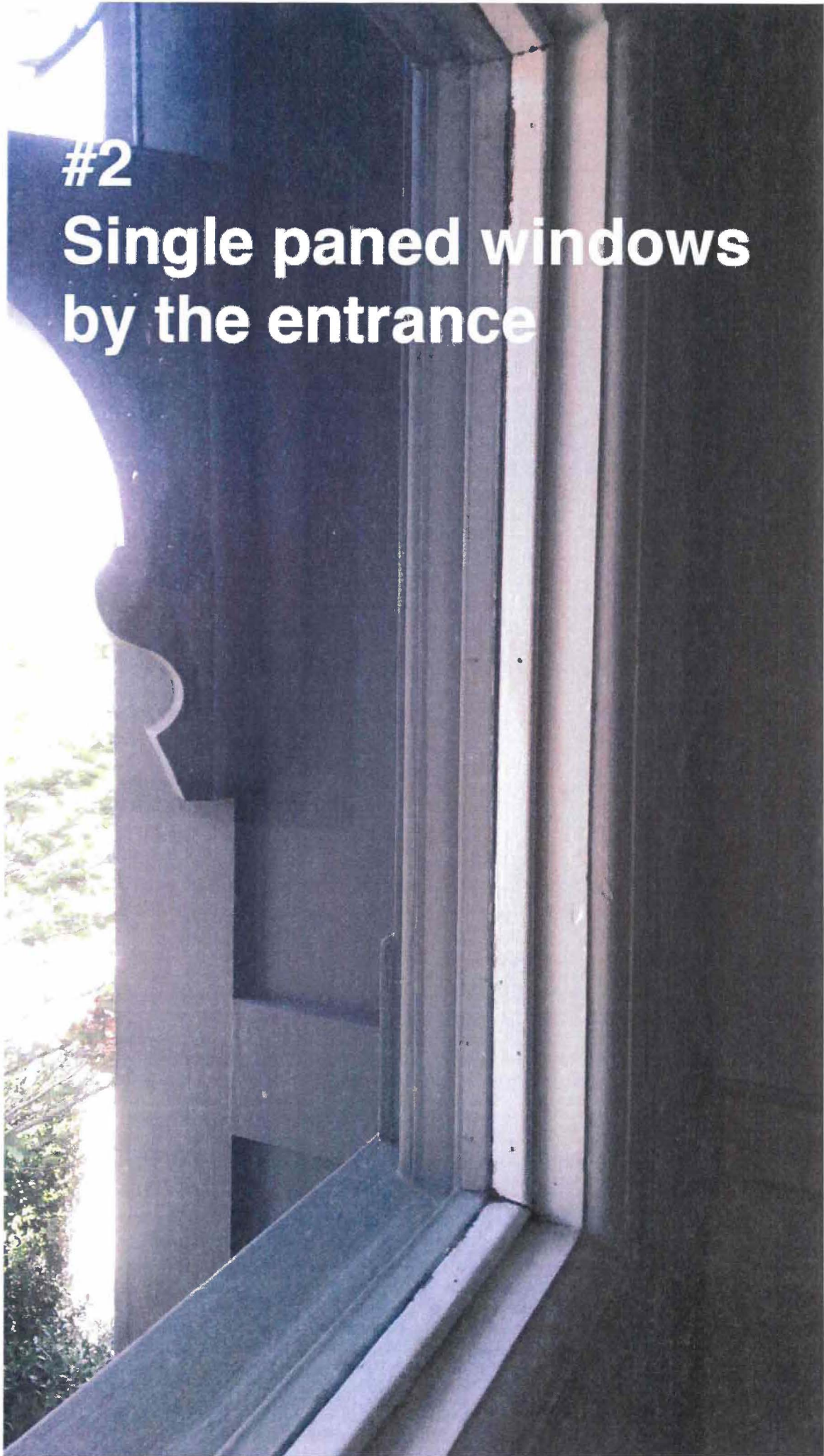


#1

**Hand Rail with
rust and ruptures.**

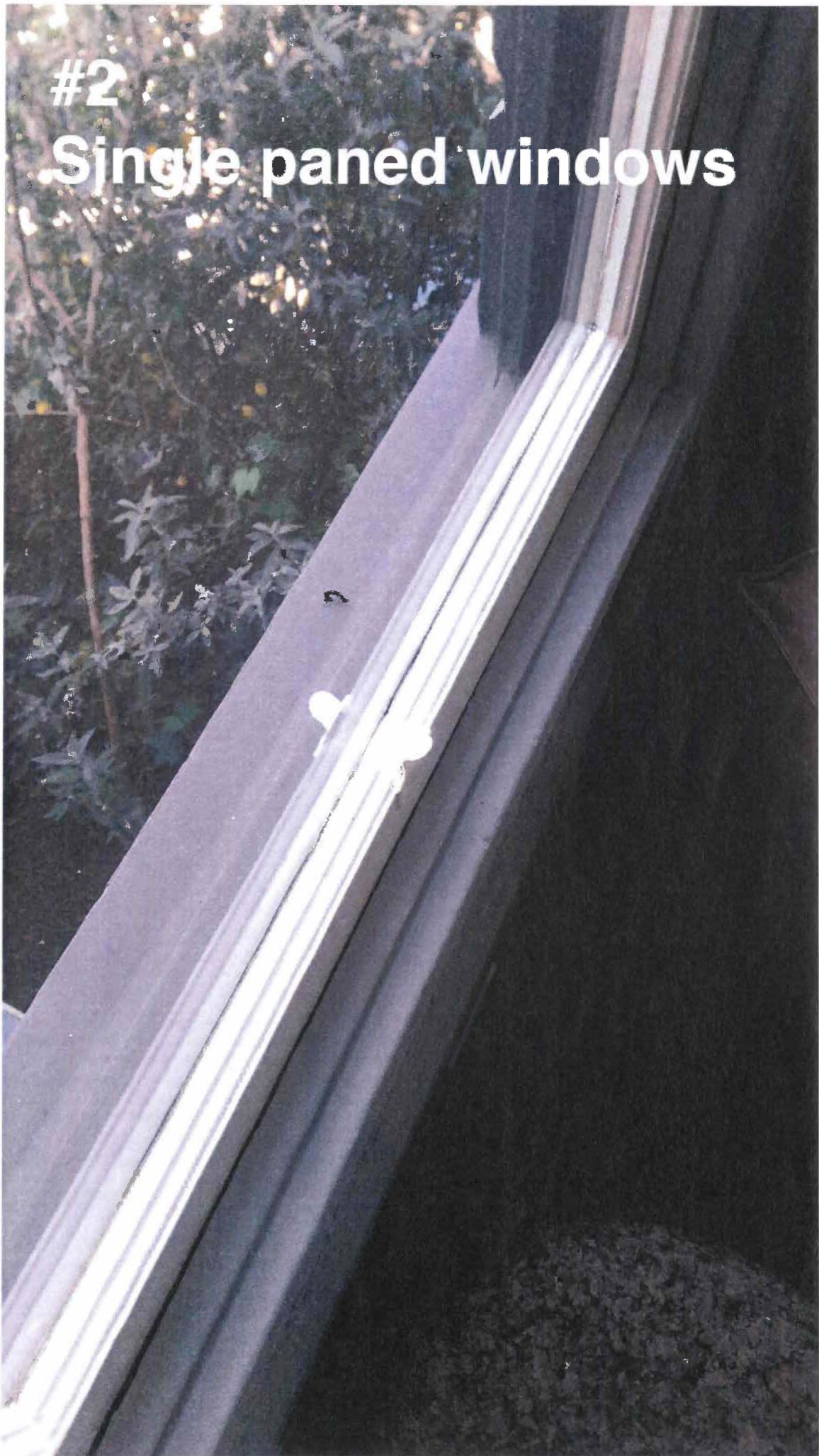
#2

**Single paned windows
by the entrance**



#2

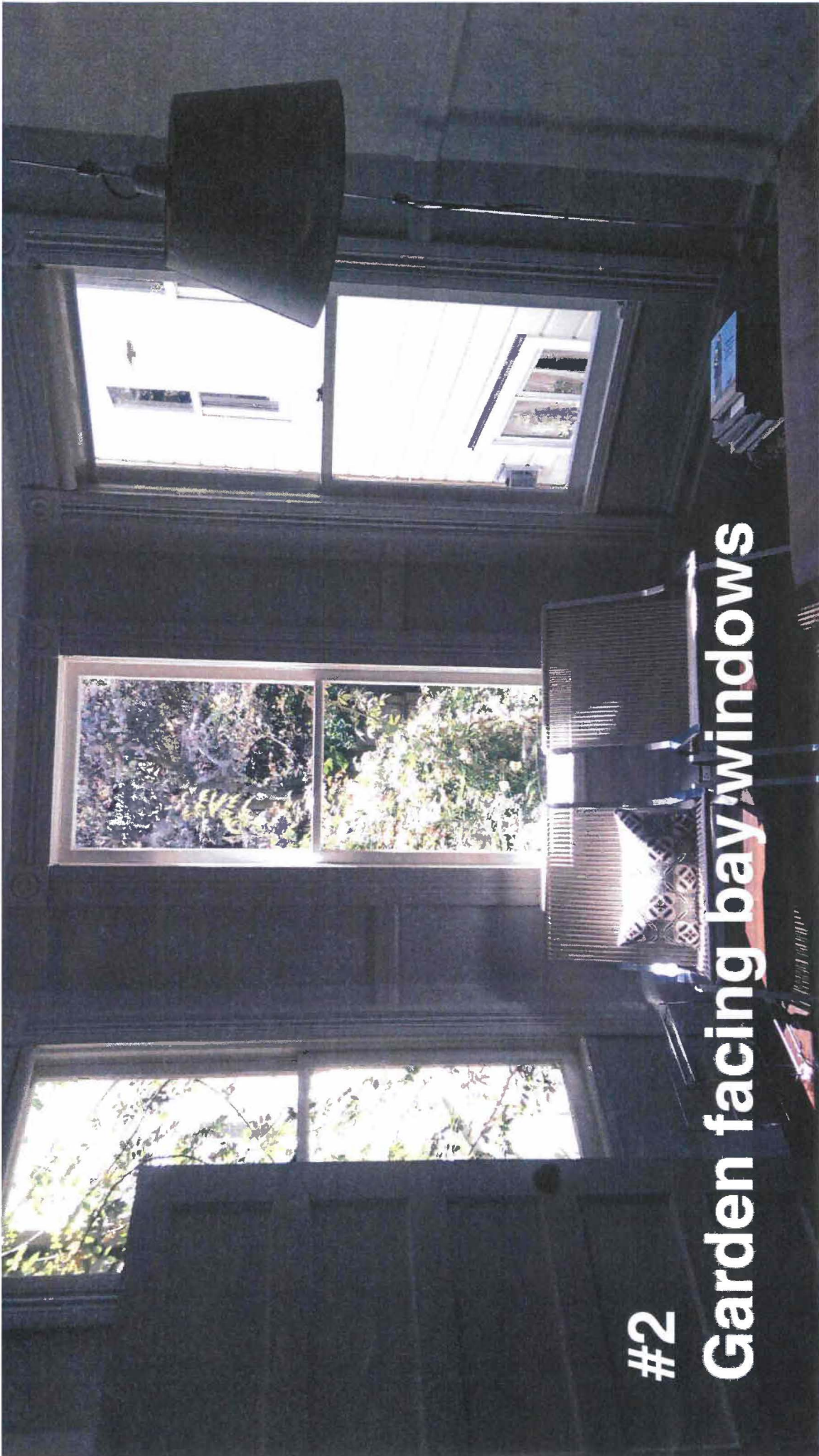
Single paned windows





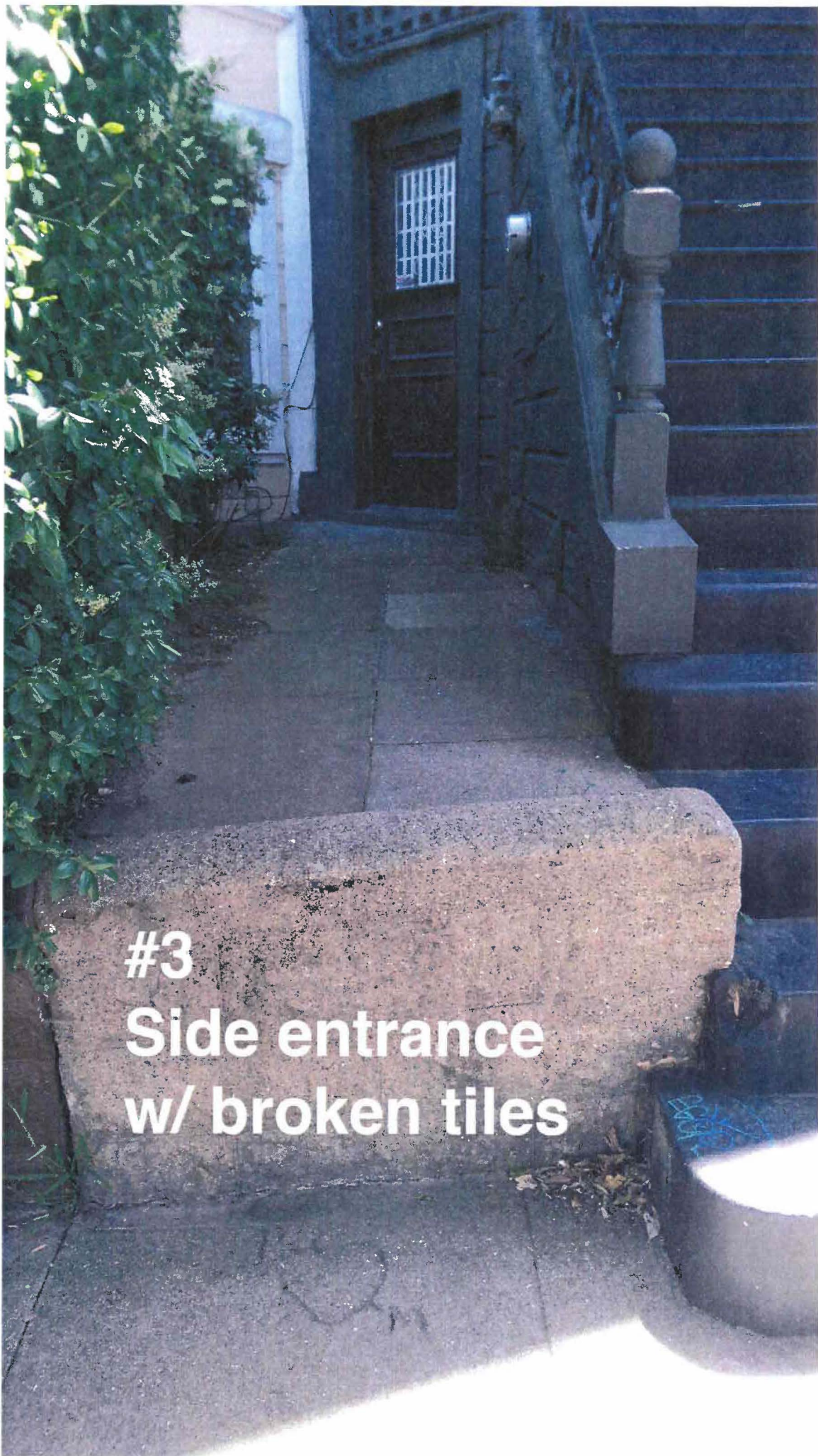
#2

Street facing bay windows



#2

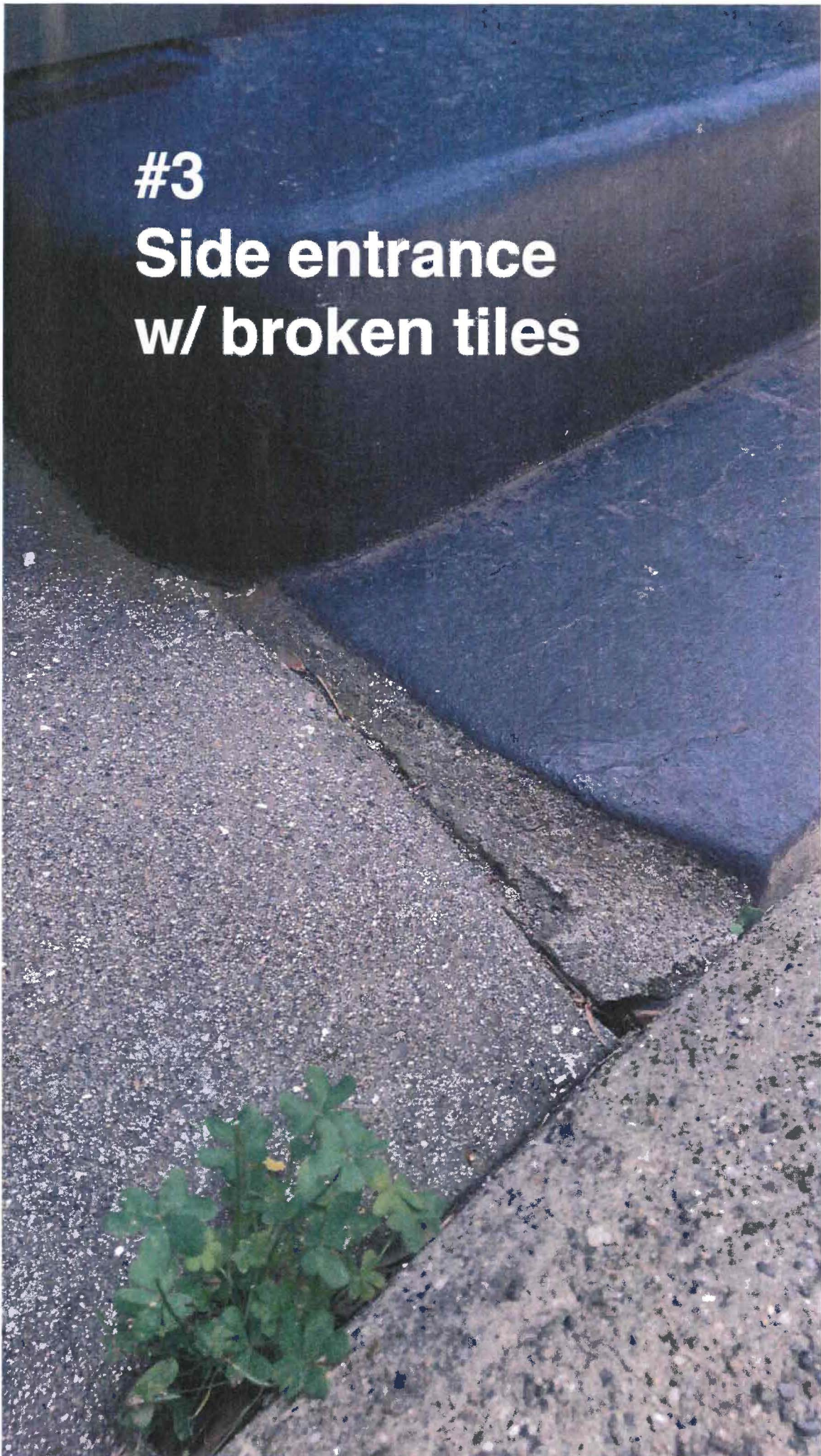
Garden facing bay windows



#3
Side entrance
w/ broken tiles

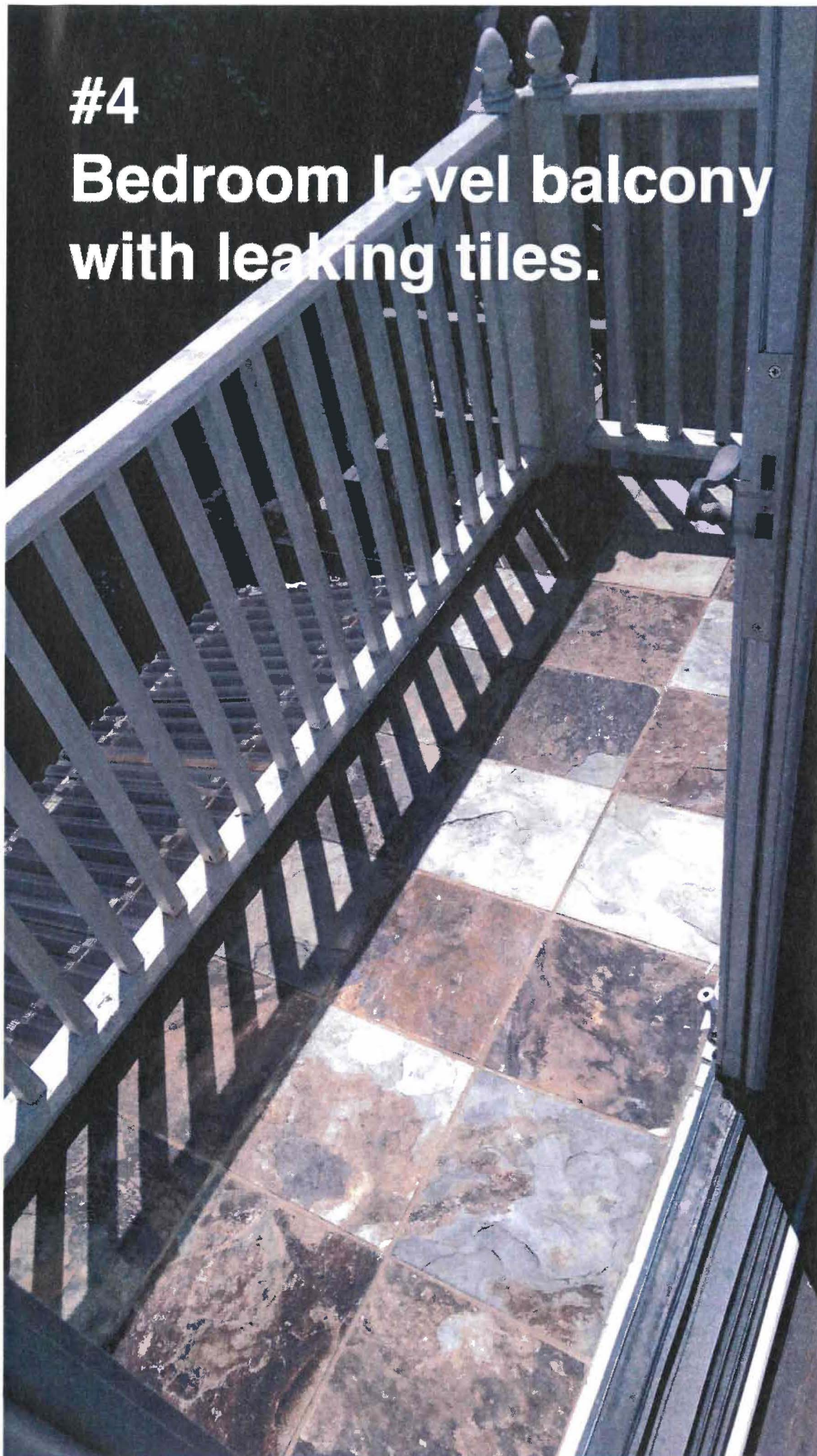
#3

**Side entrance
w/ broken tiles**

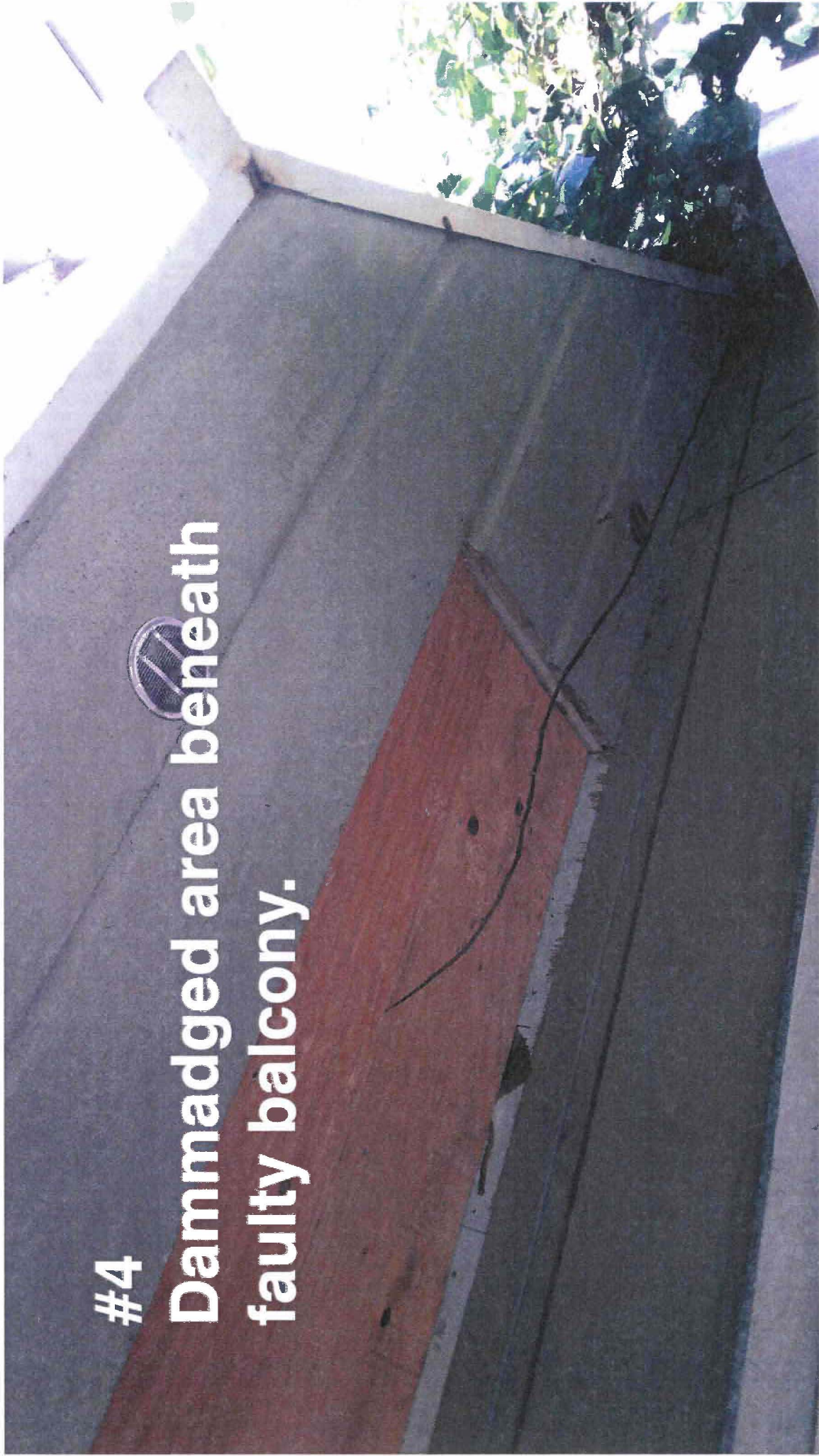


#4

**Bedroom level balcony
with leaking tiles.**

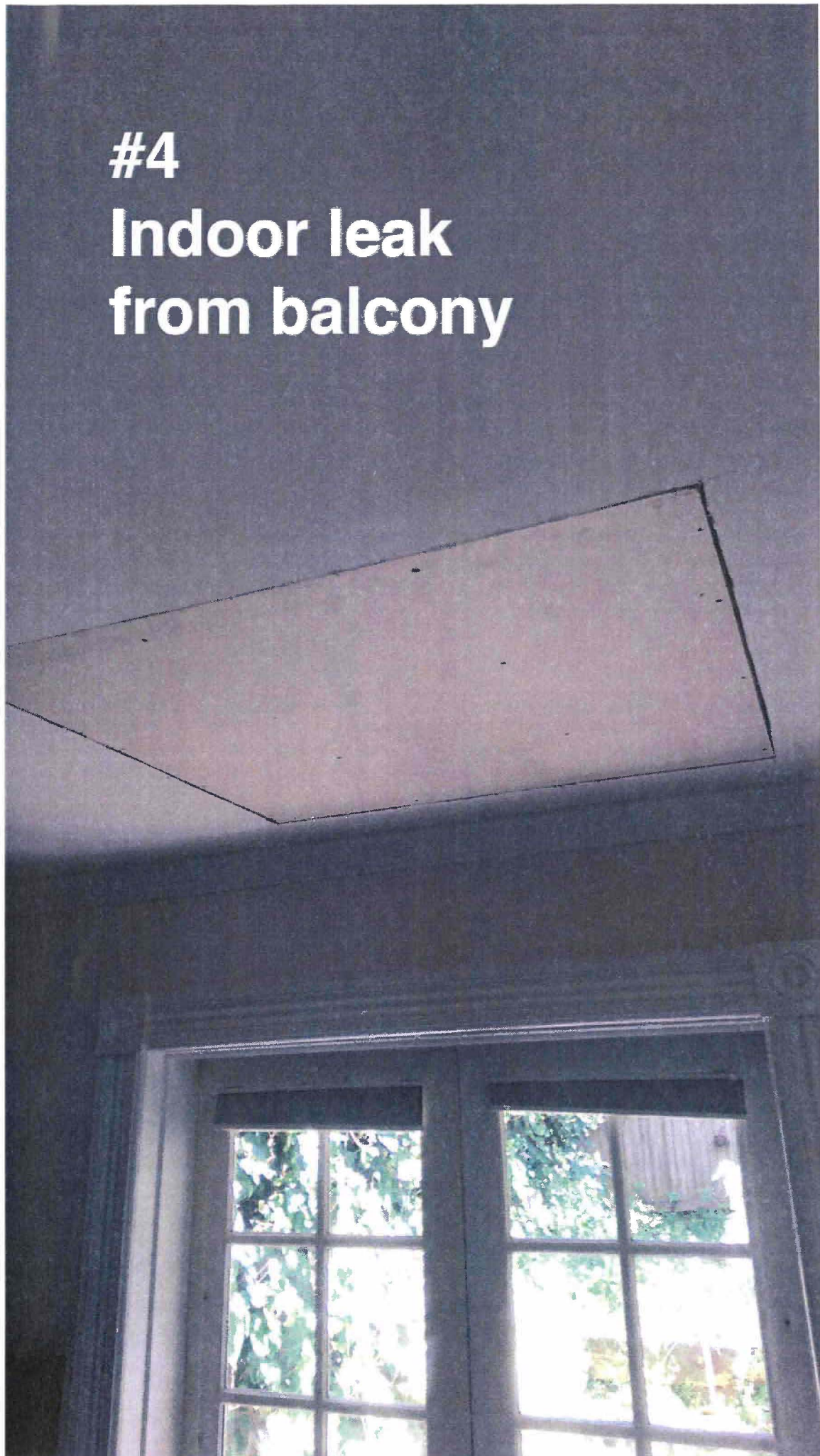


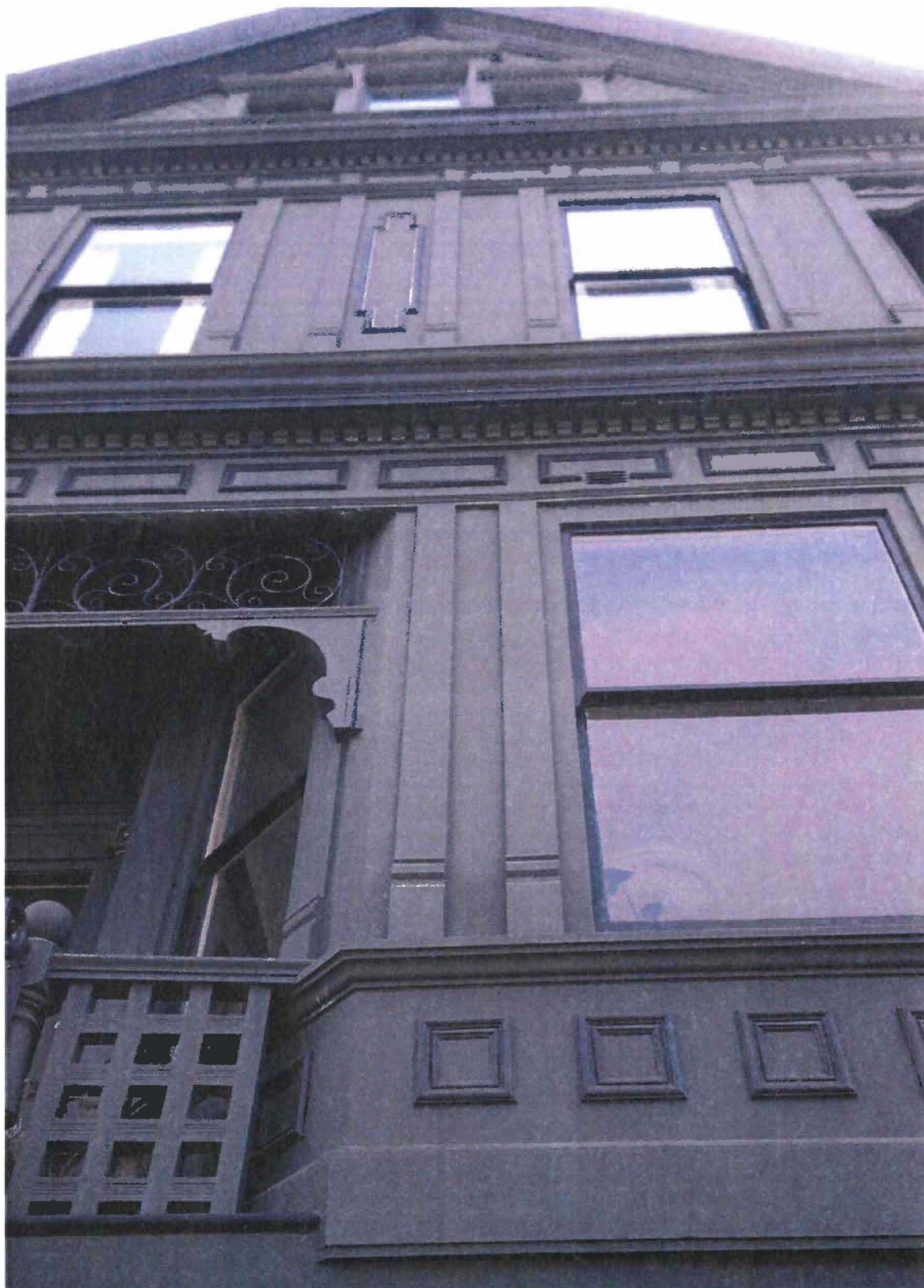
#4
Dammadged area beneath
faulty balcony.



#4

**Indoor leak
from balcony**





#5

**Front facade - for
new coat of paint**