

File No. 091106

Committee Item No. 6
Board Item No. 25

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: November 10, 2010

Board of Supervisors Meeting

Date 11/16/10

Cmte Board

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Completed by: Victor Young

Date: November 5, 2010

Completed by: Victor Young

Date: 11/12/10

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

200

200

1 [Approval of an historical property contract for 1818 California Street ("Lilienthal-Orville Pratt
2 House").]

3 **Resolution under Chapter 71 of the San Francisco Administrative Code, approving an**
4 **historical property contract between Nakamura FLP, the owner of 1818 California Street**
5 **("Lilienthal-Orville Pratt House"), and the City and County of San Francisco;**
6 **authorizing the Director of Planning and the Assessor to execute the historical**
7 **property contract.**
8

9 WHEREAS, The California Mills Act (Government Code Section 50280 et seq.)
10 authorizes local governments to enter into a contract with the owner of a qualified historical
11 property who agrees to rehabilitate, restore, preserve, and maintain the property in return for
12 property tax reductions under the California Revenue and Taxation Code; and

13 WHEREAS, San Francisco contains many historic buildings that add to its character
14 and international reputation and that have not been adequately maintained, may be
15 structurally deficient, or may need rehabilitation, and the costs of properly rehabilitating,
16 restoring, and preserving these historic buildings may be prohibitive for property owners; and

17 WHEREAS, Chapter 71 of the San Francisco Administrative Code was adopted to
18 implement the provisions of the Mills Act and to preserve these historic buildings; and

19 WHEREAS, 1818 California Street ("Lilienthal-Orville Pratt House") is listed on the
20 National Register of Historic Places and thus qualifies as an historical property as defined in
21 Administrative Code Section 71.2; and

22 WHEREAS, A Mills Act application for an historical property contract has been
23 submitted by Hester Bond-Nakamura on behalf of Nakamura FLP, the owner of 1818
24 California Street, proposing a rehabilitation and maintenance plan for the property; and
25

1 WHEREAS, As required by Administrative Code Section 71.4(a), the application for the
2 historical property contract for 1818 California Street was reviewed by the Assessor's Office;
3 and

4 WHEREAS, As required by Charter Section 4.135, the application for the historical
5 property contract for 1818 California Street was reviewed by the Historic Preservation
6 Commission; and

7 WHEREAS, The Assessor has reviewed the historical property contract and has
8 provided the Board of Supervisors with an estimate of the property tax calculations and the
9 difference in property tax assessments under the different valuation methods permitted by the
10 Mills Act in its report transmitted to the Planning Department on September 10, 2009, which
11 report is on file with the Clerk of the Board of Supervisors in File No. 091106 and is
12 hereby declared to be a part of this resolution as if set forth fully herein; and

13 WHEREAS, The Historic Preservation Commission recommended approval of the
14 historical property contract in its Resolution No. 0636, which Resolution is on file with the
15 Clerk of the Board of Supervisors in File No. 091106 and is hereby declared to be a
16 part of this resolution as if set forth fully herein; and

17 WHEREAS, The historical property contract between Nakamura FLP, owner of 1818
18 California Street, and the City and County of San Francisco is on file with the Clerk of the
19 Board of Supervisors in File No. 091106 and is hereby declared to be a part of this
20 resolution as if set forth fully herein; and

21 WHEREAS, The Board of Supervisors has conducted a public hearing pursuant to
22 Administrative Code Section 71.4(d) to review the Historic Preservation Commission's
23 recommendation and the information provided by the Assessor's Office in order to determine
24 whether the City should execute the historical property contract for 1818 California Street; and
25

1 WHEREAS, The Board of Supervisors has balanced the benefits of the Mills Act to the
2 owner of 1818 California Street with the cost to the City of providing the property tax
3 reductions authorized by the Mills Act, as well as the historical value of 1818 California Street
4 and the resultant property tax reductions; now, therefore, be it

5 RESOLVED, That the Board of Supervisors hereby approves the historical property
6 contract between Nakamura FLP, owner of 1818 California Street, and the City and County of
7 San Francisco; and, be it

8 FURTHER RESOLVED; That the Board of Supervisors hereby authorizes the Director
9 of Planning and the Assessor to execute the historical property contract.

Item 6
File 09-1106

Department(s):
The Planning Department, Office of the Assessor-Recorder

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a Mills Act Historical Property Contract between the City and County of San Francisco, and Nakamura FLP, the current owner of the subject property at 1818 California Street (the Lilienthal-Orville Pratt House).

Fiscal Impacts

- The proposed Mills Act Historical Property Contract between the City and Nakamura FLP would entitle Nakamura FLP to pay reduced Property Taxes to the City, resulting in a first year estimated reduced Property Taxes payable to the City of \$31,617. Under the minimum ten-year term, the proposed Contract would result in an estimated \$316,170 Property Tax loss to the City over a ten-year term, plus subsequent Property Tax losses to the City of an estimated \$31,617 annually.

Key Points

- The existing three-unit residential building at 1818 California Street is designated as City Landmark #55 pursuant to Article 10 of the San Francisco Planning Code. The proposed Mills Act Historical Property Contract would provide Nakamura FLP with Property Tax reductions in exchange for the property owner providing seismic reinforcement and ongoing maintenance to the existing historical three-unit building at 1818 California Street.
- Consideration of the proposed resolution has been delayed since its introduction in September of 2009 to allow time for (a) Nakamura FLP to cease operations of an bed and breakfast at the subject property, which, according to Ms. Tara Sullivan, Legislative Affairs Liaison at the Planning Department, did not conform with the residential zoning restrictions which apply to the subject property, and (b) the Planning Department to verify that the building, which, according to Ms. Sullivan, had previously been illegally converted to a single family residence, conforms to its current legal status as a three-unit residential building.
- Chapter 71 of the Administrative Code states that the Board of Supervisors "shall have full discretion to determine whether it is in the public interest to enter into a Mills Act Historical Property Contract with the owners of a particular qualified historical property. The Board of Supervisors may approve, disapprove or modify and approve the terms of any Historical Property Contract."

Recommendation

- In accordance with Chapter 71 of the Administrative Code, approval of the proposed resolution is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

The Mills Act, codified in State Government Code Section 50280, authorizes local governments to enter into Historical Property Contracts with owners of qualified historical properties. The terms of such Historical Property Contracts provide that owners are required to rehabilitate, restore, preserve, and maintain their qualified historical properties in return for local governments reducing the assessed value of the subject properties according to a formula established in the Mills Act, thereby resulting in a reduction of the Property Taxes payable by the property owner to the City.

Chapter 71 of the City's Administrative Code specifies (a) the Mills Act application and approval processes and (b) the terms and the required fees payable to the City by the individual property owners who apply for such Historical Property Contracts with the City, in order to receive such Mills Act Property Tax reductions. Chapter 71 further states that the Board of Supervisors has "full discretion to determine whether it is in the public interest to enter into a Mills Act Historical Property Contract with a particular qualified historical property. The Board of Supervisors may approve, disapprove or modify and approve the terms of the Historical Property Contract."

BACKGROUND

According to Ms. Tara Sullivan, Legislative Affairs Liaison for the Planning Department, the City has four Mills Act Historical Property Contracts which were previously approved by the Board of Supervisors. Table 1 below summarizes the reduction in Property Taxes to the City in the first year of each of these previously approved four Mills Act Historical Property Contracts:

Table 1: Existing Mills Act Historical Property Contracts

Board of Supervisors Approval Date	Address	Estimated First Year Property Taxes Payable to the City Without a Mills Act Historical Property Contract	Estimated First Year Property Taxes Payable to the City With a Mills Act Contract	Estimated First Year Reduction in Property Taxes Payable to the City With a Mills Act Historical Property Contract ¹	Percent Reduction of Property Taxes Payable to the City
May 13, 2002	460 Bush Street	\$21,470	\$11,802	\$9,668	45%
May 15, 2007	1080 Haight Street	44,678	17,593	27,085	61%
August 7, 2007	1735 Franklin Street	27,101	18,103	8,998	33%
November 18, 2008	690 Market Street*	1,807,186	1,282,186	525,000 ²	29%
*Chronicle Building	Total	\$1,900,435	\$1,329,684	\$570,751	

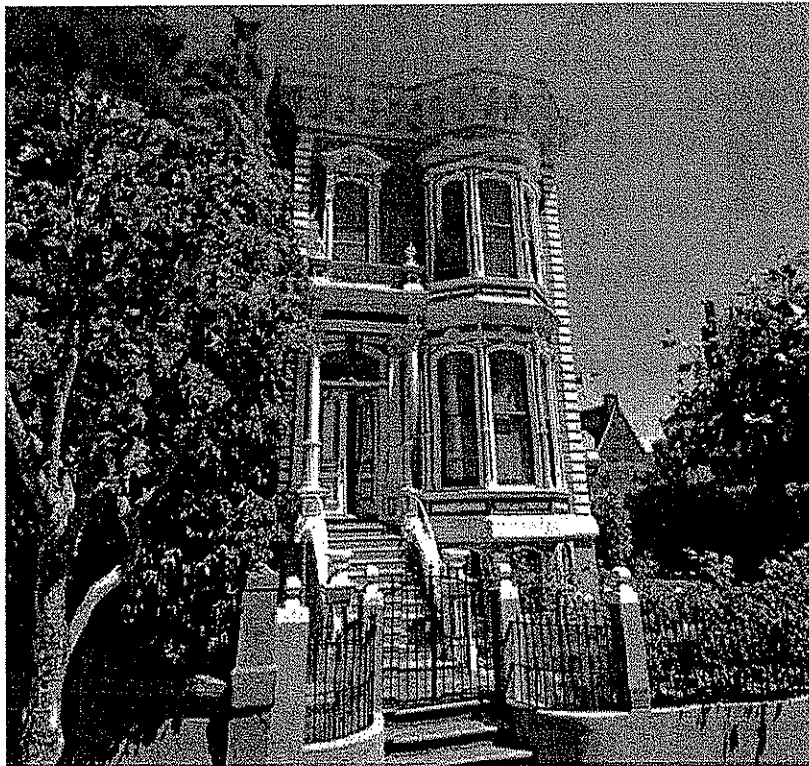
¹ The estimated reduction in Property Taxes reflect the Assessor's estimates for the first year of the Historical Property Contract and are not updated to calculate the actual reductions in Property Taxes in subsequent years.

² The reduction in Property Taxes payable to the City for the 690 Market Street property was capped by the Board of Supervisors at \$525,000 per year. Without such a cap, the estimated first year annual reduction in Property Taxes payable to the City would have been approximately \$1,450,145.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (a) approve a Mills Act Historical Property Contract with Nakamura FLP, the owner of the residential property located at 1818 California Street, and (b) authorize the Director of Planning and the Assessor to execute the Historical Property Contract between Nakamura FLP, and the City and County of San Francisco.

According to the Planning Department's Mills Act Contract Case Report on the subject 1818 California Street property, provided by Ms. Sullivan (a photograph of the subject property is shown below), the existing building near the corner of California Street and Franklin Street, is a two story, wood-frame three unit residential building. The building was originally constructed as a single-family residence, but was subsequently divided into a three-unit residential building. The building is designated as San Francisco Landmark #55 in Article 10 of the San Francisco Planning Code, which makes this property eligible as a qualified historic property under the Mills Act provisions in Chapter 71.2(c) of the City's Administrative Code.



In accordance with Section 71 of the Administrative Code, the City's Historic Preservation Commission reviewed the Mills Act application for 1818 California Street. On June 3, 2009, the Historic Preservation Commission adopted Resolution 640, which recommended approval of the proposed Mills Act Historical Property Contract for the 1818 California Street building.

According to the Planning Department's report on the proposed Mills Act Contract, the property owner, Nakamura FLP, would be required to (a) seismically reinforce the existing historical foundation at an estimated cost of \$253,000 such that the building could withstand a large earthquake, and (b) provide ongoing maintenance in the estimated amount of \$22,667 annually³ in order to preserve the historical significance of the building.

FISCAL IMPACTS

Currently, the property at 1818 California Street is assessed at \$3,634,828, with \$42,309 of Property Taxes payable to the City for Fiscal Year 2010-2011, based on the proposed FY 2010-2011 Property Tax Rate of \$1.164 per \$100 of assessed value.

Table 2 below reflects the estimated assessed value of the 1818 California Street Property both with and without the requested Mills Act Historical Property Contract. As shown in Table 2 below, Mr. Matthew Thomas, Chief Appraiser in the Assessor's Office, estimates a first year reduction to the City of \$31,617 in Property Taxes, if the proposed Mills Act Historical Property Contract is approved.

Table 2: Estimated First Year Reduction in Property Taxes Paid to the City for the Subject Property Under A Mills Act Historical Property Contract

Property at 1818 California Street	Estimated Assessed Property Value	Estimated Property Taxes which would be Payable to the City Based on the Fiscal Year 2010-2011 Property Tax Rate of \$1.164 per \$100 of Assessed Value
Without a Mills Act Historical Property Contract	\$3,634,828	\$42,309
With a Mills Act Historical Property Contract	918,525	10,692
Reduced First Year Property Taxes Payable to the City		\$31,617

Approval of the proposed Mills Act Historical Property Contract would result in a reduction of the first year annual Property Taxes to be paid to the City by the property owner of \$31,617, or a 74.7 percent reduction from the estimated annual first year Property Taxes of \$42,309 that would otherwise be paid to the City, if a Historical Property Contract were not authorized. As noted above, the term of the proposed Historical Property Contract is ten years, with automatic annual renewals thereafter, such that the estimated reduction to the City in Property Taxes would be \$316,170 (\$31,617 annually x ten years) over a ten-year period⁴. The reduced Property Taxes

³ The estimated annual cost of \$22,667 includes both (a) maintenance which is needed annually, and (b) annual deposits necessary to make larger repairs that are required less than annually (such as a roof replacement in 30 years).

⁴ The Budget Analyst notes that the future actual reduction in Property Taxes, payable to the City, fluctuates annually based on (a) variables in the formula specified in the Mills Act which determine the assessed value of the subject property, such as market rental rates and conventional mortgage interest rates, (b) the assessed value of the subject property had a Mills Act Historical Property Contract not been approved, and (c) the Property Tax rate each year. Therefore, the actual annual reductions in Property Taxes payable to the City over the ten-year term of a Mills Act Historical Property Contract and payable annually thereafter, are not equal to the first year reduction in Property Taxes.

payable to the City would continue annually in perpetuity, until the City or Nakamura FLP notifies the other party that it wants to terminate the Mills Act Historical Property Contract. Such termination would be subject to Board of Supervisors approval.

POLICY CONSIDERATIONS

Consideration of the proposed resolution has been delayed since its introduction in September of 2009 to allow time for Nakamura FLP to cease operations of a bed and breakfast at the subject property and to verify that the building conforms to its legal status as a three-unit residential building.

According to Ms. Sullivan, at the time the proposed resolution was introduced in September of 2009, the Planning Department became aware that the Nakamura FLP was (a) operating a bed and breakfast out of the building, which, according to Ms. Sullivan, was illegal because it did not conform with the residential zoning restrictions which apply to the subject property, and (b) the subject property, which was formerly a three-unit residential building, had been illegally converted into a single-family residence without the proper authorization from the Planning Department. According to Ms. Sullivan, the building was legally a three-unit residential building when the Nakamura FLP purchased the property. Ms. Sullivan advised that the property owner (a) ceased the commercial bed and breakfast operations by October of 2009, and (b) made renovations necessary for the building to conform to its legal status as a three-unit residential building⁵.

Although the Planning Department has guidelines for reviewing applications for, as well as the ongoing management of, Mills Act Historical Property Contracts, those guidelines are not consistently followed. In addition, the Board of Supervisors has not adopted either criteria or guidelines for approving Mills Act Historical Property Contracts.

The Planning Department's Preservation Bulletin No. 8 outlines guidelines for the review of Mills Act Historical Property Contract applications which include (a) a \$3,000,000 limit on the assessed value of residential property which is eligible for a Historical Property Contract, (b) annual inspections of properties subject to approved Historical Property Contracts, and (c) a limit of \$1,000,000 cumulative annual Property Tax losses to the City for all properties granted Mills Act Historical Property Contracts.

In relation to the criteria from the Planning Department's Preservation Bulletin No. 8 discussed above, the Budget and Legislative Analyst notes that: (a) the current assessed value of the subject property is \$3,634,828 (see Table 2 above), or \$634,828 more than the Planning

⁵ According to Ms. Sullivan, Nakamura FLP purchased the subject property as a three-unit residential building, and subsequently altered the interior such that the building was a single-family residence without the required approval from the Department of Building Inspection. Ms. Sullivan stated that Nakamura FLP has now reversed those prior alterations, such that the building currently conforms to its legal status as a three-unit residential building. The Budget and Legislative Analyst notes that none of the units are rented to tenants, such that Nakamura FLP occupies all three units.

Department's Mills Act Historical Property Contract eligibility maximum of \$3,000,000⁶, and (b) according to Mr. Thomas, the Assessor does not track the ongoing annual Property Tax losses to the City resulting from the previously approved Mill Act Historical Property Contracts⁷, such that the Planning Department has not calculated if approval of an additional Mills Act Historical Property Contract would cause the Property Tax loss to the City to exceed the \$1,000,000 limit included in the Planning Department's Preservation Bulletin No. 8.

As noted above, Chapter 71 of the City's Administrative Code states that the Board of Supervisors has "full discretion to determine whether it is in the public interest to enter a Mills Act Historical Property Contract with a particular qualified historical property. The Board of Supervisors may approve, disapprove or modify and approve the terms of the Historical Property Contract." The Budget and Legislative Analyst notes that the Board of Supervisors has neither approved the Planning Department's guidelines nor adopted Board of Supervisors criteria or guidelines for evaluating whether to approve, disapprove or modify individual Historical Property Contracts.

The Budget and Legislative Analyst notes that the Board of Supervisors has exercised the authority provided in Chapter 71 by (a) rejecting previous Mills Act applications (File 09-0263), (b) modifying the terms of a requested Mills Act Historical Property Contract to cap the amount of Property Tax loss (see Footnote 2 above pertaining to 690 Market Street), and (c) approved previous Mills Act Historical Property Contracts which, as shown above in Table 1 above, vary considerably in both the annual amount and percentage of Property Tax reductions payable to the City.

Given that each Historical Property Contract (a) results in a reduction of annual Property Taxes to the City, and a corresponding direct loss to the City's General Fund, (b) continues for a ten-year period, and (c) continues annually thereafter in perpetuity unless specifically terminated by the Board of Supervisors, the approval of Historical Property Contracts can result in significant reduced Property Tax revenues payable to the City's General Fund.

RECOMMENDATION

In accordance with Chapter 71 of the Administrative Code which states that the Board of Supervisors "shall have full discretion to determine whether it is in the public interest to enter into a Mills Act Historical Property Contract," approval of the proposed resolution is a policy matter for the Board of Supervisors.

⁶ According to Ms. Sullivan, the guidelines provide exceptions for those properties which are either (a) exceptional examples of an architectural style, or (b) associated with the life of a person important to local or national history. Ms. Sullivan stated that the subject property meets the first exception because, according to Planning Department's Mills Act Contract Case Report on the subject building, 1818 California is "one of the best demonstrations of Victorian architecture".

⁷ The Budget and Legislative Analyst notes that, as discussed in Footnote 4 above, the future actual annual reductions in Property Taxes payable to the City, under a Mills Act Historical Property Contract, are not equal to the first year reduction in Property Taxes. Therefore, the total first year Property Tax loss of \$570,751 shown in Table 1 above, is not equal to the annual reduction in Property Taxes resulting from Mills Act Historical Property Contracts.

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, San Francisco Board of Supervisors	City elective office(s) held: Board of Supervisors

Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Nakamura FLP	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i> Sam Nakamura Hester Bond Nakamura	
Contractor address: 1818 California Street, San Francisco, CA	
Date that contract was approved:	Amount of contract:
Describe the nature of the contract that was approved: Mills Act Historical Preservation Contract, approved pursuant to Administrative Code Chapter 71	
Comments:	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☒ a board on which the City elective officer(s) serves: Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244 1 Dr. Carlton B. Goodlett Pl, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

S:\ALL FORMS\2008\Form SFEC-126 Contractors doing business with the City 11.08.doc



SAN FRANCISCO
ARCHITECTURAL
HERITAGE

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President

David Cannon
Vice President

Scott Haskins
Vice President

Carolyn Kiernat
Secretary

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Willett Moss

Mark Paez

Michael Painter

Mark P. Sarkisian

Neil Sekhri

Zander Sivyer

Christopher VerPlanck

David P. Wessel

Mike Buhler
Executive Director

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SAN FRANCISCO
CALIFORNIA 94109

TEL 415-441-3000

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www.sfheritage.org

October 18, 2010

Mr. Victor Young, Clerk
Budget & Finance Committee
Board of Supervisors
San Francisco City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Re: 1818 California – Mills Act Historical Property Contract application
(Ref. #091106)

Dear Mr. Young:

On behalf of San Francisco Architectural Heritage, I am writing in strong support of the Mills Act Historical Property Contract application for 1818 California (City Landmark #55), also known as the Lilienthal-Orville Pratt House. Founded in 1971, San Francisco Architectural Heritage is a non-profit 501(c)(3) membership organization charged to preserve and enhance San Francisco's unique architectural and cultural identity. The property tax savings to be realized through the Mills Act agreement will enable the owners of 1818 California to complete much-needed seismic repairs.

Constructed in 1876, the Lilienthal-Pratt House is an excellent example of Italianate architecture that is very unusual in retaining its open setting as part of a Victorian and Classical grouping of buildings which includes the Bransten House (1735 Franklin), the Coleman House (1701 Franklin), and the Wormser-Coleman House (1834 California). The Lilienthal-Pratt House is the earliest unaltered building of the group and exemplifies the elegant angled-bay Italianate style so characteristic of San Francisco during the 1870s. The building is among the highlights of Heritage's popular walking tour of the Pacific Heights neighborhood; it has been meticulously maintained by its owners, Hester Bond and Sam Nakamura.

The Mills Act is the single most important economic incentive program in California for the restoration and preservation of historic buildings. It is a state law that allows local jurisdictions to enter into contracts with private property owners to guarantee the preservation of designated historic landmarks. Property owners who participate in the program make a contractual agreement with the city to adhere to a schedule of maintenance repairs and upkeep on their historic property for the duration of the contract, which spans ten years and self-renews at the close of each year. In exchange for this agreement, the property owner is entitled to an alternate evaluation of the property for tax purposes, which typically results in a reduced property tax bill.

Although the Mills Act program is tremendously popular throughout California – with hundreds of contracts in place in large cities such as Los Angeles and San Diego – there are only a handful of Mills Act contracts in place in San Francisco. We strongly support expanding the local Mills Act program to make its benefits more readily accessible to historic property owners throughout San Francisco.

Thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mike Buhler", with a stylized, cursive script.

Mike Buhler
Executive Director

cc: Bill Barnes, Supervisor Michela Alioto-Pier (District 2)
Hester Bond & Sam Nakamura



**SAN FRANCISCO
PLANNING DEPARTMENT**

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2009 SEP 14 AM 11:55

September 8, 2009

BY RC

Ms. Angela Calvillo, Clerk
Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Re: Transmittal of Planning Department Case Number 2008.1327U:
1818 California Street, City Landmark #55, the Lilienthal-Orville Pratt House

HISTORIC PRESERVATION COMMISSION Recommendation: Approval

Dear Ms. Calvillo,

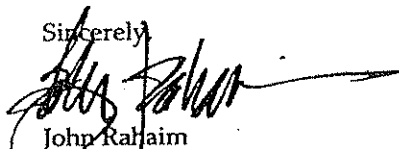
On June 3, 2009, the Historic Preservation Commission conducted duly a noticed public hearing to consider the proposed Resolution.

The proposed Resolution recommends that the Board of Supervisors approve the Mills Act historical property contract, rehabilitation program and maintenance plan for the property at 1818 California Street, City Landmark #55, the Lilienthal-Orville Pratt House. There is no construction or alteration associated with this proposal.

At the June 3, 2009 hearing, the Historic Preservation Commission voted to approve the proposed Resolution.

Please find attached documents relating to the Commission's action. If you have any questions or require further information please do not hesitate to contact me.

Sincerely,


John Rahaim
Director of Planning

cc: Michela Alioto-Pier

- Attachments (one copy of the following):
- Historic Preservation Commission Resolution No. #0636
- Mills Act Contract Case Report, dated June 3, 2009

HISTORIC PRESERVATION COMMISSION

Case No. 2008.1327U
1818 California Street
Assessor's Block 0641, Lot 004
Resolution No. 0636

SAN FRANCISCO

HISTORIC PRESERVATION COMMISSION

RESOLUTION #0636

ADOPTING FINDINGS RECOMMENDING TO THE BOARD OF SUPERVISORS APPROVAL OF THE MILLS ACT HISTORICAL PROPERTY CONTRACT, REHABILITATION PROGRAM, AND MAINTENANCE PLAN FOR 1818 CALIFORNIA STREET.

WHEREAS, 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, the City and County of San Francisco may provide certain property tax reductions, such as the Mills Act; and

WHEREAS, the Mills Act authorizes local governments to enter into contracts with owners of private historical property who assure the rehabilitation, restoration, preservation and maintenance of a qualified historical property; and

WHEREAS, Ordinance No. 191-96 amended the San Francisco Administrative Code by adding Chapter 71 to implement California Mills Act, California Government Code Sections 50280 *et seq.*; and

WHEREAS, the existing building located at 1818 California Street, historically known as the Lilienthal-Orville Pratt House, is City Landmark #55 pursuant to San Francisco Planning Code Article 10, and thus qualifies as a historic property; and

WHEREAS, the Planning Department has reviewed the Mills Act application, historical property contract, rehabilitation program, and maintenance plan for 1818 California Street, which are located in Case Docket No. 2008.1327U. The Planning Department recommends approval of the Mills Act historical property contract, rehabilitation program, and maintenance plan; and

WHEREAS, the Historic Preservation Commission (HPC) recognizes the historic building at 1818 California Street as an historical resource and believes the rehabilitation and maintenance plans are appropriate for the property; and

WHEREAS, at a duly noticed public hearing held on June 3, 2009, the Historic Preservation Commission reviewed documents, correspondence and heard oral testimony on the Mills Act application, historical property contract, rehabilitation program, and maintenance plan for 1818 California Street, which are located

HISTORIC PRESERVATION COMMISSION

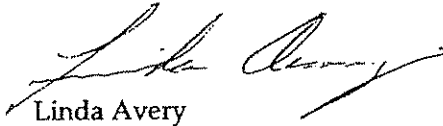
Case No. 2008.1327U
1818 California Street
Assessor's Block 0641, Lot 004
Resolution No. 0636

in Case Docket No. 2008.1327U. The Historic Preservation Commission recommends approval of the Mills Act historical property contract, rehabilitation program, and maintenance plan.

THEREFORE BE IT RESOLVED that the Historic Preservation Commission hereby recommends that the Board of Supervisors approve the Mills Act historical property contract, rehabilitation program, and maintenance plan for the historic building located at 1818 California Street.

BE IT FURTHER RESOLVED that the Historic Preservation Commission hereby directs its Commission Secretary to transmit this Resolution, the Mills Act historical property contract, rehabilitation program, and maintenance plan for 1818 California Street, and other pertinent materials in the case file 2008.1327U to the Board of Supervisors.

I hereby certify that the foregoing Resolution was ADOPTED by the Historic Preservation Commission on June 3, 2009.


Linda Avery
Commission Secretary

AYES: Chase, Damkroger, Hasz, Martinez, Matsuda

NOES: None

ABSENT: None

ADOPTED: June 3, 2009



SAN FRANCISCO PLANNING DEPARTMENT

Mills Act Contract Case Report

Hearing Date: June 3, 2009
Filing Date: December 1, 2008
Case No.: 2008.1327U
Project Address: 1818 California Street
Zoning: RH-2 (Residential, House, Two Family)
40-X Height and Bulk District
Block/Lot: 0641/004
Applicant: Hester Bond-Nakamura
1818 California Street
San Francisco, CA 94109
Staff Contact: Aaron Starr – (415) 558-6362
aaron.starr@sfgov.org
Reviewed By: Tina Tam – (415) 558-6325
tina.tam@sfgov.org

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

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PROPERTY DESCRIPTION

The subject property is located on the north side of California Street between Gough and Franklin Streets on the border of the City's Pacific Heights and Western Addition neighborhoods.

The subject property, historically known as the Lilienthal-Orville Pratt House, was constructed in 1876 and is City Landmark #55. This two-story wooden-frame house has been described as one of the best demonstrations of Victorian architecture. The impressive front façade reflects basic Italianate lines and complementary elements of the stick style. The corners of the house are trimmed with quoins, rendering a finished look to the exterior. The ship lap timbers covering the side walls create a striking contrast to the elaborate front façade. The entrance porch, to the west of the façade, balances the two story angular bay windows on the east. Partially fluted Corinthian columns and square pilasters support the projecting porch roof.

A two-story Italianate angled bay window lies to the east of the entrance. Each of the first and second floor bays consist of slightly arched window panels, and ornate cornices. The arches over the first floor bay windows are pedimented, with ornamental moulding intersecting the base of each pediment. Above the second floor window, a row of consoles support the heavy, overhanging roof cornice.

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 and recommendation on the historical property contract, proposed rehabilitation program, and proposed maintenance plan. The Historic Preservation Commission shall conduct a

public hearing on the Mills Act application and contract 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's Office to execute the historical property contract.

MILLS ACT REVIEW PROCEDURES

The Historic Preservation Commission is requested to review and make recommendation 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 program
- The proposed 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.

Mills Act contracts must be made for a minimum term of ten years, which 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.

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 an historic 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.

PUBLIC/NEIGHBORHOOD INPUT

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

STAFF ANALYSIS

As detailed in the Mills Act application, the Project Sponsor proposes to seismically upgrade the structure's existing foundation so that it can withstand the next major earthquake. The subject building is in excellent condition and does not appear to need any other restoration work. Staff determined that the proposed work, detailed in the attached Restoration Plan, is consistent with Secretary of Interior's Standards for Rehabilitation and for Restoration. 1818 California will remain an individual resource pursuant to San Francisco Planning Code Article 10.

The Project Sponsor, Planning Department Staff, and the Office of the City Attorney have negotiated the attached draft historical property contract, which includes a draft rehabilitation program and draft maintenance plan for the historic building. Department staff believes that the draft historical property contract, rehabilitation program, and maintenance plan are adequate. The rehabilitation program details proposed rehabilitation of the historic property's foundation (estimated cost \$253,200). The maintenance plan involves a cycle of annual inspections and maintenance and a longer-term maintenance cycle to be performed as necessary (estimated cost every 15 years in current dollars, \$25,000). 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.

As the proposed foundation upgrade falls under the definition of regular maintenance and repair a Certificate of Appropriateness is not required. The proposed project will require a building permit, which will be reviewed by the Planning Department to ensure that it complies with the Secretary of the Interior's Standards.

PLANNING DEPARTMENT RECOMMENDATION

The Planning Department recommends that the Historic Preservation Commission adopt a resolution recommending approval of the Mills Act historical property contract, rehabilitation program, and maintenance plan for 1818 California Street.

HISTORIC PRESERVATION COMMISSION ACTIONS

Review and adopt a resolution:

1. Recommending to the Board of Supervisors the approval of the proposed Mills Act historical property contract between the property owner and the City and County of San Francisco;
2. Approving the proposed Mills Act rehabilitation program for 1818 California Street;
3. Approving the proposed Mills Act maintenance plan for 1818 California Street; and
4. Commenting on the "value" of the Mills Act contract for 1818 California Street to assist the Board of Supervisors in making a determination as to whether the Mills Act contract reducing property taxes in exchange for the rehabilitation, continued maintenance, and preservation of the property is appropriate and beneficial.

Attachments:

Map

Draft Mills Act historical property contract.

Proposed rehabilitation program.

Proposed maintenance plan.

Draft Resolution recommending approval of the Mills Act historical property contract, rehabilitation program, and maintenance plan, to the Board of Supervisors.

Project Sponsor Submission, including Mills Act Application.

HISTORIC PRESERVATION COMMISSION

Case No. 2008.1327U
1818 California Street
Assessor's Block 0641, Lot 004
Resolution No. XXX

SAN FRANCISCO

HISTORIC PRESERVATION COMMISSION

RESOLUTION #XXX

ADOPTING FINDINGS RECOMMENDING TO THE BOARD OF SUPERVISORS APPROVAL OF THE MILLS ACT HISTORICAL PROPERTY CONTRACT, REHABILITATION PROGRAM, AND MAINTENANCE PLAN FOR 1818 CALIFORNIA STREET.

WHEREAS, 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, the City and County of San Francisco may provide certain property tax reductions, such as the Mills Act; and

WHEREAS, the Mills Act authorizes local governments to enter into contracts with owners of private historical property who assure the rehabilitation, restoration, preservation and maintenance of a qualified historical property; and

WHEREAS, Ordinance No. 191-96 amended the San Francisco Administrative Code by adding Chapter 71 to implement California Mills Act, California Government Code Sections 50280 *et seq.*; and

WHEREAS, the existing building located at 1818 California Street, historically known as the Lilienthal-Orville Pratt House, is City Landmark #55 pursuant to San Francisco Planning Code Article 10, and thus qualifies as a historic property; and

WHEREAS, the Planning Department has reviewed the Mills Act application, historical property contract, rehabilitation program, and maintenance plan for 1818 California Street, which are located in Case Docket No. 2008.1327U. The Planning Department recommends approval of the Mills Act historical property contract, rehabilitation program, and maintenance plan; and

WHEREAS, the Historic Preservation Commission (HPC) recognizes the historic building at 1818 California Street as an historical resource and believes the rehabilitation and maintenance plans are appropriate for the property; and

WHEREAS, at a duly noticed public hearing held on June 3, 2009, the Historic Preservation Commission reviewed documents, correspondence and heard oral testimony on the Mills Act application, historical property contract, rehabilitation program, and maintenance plan for 1818 California Street, which are located in Case Docket No. 2008.1327U. The Historic Preservation Commission recommends approval of the Mills

HISTORIC PRESERVATION COMMISSION

Case No. 2008.1327U
1818 California Street
Assessor's Block 0641, Lot 004
Resolution No. XXX

Act historical property contract, rehabilitation program, and maintenance plan.

THEREFORE BE IT RESOLVED that the **Historic Preservation Commission** hereby recommends that the Board of Supervisors approve the Mills Act historical property contract, rehabilitation program, and maintenance plan for the historic building located at 1818 California Street.

BE IT FURTHER RESOLVED that the **Historic Preservation Commission** hereby directs its Commission Secretary to transmit this Resolution, the Mills Act historical property contract, rehabilitation program, and maintenance plan for 1818 California Street, and other pertinent materials in the case file 2008.1327U to the Board of Supervisors.

I hereby certify that the foregoing Resolution was ADOPTED by the Historic Preservation Commission on June 3, 2009.

Linda Avery
Commission Secretary

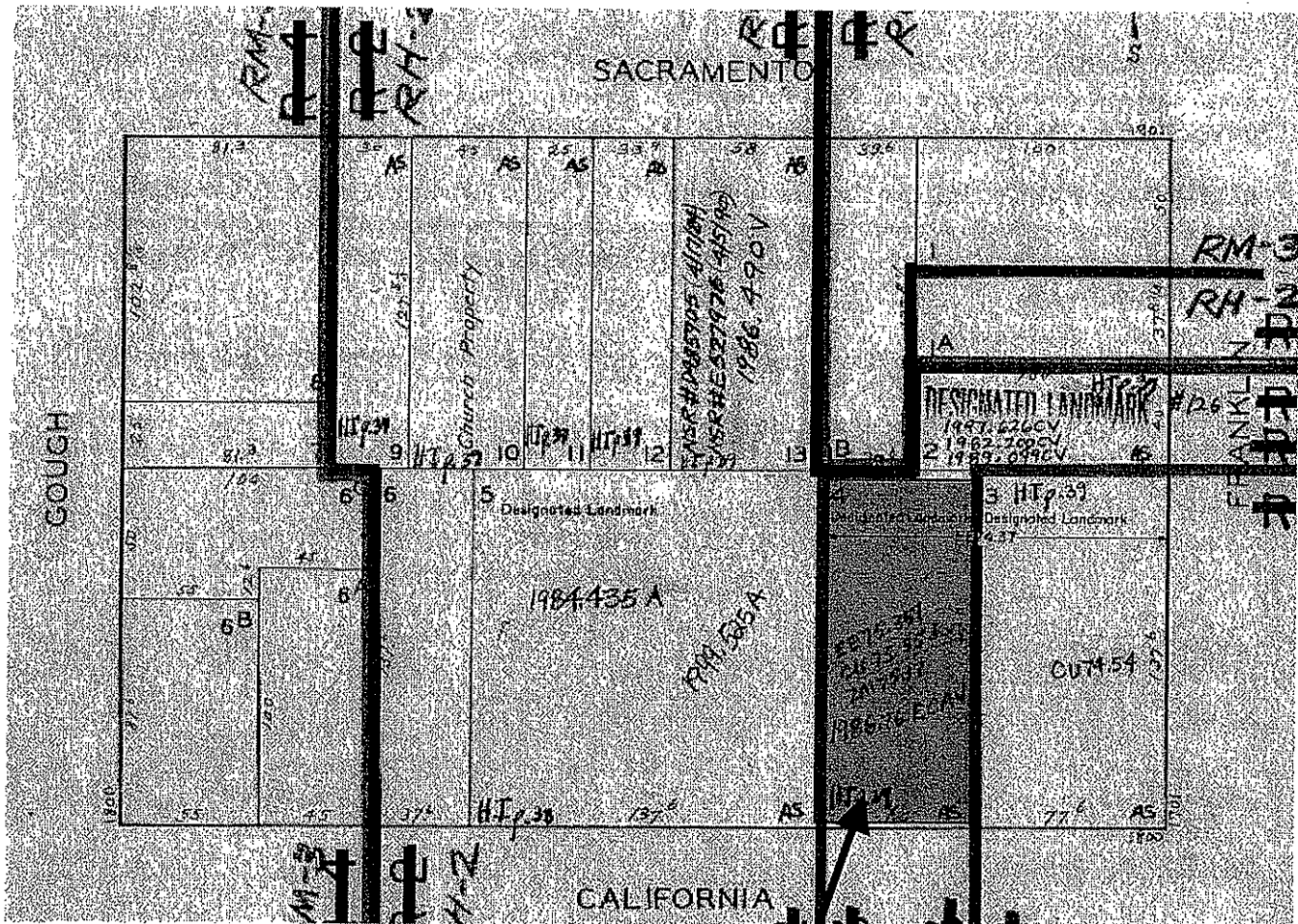
AYES:

NOES:

ABSENT:

ADOPTED: June 3, 2009

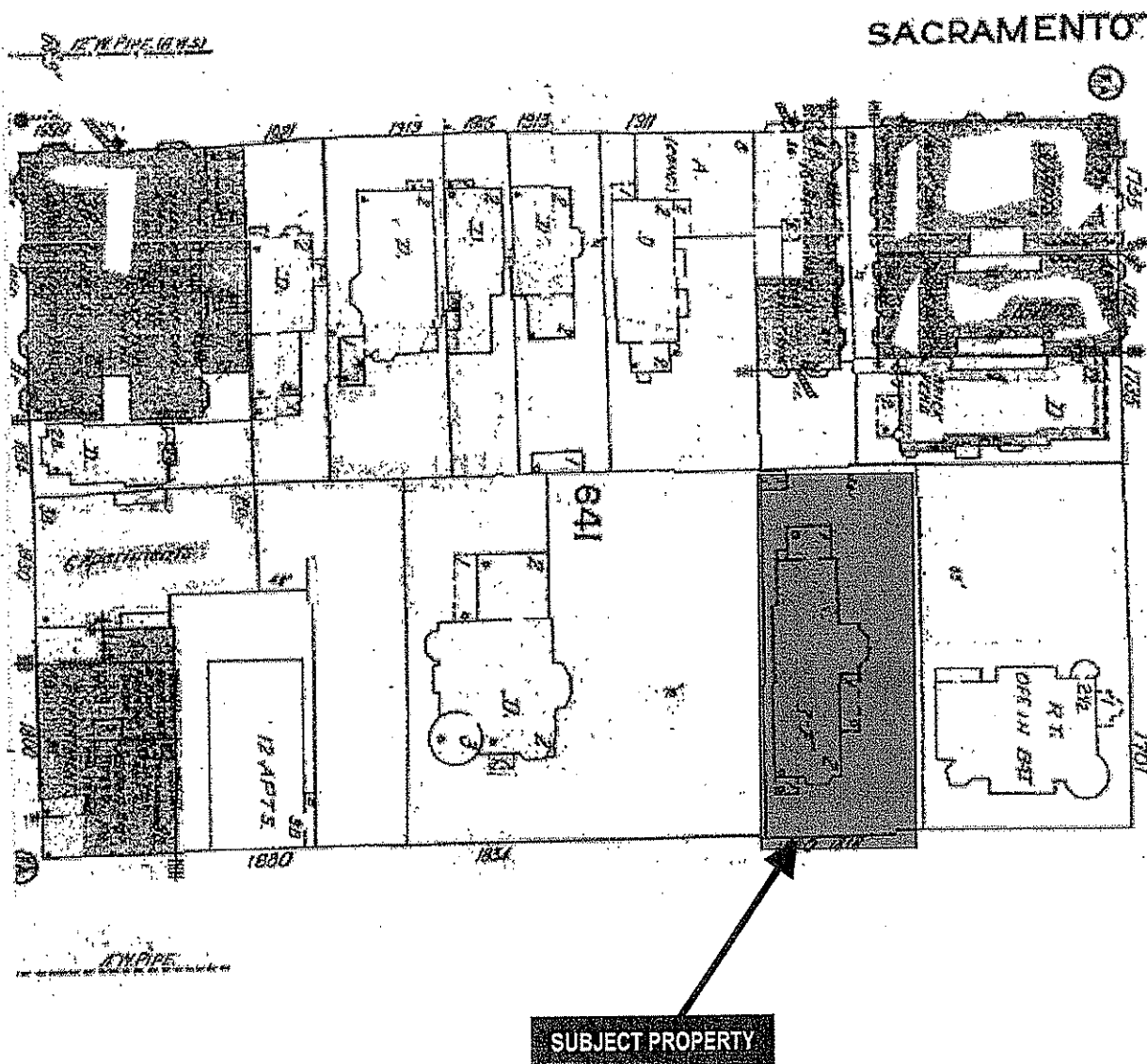
Parcel Map



SUBJECT PROPERTY



Sanborn Map*



*The Sanborn Maps in San Francisco have not been updated since 1998, and this map may not accurately reflect existing conditions.



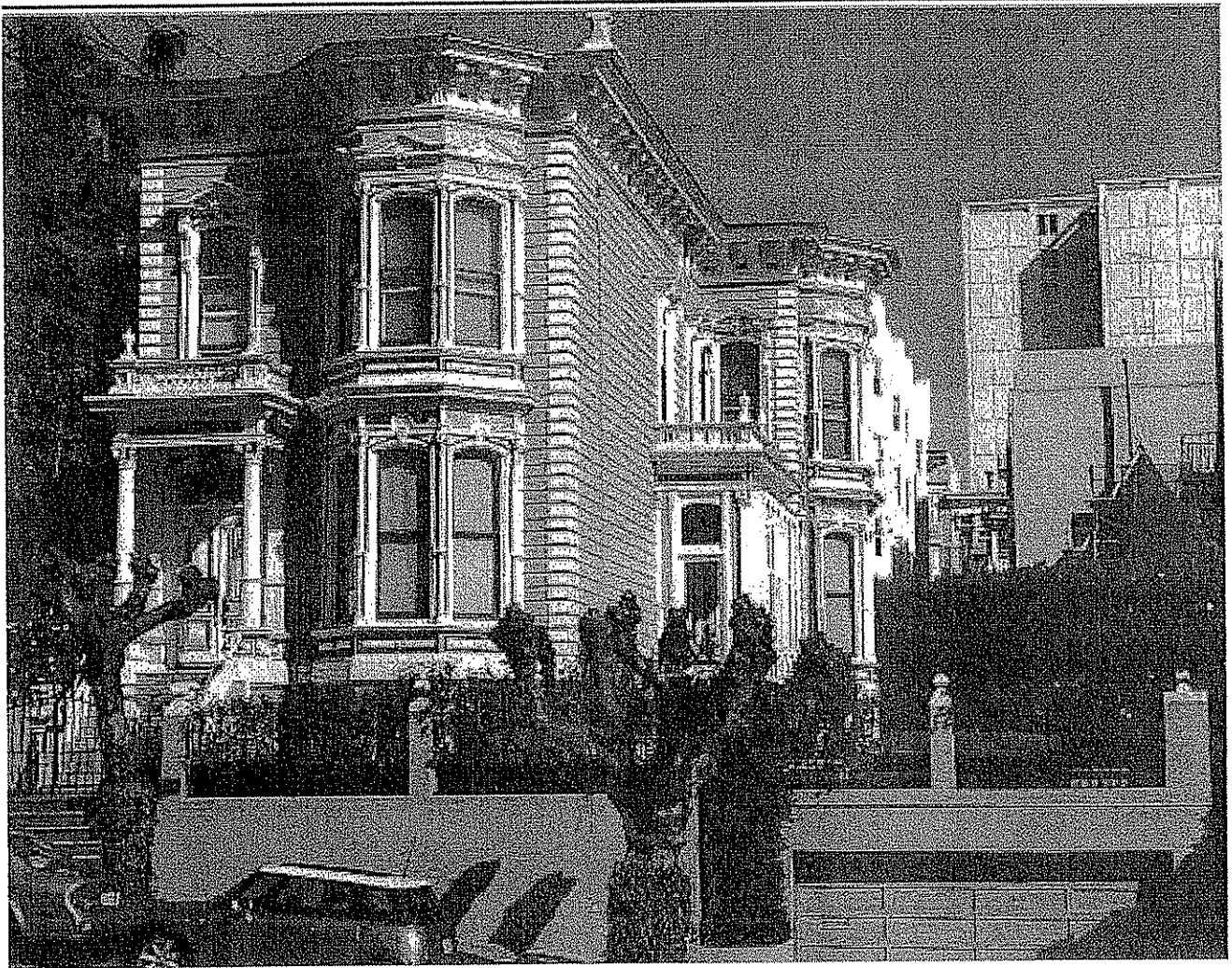
Aerial Photo



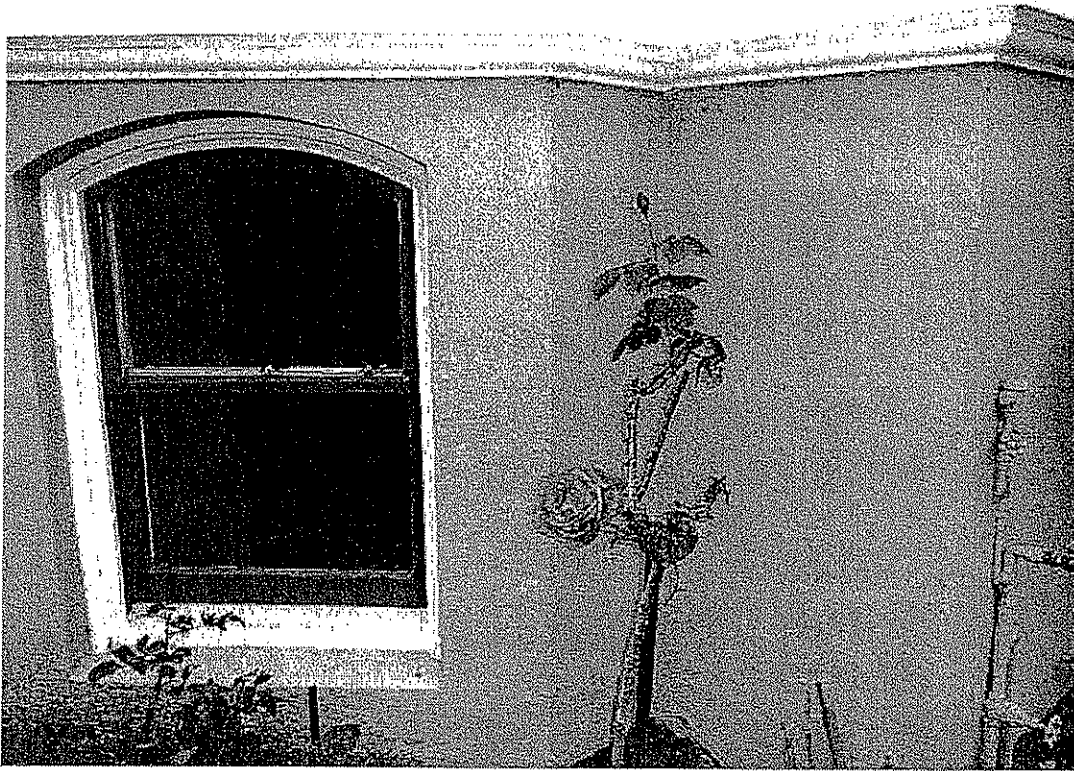
SUBJECT PROPERTY



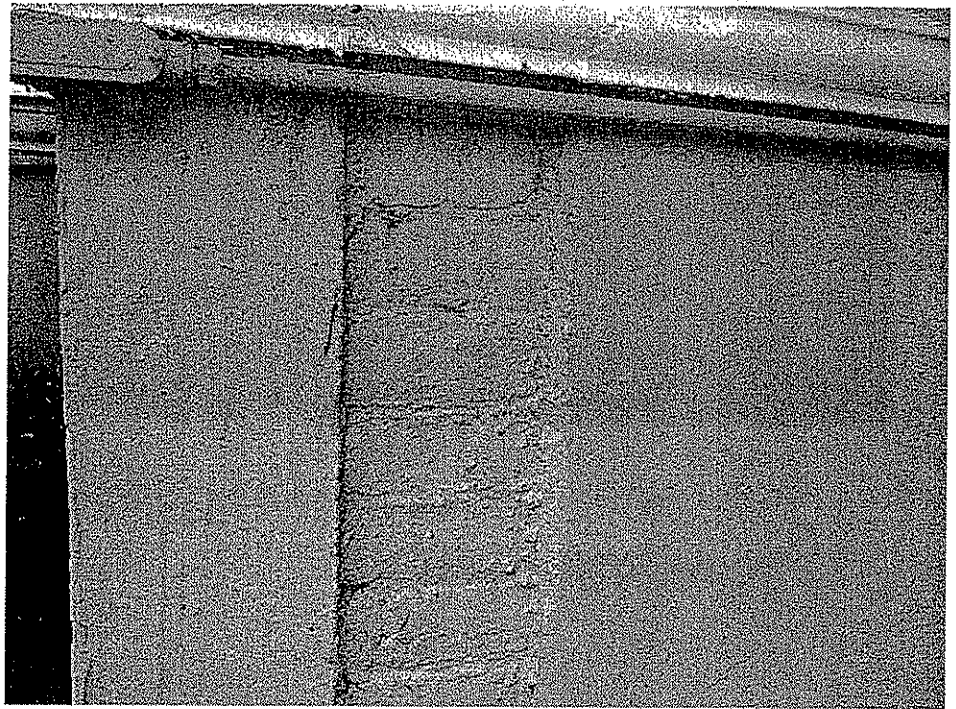
Site Photo



Site Photo



Detail of
existing
foundation



Mills Act Application
Case Number 2008.1327U
Lilienthal-Orville Pratt House, Landmark # 55
1818 California Street

Site Photo



Siding and
detail close-
up



Mills Act Application
Case Number 2008.1327U
Lilienthal-Orville Pratt House, Landmark # 55
1818 California Street

MILLS ACT MAINTENANCE PLAN FOR 1818 CALIFORNIA STREET

Annual inspection of all accessible areas to be performed in June or July, before the following winter rainy season. This inspection should encompass all readily accessible and visible areas of the exterior with an emphasis on the vulnerable locations.

EXTERIOR

Wood sheathing, millwork and ornaments

Annually: Inspect and spot prime, paint and caulk as necessary to protect all readily accessible joinery and wood surfaces.

Long term: Approximately every 15 years, replace or repair damaged millwork, prep and repaint the building. Approximate price every 15 years: \$25,000.00

Sheet Metal

Annually: Inspect and replace any loose nails and repair any damaged solder joints on all readily accessible sheet metal surfaces. Clean gutters and visually inspect for any damage. Inspect downspouts for proper function.

Long Term: Exhaustive inspection of all sheet metal surfaces, concurrent with major painting intervals. Repair as necessary. Approximate price annually: \$2,000.00

Glazing

Annually: Inspect and maintain as necessary. Check for any sign of moisture infiltration. Approximate price annually: \$1,000.00

Doors

Annually: Inspect all exterior doors for proper seal and function. Replace and or adjust hardware as necessary. Approximate price annually \$500.00

Roof

Annually: Inspect for damages and repair as necessary. Clean the roof and gutter of debris.

Long term: The roof is new and need not be replaced until 2040. Approximate price annually: \$2,500.00 and approximately \$45,000.00 in 2040.

Exposed Foundation

Annually: Inspect for any cracks or settling. Repair as necessary. Approximate price annually: \$1,500.00

INTERIOR

Plaster

Annually: Inspect for any cracks or moisture infiltration. If evidence of moisture is found, locate the source and mitigate. Patch and repair as necessary. Approximate price \$3,500.00 annually.

Flooring

Annually: Inspect for warping due to moisture and other damage. If evidence of moisture is found, locate the source and mitigate. Repair as necessary. Approximate price \$2,500.00 annually.

Window, Sashes and Stools

Annually: Inspect for damage, warping, moisture infiltration and proper function. If evidence of moisture is found, locate the source and mitigate. Patch and repair as necessary. Approximate price annually: \$2,000.00

Plumbing fixtures

Annually: Inspect for leaks and proper function. Repair as necessary. Approximate price \$1,500.00 annually.

Furnace

Annually: Check for proper function. Repair as necessary. Replace filter semi-annually. Approximate price annually: \$2,500.00

THOMAS H. LUTGE, SE

**STRUCTURAL ENGINEERING
1632 ULLOA STREET
SAN FRANCISCO, CA 94116
PHONE: 415-664-8433
FAX: 415-664-4495**

April 25, 2009

Aaron D. Starr, LEED AP
Planner, NW Quadrant Neighborhood Planning
San Francisco Planning Department
1650 Mission Street, Suite 400
San Francisco, CA 94103
Fax: 558-6409

**Subject: Bond-Nakamura Foundation Seismic Upgrade.
1818 California Street Victorian
Miller Act Application- Rehabilitation Program
With Costs of Work**

Dear Aaron:

The subject Historic Victorian Building located at 1818 California Street is to be provided with a Seismic Safety Upgrade/Restoration to the full height Unreinforced Masonry Foundation/Basement Walls. This Upgrade is required to insure the safety of the structure and the safety of the occupants of this subject structure. This seismic safety upgrade/restoration will include:

1- COMPLETE PERMIT PROCESSING AND DOCUMENTATION OF THE SUBJECT STRUCTURE SHOWING ALL UPGRADING/RESTORATION TO BE DONE.

THIS COST WILL BE ABOUT \$10,000±

2- THE COMPLETE PERIMETER OF THE BASEMENT WILL BE EXCAVATED FOR NEW FOUNDATIONS AND THE EXISTING FULL HEIGHT UNREINFORCED MASONRY WALLS WILL HAVE 6" BY 6" FULL HEIGHT VERTICAL SLOTS CUT IN THE EXTERIOR OF THESE WALLS AT 6 FEET ON CENTER.

THIS COST WILL BE ABOUT \$103,000±

3- THE EXISTING UGLY ELECTRICAL CONDUIT ALL AROUND THE HOUSE AT THE FRIST FLOOR RIM/BELLY BAND WILL BE REMOVED AND THIS UGLY ELECTRICAL WILL BE RELOCATED TO THE INTERIOR TO THE STRUCTURE FOR BEAUTIFICATION.

THIS COST WILL BE ABOUT \$9,000±

4- THE COMPLETE REINFORCEMENT FOR THIS NEW UNDERGROUND FOUNDATION WILL BE PLACED ALONG WITH THE NEW STEEL TUBES INSIDE THE SLOT CUTS IN THE MASONRY AND COMPLETE CONCRETE WILL BE PLACED OVER THIS STEEL. THE STRUCTURAL STEEL TUBES WILL BE BOLTED UP TO THE EXISTING SILL PLATES TO INSURE SEISMIC SAFETY.

THIS COST WILL BE ABOUT \$64,000±

5- THE COMPLETE EXTERIOR MASONRY WALLS WILL BE EXACTLY RESTUCCOED TO MATCH THE CURRENT LOOK OF THE BUILDING AND THE ENTIRE

BUILDING WILL HAVE THE PERIMETER BELLY BAND REPLACED AND THE LOOK OF THE BUILDING WILL BE EXACTLY THE SAME EXCEPT THAT THE UGLY ELECTRICAL CONDUIT ALL AROUND THIS STRUCTURE WILL NOW HAVE BEEN REMOVED. ALSO THE EXTERIOR LANDSCAPING WILL BE RESTORED EXACTLY THE SAME.

THIS COST WILL BE ABOUT \$25,000±

6- THIS BUILDING WILL NOW BE ABLE TO ABSORB THE ENERGY OF THE NEXT LARGE 1906 EARTHQUAKE THAT IS EXPECTED IN THE NEXT 30 YEARS WITHOUT FALLING DOWN. THUS THE CITY OF SAN FRANCISCO WILL HAVE THIS HISTORIC STRUCTURE AROUND FOR MANY YEARS TO COME.

THE TOTAL COST OF THIS WORK IS ESTIMATED AT:

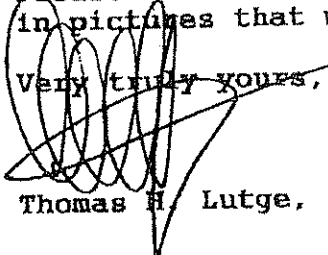
TOTAL COST OF WORK = \$211,000.00±

20% PROFITS/CONT. = \$42,200.00±

TOTAL JOB COSTS FOR PROJECT = \$253,200.00±

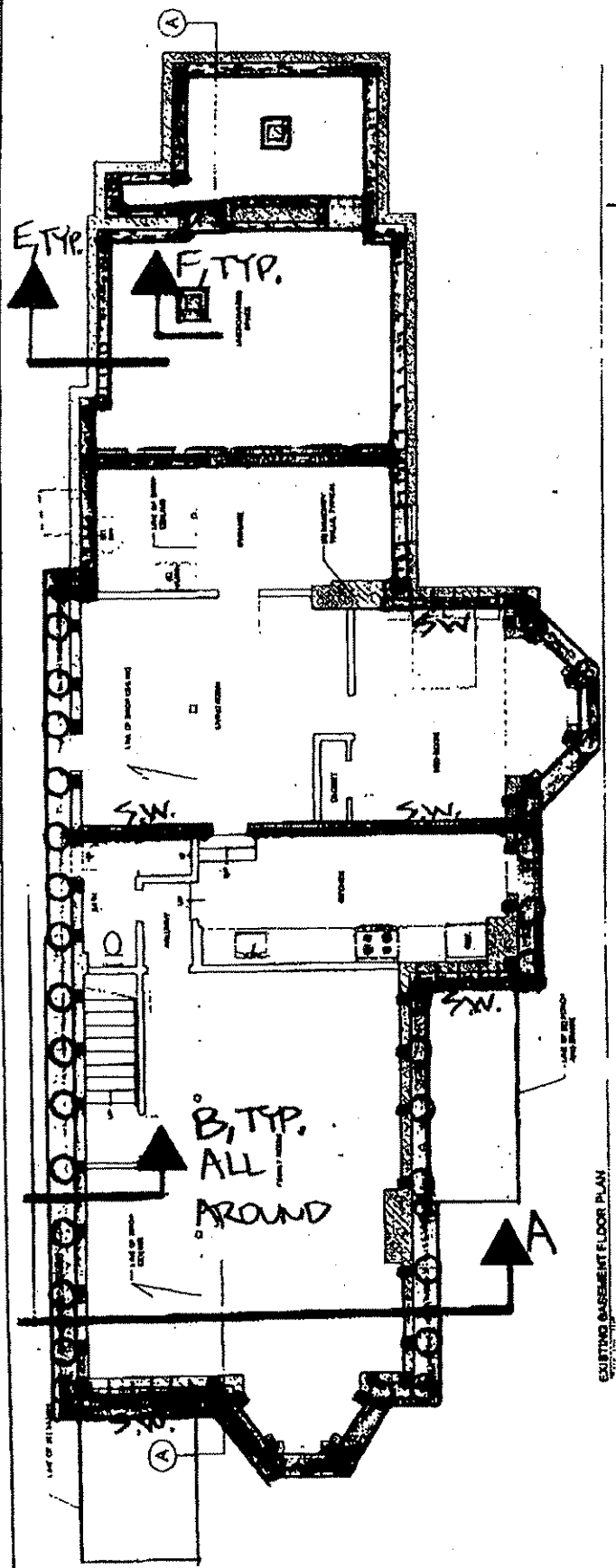
Should you have any questions, please do not hesitate to call.
Please note that the attached 7 sheets show this work completely in pictures that was just described above.

Very truly yours,


Thomas H. Lutge, SE



JOB 08.141
 SHEET NO. 1 OF 7
 CALCULATED BY TL DATE 11/18/08
 CHECKED BY L DATE ✓
 SCALE 1"=12'0"

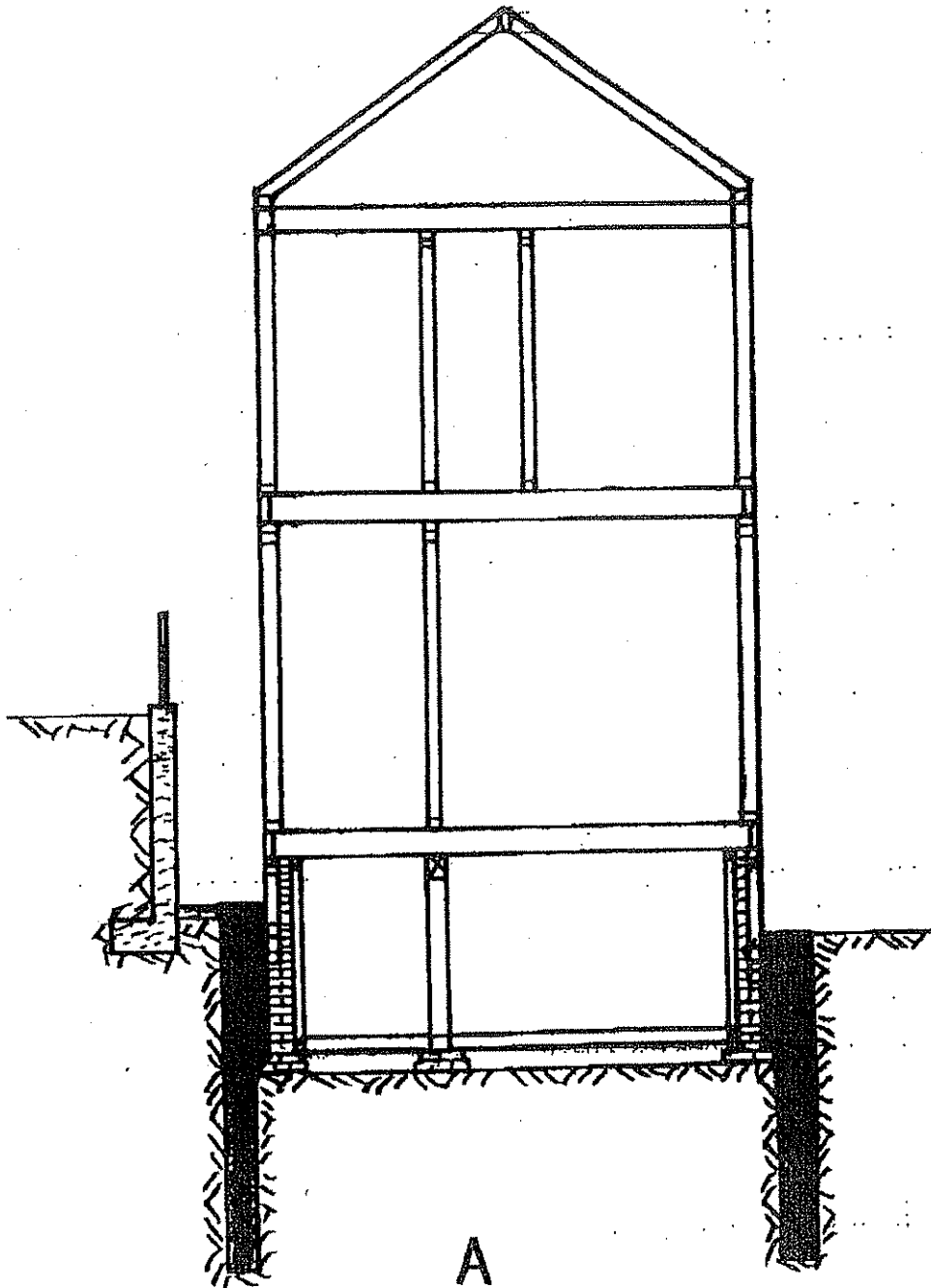


NEW FOUNDATION PLAN



THOMAS H. LUTGE, SE
Structural Engineering
1632 Ulloa Street
SAN FRANCISCO, CA 94116
(415) 664-8433

JOB 08.141
SHEET NO. 2 OF 7
CALCULATED BY TL DATE 11/10/08
CHECKED BY L DATE ✓
SCALE 1/8" = 1'-0"



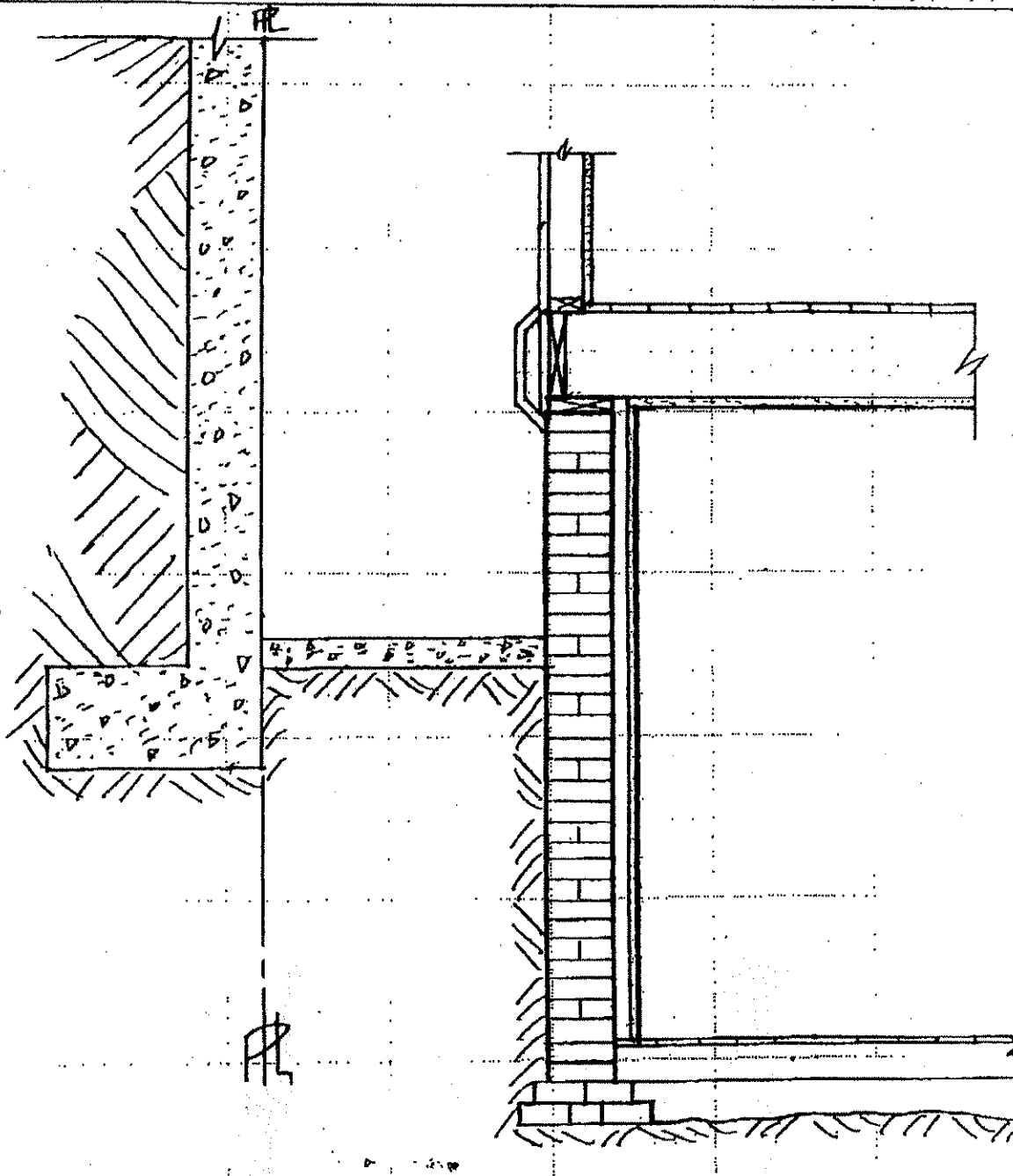
A

NEW UPGRADED SECTION



THOMAS H. LUTGE, SE
Structural Engineering
1632 Ulloa Street
SAN FRANCISCO, CA 94116
(415) 664-8433

JOB 08.141
SHEET NO. 3 OF 7
CALCULATED BY TL DATE 11/19/08
CHECKED BY ✓ DATE ✓
SCALE 1/2" = 1'-0"



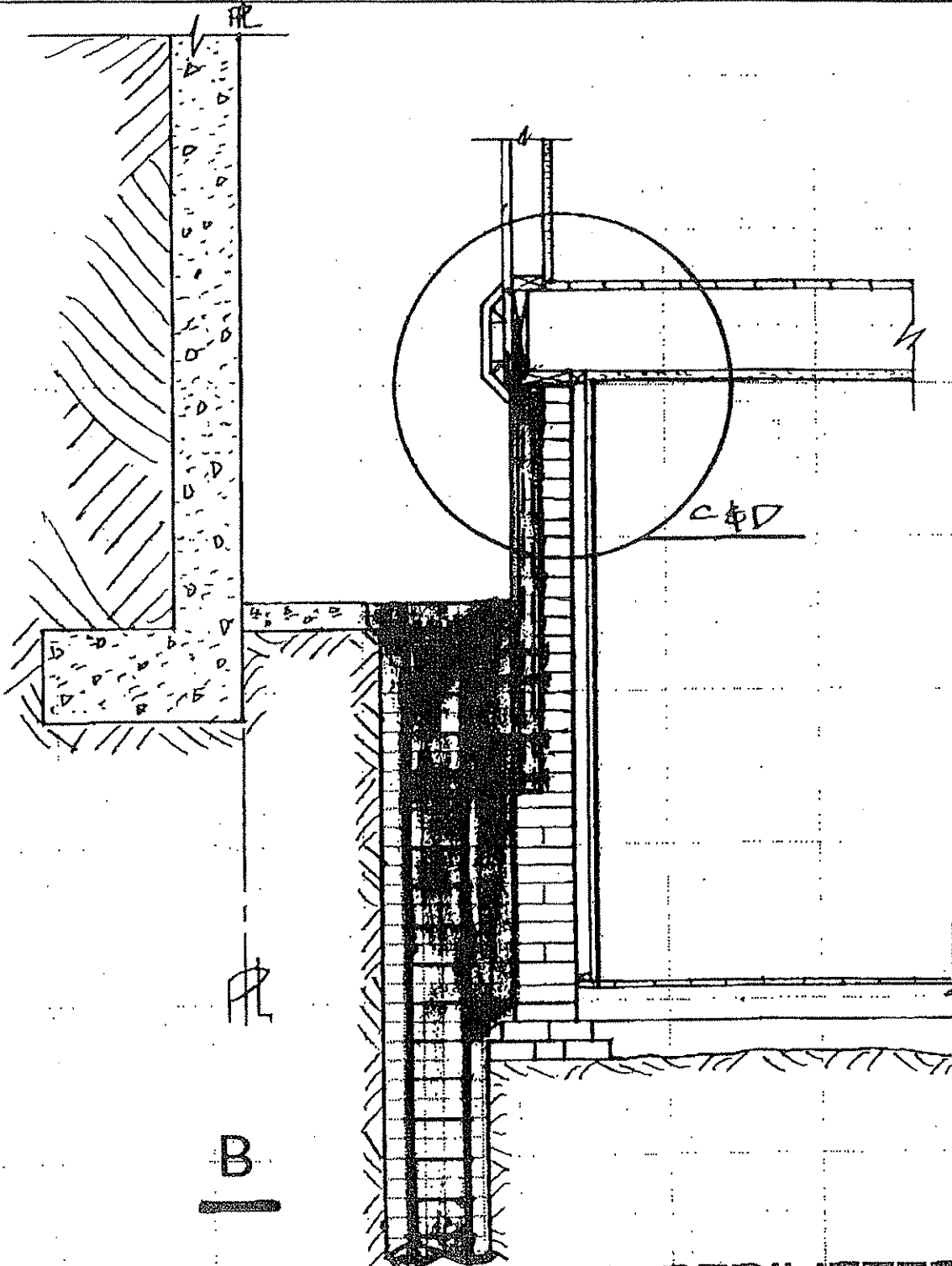
B

TYPICAL ORIGINAL PERIMETER



THOMAS H. LUTGE, SE
Structural Engineering
1632 Ulloa Street
SAN FRANCISCO, CA 94116
(415) 664-8433

JOB 08.141
SHEET NO. 4 OF 7
CALCULATED BY TE DATE 11/19/08
CHECKED BY L DATE ✓
SCALE 1/2" = 1'-0"



TYPICAL UPGRADED PERIMETER



THOMAS H. LUTGE, SE
Structural Engineering
1632 Ulloa Street
SAN FRANCISCO, CA 94116
(415) 664-8433

JOB

08.141

SHEET NO.

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OF

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CALCULATED BY

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DATE

11/19/08

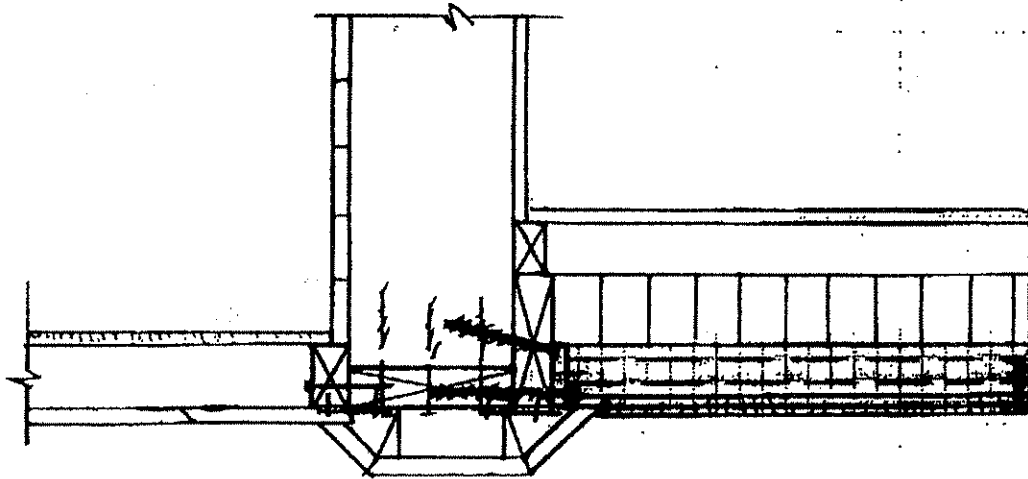
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DATE

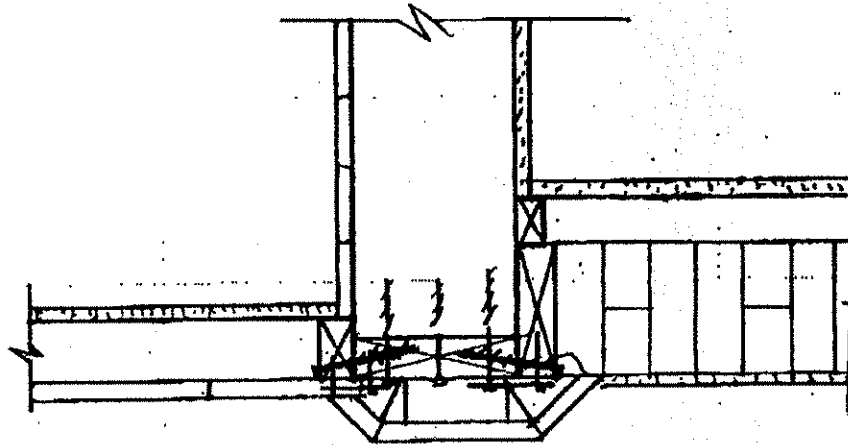
SCALE

1" = 1'-0"



TYPICAL UPGRADED SUPPORT

D



TYPICAL UPGRADED RIM

C



THOMAS H. LUTGE, SE
Structural Engineering
1632 Ulloa Street
SAN FRANCISCO, CA 94116
(415) 664-8433

JOB

08.141

SHEET NO.

6

OF

7

CALCULATED BY

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DATE

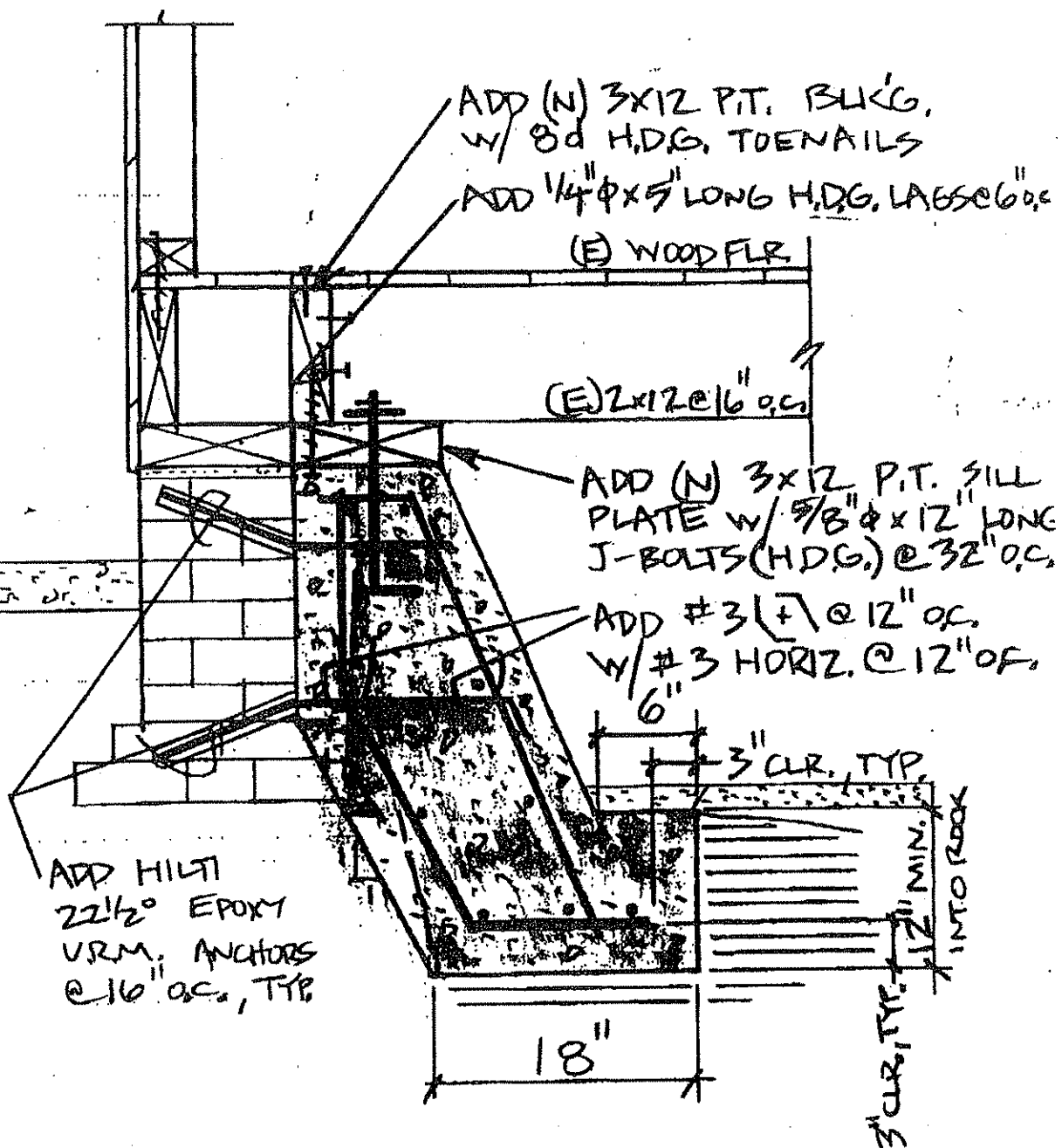
11/19/08

CHECKED BY

DATE

SCALE

1"=1'-0"



E
TYPICAL UPGRADED FOOTING



THOMAS H. LUTGE, SE
Structural Engineering
1632 Ulloa Street
SAN FRANCISCO, CA 94116
(415) 664-8433

JOB

08.141

SHEET NO.

7

OF

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CALCULATED BY

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11/18/08

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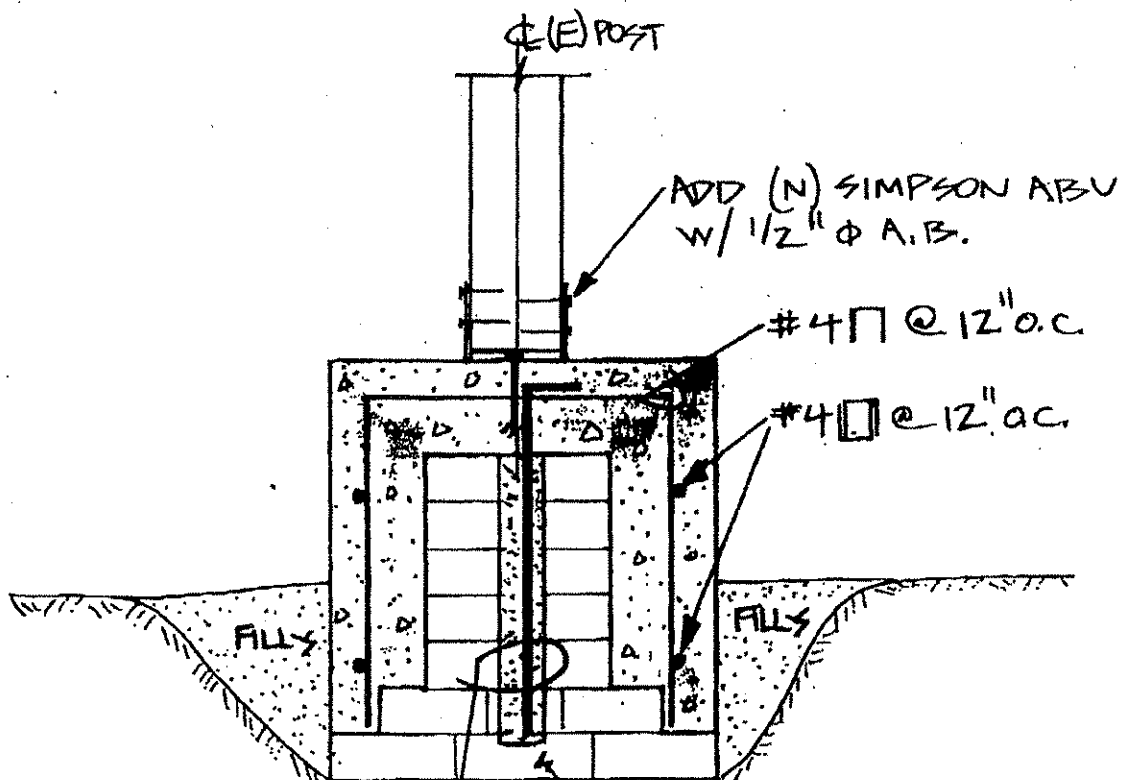
L

DATE

✓

SCALE

1" = 1'-0"



PLACE (N) $\frac{3}{4}$ " Φ ROD
IN 2" Φ MIN. $\rightarrow$ 5" Φ MAX.
CORED HOLE FILLED
W/ NON-SHRINK
GROUT AS SHOWN
IN Φ OF (E) URM.
(GROUT URM. VOIDS
SOLID, TYP.)

(E) URM. FTG

F

TYPICAL INTERIOR FOOTING

Recording Requested by, and
when recorded, send notice to:
Director of Planning
1660 Mission Street
San Francisco, California 94103-2414

**CALIFORNIA MILLS ACT
HISTORIC PROPERTY AGREEMENT
1818 California STREET
("LILIENTHAL-ORVILLE PRATT HOUSE")
SAN FRANCISCO, CALIFORNIA**

THIS AGREEMENT is entered into by and between the City and County of San Francisco, a California municipal corporation (hereinafter called the "City") and Nakamura FLP (hereinafter called the "Owner").

RECITALS

Owner is the owner of the property located at 1818 California Street, in San Francisco, California (Block 641, Lot 4). The building located at 1818 California Street is designated as a City Landmark pursuant to Article 10 of the Planning Code and is also known as the "Lilienthal-Orville Pratt House" (hereinafter called the "Historic Property").

Owner desires to execute a rehabilitation and ongoing maintenance project for the Historic Property. Owner's application calls for the rehabilitation and restoration of the Historic Property according to established preservation standards, which it estimates will cost approximately Two Hundred Fifty Thousand Dollars (\$250,000) [SUBJECT TO REVISION/CONFIRMATION WITH OWNER]. (See Rehabilitation Plan, Exhibit A.

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.

Owner desires to enter into a Mills Act 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 Owner 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. Owner 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 San Francisco Historic Preservation Commission ("HPC"), the San Francisco Planning Commission, and the San Francisco Board of Supervisors, including but not limited to any Certificates of Appropriateness approved under Planning Code Article 10. The Owner 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 Owner, the Zoning Administrator, at his or her discretion, may grant an extension of the time periods set forth in this paragraph. Owner 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. Owner 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 HPC, the San Francisco Planning Commission, and the San Francisco 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, Owner shall replace and repair the damaged area(s) of the Historic Property. For repairs that do not require a permit, Owner 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), Owner 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 Owner, the Zoning Administrator, at his or her discretion, may grant an extension of the time periods set forth in this paragraph. Owner 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 Owner may mutually agree to terminate this Agreement. Upon such termination, Owner 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 Owner shall pay property taxes to the City based upon the valuation of the Historic Property as of the date of termination.

DRAFT DRAFT DRAFT -- FOR REVIEW PURPOSES ONLY -- DRAFT DRAFT DRAFT

5. Insurance. Owner shall secure adequate property insurance to meet Owner's repair and replacement obligations under this Agreement and shall submit evidence of such insurance to the City upon request.
6. Inspections. Owner shall permit periodic examination of the exterior and interior of the Historic Property by representatives of the HPC, 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 Owner's compliance with the terms of this Agreement. Owner 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 Owner terminates this Agreement during the Initial Term, Owner shall pay the Cancellation Fee as set forth in Paragraph 14 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 Owner 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 Owner 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 Owner sixty (60) days prior to the date of renewal, one year shall be automatically added to the term of the Agreement. The San Francisco 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 Owner. Upon receipt by the Owner of a notice of nonrenewal from the City, Owner 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 Owner 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. Owner 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) Owner's failure to timely complete the rehabilitation work set forth in Exhibit A in accordance with the standards set forth in Paragraph 2 herein;
- (b) Owner's failure to maintain the Historic Property in accordance with the requirements of Paragraph 3 herein;
- (c) Owner's failure to repair any damage to the Historic Property in a timely manner as provided in Paragraph 4 herein;
- (d) Owner's failure to allow any inspections as provided in Paragraph 6 herein;
- (e) Owner's termination of this Agreement during the Initial Term;
- (f) Owner's failure to pay any fees requested by the City as provided in Paragraph 11 herein;
- (g) Owner's failure to maintain adequate insurance for the replacement cost of the Historic Property; or
- (h) Owner's 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 San Francisco 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 Owner has 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 Owner 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, Owner 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 Owner 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 Owner has breached this Agreement, the City shall give the Owner written notice by registered or certified mail setting forth the grounds for the breach. If the Owner does 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 Owner set forth in this Agreement. The City does not waive any claim of default by the Owner 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, its 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, Owner specifically acknowledges and agrees that it has 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 owner 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 Owner.

19. Legal Fees. In the event that either the City or the Owner fails to perform any of its 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 Owner 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 Owner signs as a corporation or a partnership, each of the persons executing this Agreement on behalf of the Owner does hereby covenant and warrant that such

DRAFT DRAFT DRAFT -- FOR REVIEW PURPOSES ONLY -- DRAFT DRAFT DRAFT

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 Owner 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: _____
Phil Ting
Assessor-Recorder

DATE: _____

By: _____
John Rahaim
Director of Planning

DATE: _____

APPROVED AS TO FORM:
DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Marlena G. Byrne
Deputy City Attorney

DATE: _____

Nakamura FLP

By: _____
Hester Bond-Nakamura, General Partner

DATE: _____

By: _____
Sam Nakamura, General Partner

DATE: _____

OWNERS' SIGNATURE(S) MUST BE NOTARIZED.

OFFICE OF THE ASSESSOR - COUNTY OF SAN FRANCISCO

"MILLS ACT" PROPERTY VALUATION

APN: 05-0641-004 SF Landmark #: 55

Type of Property: Single Family Residential Year: 2007 Date Filed: _____

Property Location: 1818 California St

Applicant's Name: Hester Bond-Nakamura Phone: (415) 928-1818

Agt./Tax Rep./Atty: _____ Phone: _____

Applicant supplied appraisal? _____ Appraiser: _____

For New Value: Event Date: 1/1/2009 Supp Notice Date: _____

RESTRICTED VALUE		FACTORED BASE YEAR VALUE		MARKET VALUE	
Land	755,000	Land	2,186,078	Land	2,500,000
Improvements	755,000	Improvements	1,457,385	Improvements	2,500,000
Total	1,510,000	Total	3,643,463	Total	5,000,000

I. Property Description

Land Area: 8,250 Present Use: SFR Zoning: RH2

Year Built: 1876 Imp. Area (NRA): 5,683 Stories/Units: 3

Neighborhood: Pacific Heights Quality & Class: _____

II. Issue(s): Historical property - "Mills Act" valuation as of lien date 01/01/2009.

III. Contents of Attached Valuation:

P.1 Cover Sheet P.2 Property Vitals P.3 Restricted Valuation P.4 Market Valuation

P. 5 Subject Photo

IV. Conclusions and Recommendations:

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

Therefore, recommend a reduction in value to \$1,510,000.

Gilbert Tang
Appraiser

02/24/09
Date

Darius Bahador
Principal Appraiser

Property Information

Identification:

APN:	5-0641-004
Address:	1818 California St San Francisco, CA
Current Owner:	Nakamura Family Limited Partnership LLP
Prior Owner:	John A. Traina Jr.

Assessment History:

Est. Date Approved by Planning:	12/29/2008
Sale Date:	6/15/2004
Sale Price:	\$3,300,000
Sale Date:	7/15/1998
Sale Price:	\$2,800,000

Property Description:

Type of Property:	Single Family Residence
NRA:	5,683 sq. ft.
Land Area:	8250 sq. ft.
Year Built:	1876

2009/2010

SINGLE FAMILY RESIDENCE MARKET ANALYSIS

	Subject	Sale 1		Sale 2		Sale 3	
APN	0641-004	0563-006		0580-019			
Address	1818 California St	2342 Broadway		2109 Broadway			
Sales Price		\$5,500,000		\$4,500,000			
	Description	Description	Adjust.	Description	Adjust.	Description	Adjust.
Cash Equivalency							
Date of Valuation	01/01/09	04/30/08		01/15/08			
Location	Pacific Heights	Pacific Heights		Pacific Heights			
Proximity to Subject							
Lot Size	8,250	3,781	\$550,000	3,711	\$450,000		
View							
Year Blt/Year Renovated	1876	1900		1905			
Condition	Average	Good	(\$250,000)	Good	(\$250,000)		
Construction Quality	Good	Good		Good			
Functional Utility	Good	Good		Good			
Gross Living Area	5,683	6,500	(\$410,000)	5,302	\$190,000		
Main floor(s) Living Area							
Total Rooms	11	15		15			
Bedrooms	5	7		7			
Full Baths/Half Baths	8	4		4			
Stories	3	3		3			
Garage							
Fin. Basement included in Gross Living Area							
Other Amenities							
Kitchen							
Net Adjustments			(\$110,000)		\$390,000		\$0
Indicated Value	\$5,000,000		\$5,390,000		\$4,890,000		\$0
Adjust. \$ Per Sq. Ft.	\$880		\$948		\$860		\$0

VALUE RANGE: \$4,890,000-\$5,390,000

VALUE CONCLUSION:

\$5,000,000 - F.M.V.

REMARKS:

RECOMMENDATION:

Income Approach

641-4
1818 California St
Mills Act

Lien Date 01/01/2009

Potential Gross Income

Rental Income	5,683 sq. ft.	@	\$42.00	\$238,686
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Less Vacancy & Collection Loss		@	5%	<u>-\$11,934</u>
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Effective Gross Income				\$226,752
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Less Operating Expenses		@	15%	<u>-\$34,013</u>
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Net Operating Income				\$192,739
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Restricted Capitalization Rate

Rate components:

Interest Rate per SBE	@	6.75%
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Risk	@	4.00%
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Property Tax Rate	@	1.135%
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Amortization (60-year remaining econ life; improvements)	@	1.67%
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Capitalization Rate Summation

Land:	6.750%		Imps:	6.750%
	4.000%			4.000%
	1.163%			1.163%
	<u>11.913%</u>			<u>1.670%</u>
				13.583%

Weighted Capitalization Rate:

Land:	11.913%	x	0.5	=	5.96%
Imps:	13.583%	x	0.5	=	<u>6.79%</u>
					12.75%

Restricted Value	@	12.75%	\$1,511,915		Per NRA:	\$266
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Taxable Value - Three-Way Comparison

1	Restricted Value	\$1,511,915
2	Factored Base Year Value	\$3,643,463
3	Market Value	\$5,000,000

2009/2010

SINGLE FAMILY RESIDENCE MARKET ANALYSIS

	Subject	Sale 1		Sale 2		Sale 3	
APN	0641-004	0563-006		0580-019			
Address	1818 California St	2342 Broadway		2109 Broadway			
Sales Price		\$5,500,000		\$4,500,000			
	Description	Description	Adjust	Description	Adjust	Description	Adjust
Cash Equivalency							
Date of Valuation	01/01/09	04/30/08		01/15/08			
Location	Pacific Heights	Pacific Heights		Pacific Heights			
Proximity to Subject							
Lot Size	8,250	3,781	\$550,000	3,711	\$450,000		
View							
Year Blt/Year Renovated	1876	1900		1905			
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Total Rooms	11	15		15			
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Full Baths/Half Baths	8	4		4			
Stories	3	3		3			
Garage							
Fin. Basement included in Gross Living Area							
Other Amenities							
Kitchen							
Net Adjustments			(\$110,000)		\$390,000		\$0
Indicated Value	\$5,000,000		\$5,390,000		\$4,890,000		\$0
Adjust. \$ Per Sq. Ft.	\$880		\$948		\$860		\$0

VALUE RANGE: \$4,890,000-\$5,390,000

VALUE CONCLUSION: \$5,000,000 - F.M.V.

REMARKS:

RECOMMENDATION:

