



# MILLS ACT HISTORICAL PROPERTY CONTRACT

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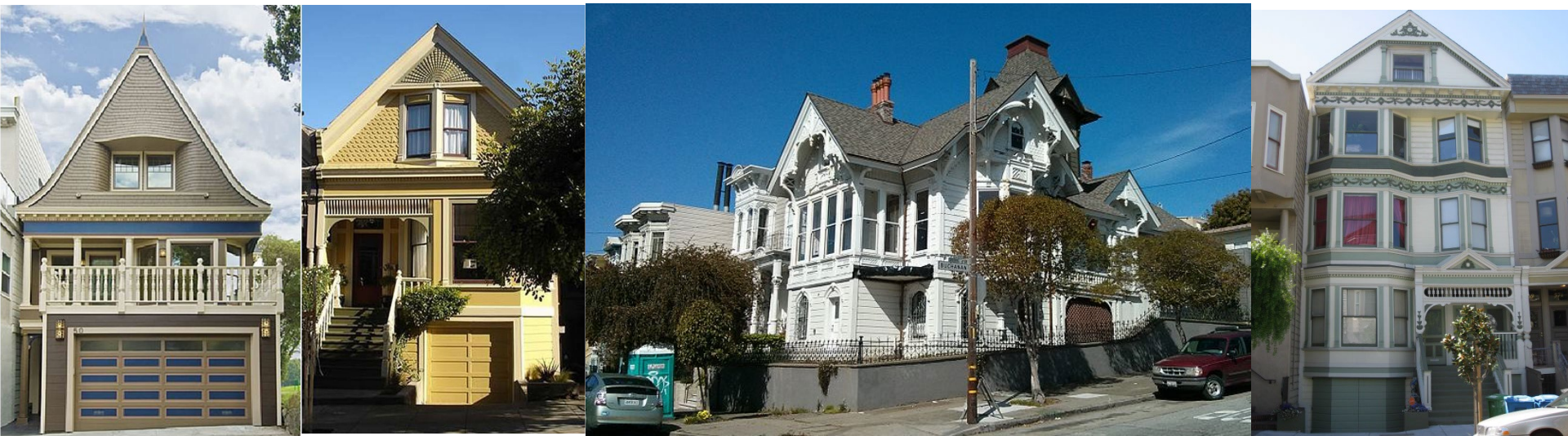
**San Francisco**  
**Planning**

GAO Hearing, April 21, 2022



# What is the Mills Act?

- California's leading financial incentive program for historic preservation.
- Contract between the City and property owner that allows for potential reduction in property taxes.
- Provides incentive for restoring, rehabilitating, and maintaining eligible properties to promote appreciation of the City's architecture, history, and culture.
- Tax savings will be used to offset cost of rehabilitation, restoration, and maintenance work in conformance with the Secretary's Standards.



# Eligibility

## Qualified Historical Property

- Article 10 and Article 11
  - National Register of Historic Places
  - California Register of Historic Resources
- either individually or as a contributor to a district





# Valuation Limits

- Tax assessment value of **\$3,000,000** for residential buildings
  - Tax assessment value of **\$5,000,000** for commercial buildings
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## Exemptions

- Exceptional significance
- Property has excessive and/or unusual maintenance requirements and is otherwise in danger of demolition
- Exemptions require preparation of a Historic Structure Report (HSR)



# Priority Considerations

- Necessity,
- Investment,
- Distinctiveness,
- Recently Designated Landmark
- Legacy Business





# Contract Terms

## Property owners enter into a Mills Act Contract with the City:

- 10 years and renewed annually
- Runs with the land
- Secretary's Standards and California Historical Building Code
- 12.5% cancellation penalty
- Inspections



## 714 Steiner Street, 1895



## Alamo Square Historic District





THANK YOU



San Francisco  
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# Property Tax Savings Calculations

To calculate the property tax savings, the Assessor-Recorder will perform a three-way value comparison as required by state law.

## **1. FACTORED BASE YEAR VALUE (PROP 13)**

Purchase price trended to roll being prepared.  
New construction is added on to the trended base value

## **2. MARKET APPROACH**

Comparable sales information

## **3. INCOME APPROACH**

All sources of income (potential rent, etc.)

The lowest of these three values will determine the taxable value for the year.