



Office of the Assessor / Recorder - City and County of San Francisco
Mills Act Valuation



811 Treat Ave
3613-053

**OFFICE OF THE ASSESSOR-RECORDER - CITY & COUNTY OF SAN FRANCISCO
MILLS ACT VALUATION**

APN:	3613-053	Valuation Date:	7/1/2018
Address:	811 Treat Ave	Application Date:	4/27/2018
SF Landmark No.:	N/A	Application Term:	1 year
Applicant's Name:	Golden Properties LLC	Last Sale Date:	8/10/2012
Agt./Tax Rep./Atty:	N/A	Last Sale Price:	\$900,000
Fee Appraisal Provided:	None Provided		

FACTORED BASE YEAR (ROLL) VALUE		INCOME CAPITALIZATION APPROACH		FAIR MARKET VALUE- AS IS	
Land	\$ 681,822	Land	\$ 835,607	Land	\$ 1,956,000
Imps.	\$ 742,208	Imps.	\$ 557,072	Imps.	\$ 1,304,000
Personal Prop	\$ -	Personal Prop	\$ -	Personal Prop	\$ -
Total	\$ 1,424,030	Total	\$ 1,392,679	Total	\$ 3,260,000

Property Description

Property Type:	MRES	Year Built:	1900	Neighborhood:	Inner Mission
Type of Use:	Apartments	Total Rentable Area:	5,793	Land Area:	7,348
Owner-Occupied:	No	Stories:	2	Zoning:	RH3
Unit Types:	Residential	Total No. of Units:	7	Parking Spaces:	2-car garage

Special Conditions

Subject is undergoing construction, which includes adding two new 3-bedroom units. Per Planning Department, permits are still in "issued" status. Valuing as complete, but note that factored base year roll value does not yet have final new construction value. Per taxpayer, construction on back unit is awaiting fire sprinklers to be completed. This Mills Act includes both restricted and unrestricted portions.

Conclusions and Recommendations

	Per Unit	Per SF	Total
Factored Base Year Roll	\$ 203,433	\$ 246	\$ 1,424,030
Mills Act Valuation- Blended Restricted & Unrestricted	\$ 198,954	\$ 240	\$ 1,392,679
Market Value - Sales Comparison Approach	\$ 465,714	\$ 563	\$ 3,260,000
Recommended Value Estimate	<u>\$ 198,954</u>	<u>\$ 240</u>	<u>\$ 1,392,679</u>

Appraiser: K Blackfield

Principal Appraiser: C Hoffman

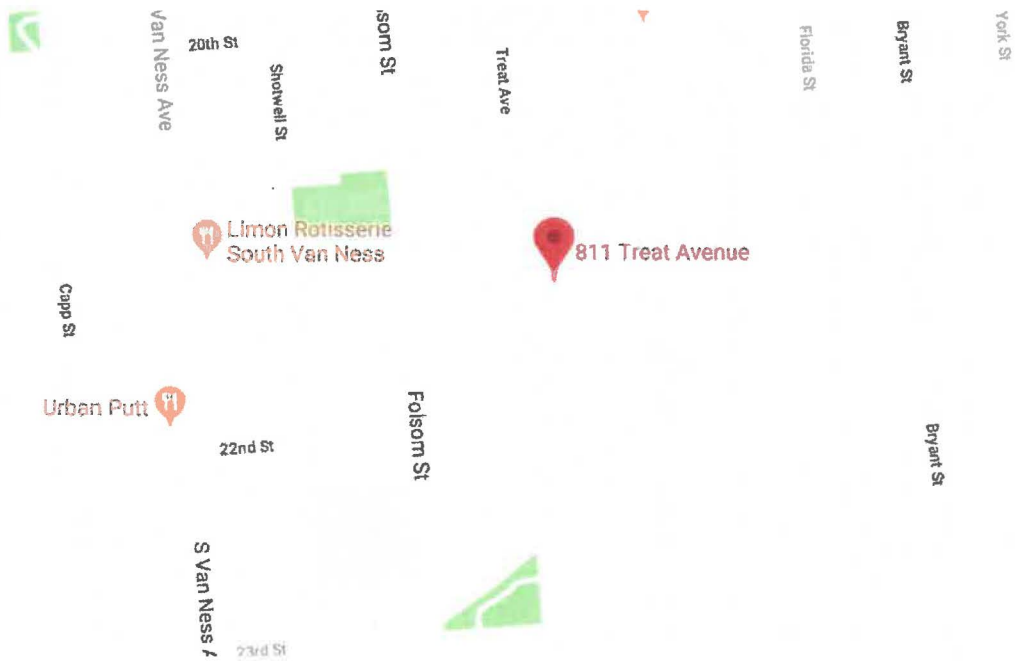
Hearing Date: 9/1/2018

SUBJECT PHOTOGRAPHS AND LOCATOR MAP

Address: 811 Treat Ave

APN: 3613-053

Value Date: 7/1/2018



INCOME APPROACH- MILLS ACT CAPITALIZATION RATE

Address: 811 Treat Ave
 APN: 3613-053
 Valuation Date: 7/1/2018

Restricted Units (Front Building)

Unit	Bdrm/Ba	SF	Move In Date	Monthly Contract Rent	% of total rent	Annual Rent	Annual Rent / SF
1	1/1	648		\$564	3.56%	\$6,766	\$10.44
2	1/1	468	After Sale	\$900	5.68%	\$10,800	\$23.08
3	0/1	400		\$564	3.56%	\$6,766	\$16.91
4	1/1	585		\$530	3.34%	\$6,355	\$10.86
5	1/1	555		\$564	3.56%	\$6,766	\$12.19
Parking				\$115	0.73%	\$1,380	
Parking				\$115	0.73%	\$1,380	
Total Restricted:		2,656		\$3,351	21.14%	\$40,213	\$12.00

Unrestricted Units (Back Building)

Unit	Bdrm/Ba	SF	Move In Date	Estimated Market Rent	% of total rent	Annual Rent	Annual Rent / SF
6	3/3	1,303	TBD	\$5,000	31.54%	\$60,000	\$46.05
7	3/3.5	1,834	TBD	\$7,500	47.32%	\$90,000	\$49.07
Total Unrestricted:		3,137		\$12,500	78.86%	\$150,000	\$47.82

Total All Units:		5,793		\$15,851	100.00%	\$190,213	\$32.83
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RESTRICTED PORTION (FRONT BUILDING)

	<u>Monthly Rent</u>		<u>Annualized</u>	
Potential Gross Income	\$3,351	x	12	\$40,213
Less: Vacancy & Collection Loss			3%	(\$1,206)
Effective Gross Income				\$39,006
Less: Anticipated Operating Expenses (Pre-Property Tax)			15%	(\$5,851)
Net Operating Income (Pre-Property Tax)				\$33,155

Restricted Capitalization Rate

2018 interest rate per State Board of Equalization		4.0000%
Risk rate (4% owner occupied / 2% all other property types)		2.0000%
2017 property tax rate **		1.1723%
Amortization rate for improvements only		
Remaining economic life (Years)	30	0.0333
Improvements constitute % of total property value	30%	1.0000%
		8.1723%

RESTRICTED VALUE ESTIMATE \$405,703

ROUNDED **\$405,000**

INCOME APPROACH- MILLS ACT CAPITALIZATION RATE

Address: 811 Treat Ave
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 Valuation Date: 7/1/2018

UNRESTRICTED PORTION (BACK BUILDING)

	<u>Monthly Rent</u>		<u>Annualized</u>	
Potential Gross Income	\$12,500	x	12	\$150,000
Less: Vacancy & Collection Loss			5%	(\$7,500)
Effective Gross Income				<u>\$142,500</u>
Less: Anticipated Operating Expenses (Pre-Property Tax)			15%	(\$21,375)
Net Operating Income (Pre-Property Tax)				\$121,125
Unrestricted Capitalization Rate				4.5000%

UNRESTRICTED VALUE ESTIMATE	\$2,691,667
Less: Leaseup and Holding Costs	<u>(\$140,000)</u>
UNRESTRICTED VALUE ESTIMATE Less Leaseup and Holding Costs	\$2,551,667

ROUNDED **\$2,550,000**

FBYV (Note 2)	<u>Total on Roll</u>	<u>Amount Attributed to Unrestricted</u>		
Land	\$681,822	78.86%	=	\$537,679
Improvements	<u>\$742,208</u>	\$450,000 (1/1/18 Lien Date)	=	\$450,000
Total	\$1,424,030		=	\$987,679 Note 3

BLENDED VALUE- RESTRICTED CAP PLUS LOWER OF UNRESTRICTED MKT OR FBYV **\$1,392,679**

Notes:

Note 1: Units 1-5 rented and subject to rent control. Using contract rents. These are part of Mills Act building. Units 6 & 7 are newly constructed, thus using market rents. These are part of unrestricted valuation. Parking is from taxpayer and is included in Mills Act building/valuation.

Note 2: Land value based on prorata share of unrestricted rent to total rent. Improvements based on construction in progress assessed as of the lien date 1/1/18.

Note 3: Factored base year value allocated to the unrestricted rear units is \$987,679.

Differences may be due to rounding.

Cap Rate Analysis

Address: 811 Treat Ave
 APN: 3613-053
 Valuation Date: 7/1/2018

No.	APN	Property Address	Neighborhood	Sale Date	Sale Price	Number Of Units	Bldg SF	Price Per Unit	Price Per SF	Actual Cap Rate	Year Built	Parking Spaces
1	6520-002	2808-2818 Folsom St	Inner Mission	10/3/17	\$3,200,000	6	5,040	\$533,333	\$635	5.36%	1912	1
2	6519-005	1016-1018 Shotwell St	Inner Mission	3/30/18	\$3,275,000	6	8,208	\$545,833	\$399	4.50%	1900	0
3	6532-016	3632 26th St	Inner Mission	3/1/18	\$2,600,000	9	5,293	\$288,889	\$491	5.05%	1920	1
4	3568-027	108-118 Albion St	Mission Dolores	4/6/18	\$3,000,000	6	4,926	\$500,000	\$609	3.30%	1906	2
5	3612-026	2485 Folsom St	Inner Mission	9/12/17	\$1,950,000	6	4,383	\$325,000	\$445	4.10%	1912	0
6	3642-063	3241-3247 23rd St	Inner Mission	5/3/18	\$2,225,000	7	4,696	\$317,857	\$474	3.51%	1920	4
Average								\$418,000	\$509	4.30%		

Korpacz Data

	MID-ATLANTIC REGION					PACIFIC REGION				
	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*										
Range	5.25% - 10.00%	5.25% - 10.00%	5.25% - 10.00%	5.75% - 10.00%	5.00% - 14.00%	5.00% - 10.00%	5.00% - 10.00%	5.25% - 10.00%	5.50% - 10.00%	5.25% - 12.00%
Average	7.13%	7.23%	7.35%	7.92%	8.69%	6.60%	6.65%	6.75%	7.29%	8.00%
Change (Basis Points)		-10	-22	-79	-156		-5	-15	-69	-140
OVERALL CAP RATE (OAR)*										
Range	3.90% - 6.75%	3.90% - 6.75%	3.00% - 6.75%	4.00% - 7.50%	4.00% - 7.90%	3.50% - 6.00%	3.50% - 6.00%	3.50% - 6.00%	3.50% - 6.50%	3.50% - 7.00%
Average	5.15%	5.24%	5.01%	5.46%	5.67%	4.48%	4.48%	4.49%	4.77%	4.92%
Change (Basis Points)		-8	+15	-30	-51		0	-1	-29	-44
RESIDUAL CAP RATE										
Range	4.75% - 6.50%	4.75% - 6.50%	4.00% - 6.75%	4.25% - 7.50%	4.50% - 9.75%	4.00% - 6.00%	4.00% - 6.00%	4.25% - 6.00%	4.00% - 7.00%	4.00% - 7.50%
Average	5.55%	5.55%	5.53%	5.77%	6.31%	4.98%	4.98%	5.00%	5.48%	5.65%
Change (Basis Points)		0	+2	-22	-76		0	-2	-50	-67
MARKET RENT CHANGE*										
Range	0.00% - 3.00%	0.00% - 3.00%	0.00% - 4.00%	0.00% - 4.00%	(5.00%) - 6.00%	0.00% - 7.50%	0.00% - 7.50%	0.00% - 5.00%	1.00% - 7.00%	0.00% - 10.00%
Average	1.60%	1.60%	1.85%	2.67%	2.85%	2.75%	2.75%	2.85%	4.04%	3.71%
Change (Basis Points)		0	-25	-107	-103		0	-10	-129	-96

Assessor Conclusion: 4.5% Cap Rate

Rent Comparables

Address: 811 Treat Ave
APN: 3613-053
Valuation Date: 7/1/2018

Rental Comp #1



Address: 2460 Folsom St
Distance from Subj: .11 miles
SF: 1400sf
Bed/Bath: 3/2
Condition: Average, Some updates
Parking Included: Yes
Monthly Rent: \$7,500
Monthly Rent/SF: \$5.36

Rental Comp #2



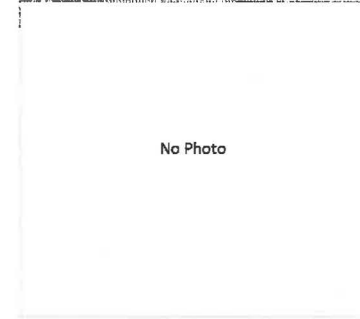
Address: 752 S Van Ness Ave
Distance from Subj: .36 miles
SF: 1735sf
Bed/Bath: 3/1.5
Condition: Good, updates
Monthly Rent: \$5,500
Monthly Rent/SF: \$3.17

Rental Comp #3



Address: 668 Capp St
Distance from Subj: .26 miles
SF: 1150sf
Bed/Bath: 3/1.5
Condition: Good, updates
Monthly Rent: \$5,600
Monthly Rent/SF: \$4.87

Rental Comp #4



Address: Linda St
Distance from Subj: .57 miles
SF: 1400sf
Bed/Bath: 3/1.5
Condition: Good, updates
Monthly Rent: \$6,500
Monthly Rent/SF: \$4.64

Rental Comp #5



Address: 1167 Valencia St
Distance from Subj: .43 miles
SF: 1500sf
Bed/Bath: 3/2
Condition: Good, updates
Parking Included: No
Monthly Rent: \$8,500
Monthly Rent/SF: \$5.67

Rental Comp #6



Address: 3547 23rd St
Distance from Subj: .56 miles
SF: 1430sf
Bed/Bath: 3/2
Condition: Good, some updates
Monthly Rent: \$5,995
Monthly Rent/SF: \$4.19

Monthly Rent

High: \$8,500
 Low: \$5,500

Rent/SF

High: \$5.67
 Low: \$3.17





Assessor Recommendation

\$4.00	monthly rent/sf	
\$5,000	1,303 sf	ROUNDED
\$7,500	1,834 sf	ROUNDED

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SALES COMPARISON APPROACH

Address: 811 Treat Ave
APN: 3613-053
Valuation Date: 7/1/2018

							
	Subject	Sale 1	Sale 2	Sale 3			
APN	3613-053	6520-002	6519-005	6532-016			
Address	811 Treat Ave	2808-2818 Folsom St	1016-1018 Shotwell St	3632 26th St			
Sales Price	\$900,000	\$3,200,000	\$3,275,000	\$2,600,000			
Cap Rate		5.36%	4.50%	5.05%			
	Description	Description	Adjust.	Description	Adjust.	Description	Adjust.
Date of Valuation/Sale	07/01/18	10/03/17		03/30/18		03/01/18	
Neighborhood	Inner Mission	Inner Mission		Inner Mission		Inner Mission	
Proximity to Subject		.33 miles SW		.37 miles SW		.72 miles SW	
Lot Size	7,348	1,685	\$142,000	5,513	\$46,000	3,367	\$100,000
View	None	None		None		None	
Year Built	1900	1912		1900		1920	
Condition	Updates in Some Units	Updates in All Units		Updates in Some Units		Updates in Some Units	
Gross Living Area	5,793	5,040	\$151,000	8,208	(\$483,000)	5,293	\$100,000
Total Units	7	6		6		9	
Income	\$190,213	\$222,276		\$215,688		\$189,096	
Studios	2	0		0		7	
1-Bed	3	0		0		1	
2-Bed	0	6		1		1	
3-Bed	2	0		5		0	
Parking	2-car garage	1-car garage	\$40,000	None	\$80,000	1-car garage	\$40,000
Net Adjustments			\$333,000		(\$357,000)		\$240,000
Indicated Value			\$3,533,000		\$2,918,000		\$2,840,000
Adjust. \$ Per Unit			\$588,833		\$486,333		\$315,556
Adjust. \$ Per Sq. Ft.			\$701		\$356		\$537

	<u>Low</u>		<u>High</u>
VALUE RANGE:	\$ 2,840,000	\$	3,533,000
PER UNIT VALUE RANGE:	\$ 315,556	\$	588,833
PER SF VALUE RANGE:	\$ 356	\$	701

VALUE CONCLUSION: \$ 3,400,000
LESS LEASE UP COSTS: \$ (140,000)
VALUE CONCLUSION: \$ 3,260,000

Adjustments (Rounded to the Nearest \$1,000):
 \$25 /sf lot size adj.
 \$200 /sf building sf adj.
 \$40,000 /parking space adj.

Leaseup and Holding Cost Analysis

Address: 811 Treat Ave
 APN: 3613-053
 Valuation Date: 7/1/2018

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Total Square Footage		3,137	3,137	3,137	3,137	3,137	3,137	3,137
Less Stabilized Vacancy	-3%	(94)	(94)	(94)	(94)	(94)	(94)	(94)
Less Actual Occupancy		-	-	-	-	-	-	-
Beginning Excess Vacancy		a 3,043	3,043	3,043	3,043	3,043	3,043	3,043
Ending Excess Vacancy		b=a 3,043	3,043	3,043	3,043	3,043	3,043	-
SF Leased		c=a-b -	-	-	-	-	-	3,043
Avg. Excess Vacancy		d=(a+b) 3,043	3,043	3,043	3,043	3,043	3,043	1,521
Rent Loss	\$4.00	\$ 12,172	\$ 12,172	\$ 12,172	\$ 12,172	\$ 12,172	\$ 12,172	\$ 6,086
Leasing Comm./Marketing Expenses		Xc \$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Construction Costs	\$60,000 *	Xc \$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Differential Operating Expenses	\$0.00	Xd \$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Leaseup and Holding Costs		\$ 22,672	\$ 22,672	\$ 22,672	\$ 22,672	\$ 22,672	\$ 22,672	\$ 6,586

Present Value Calculation (7% Discount Rate)

Month	Cash Flow		PV Factor	=	P.V. of Costs
1	\$ 22,672	X	0.99420	=	\$ 22,540
2	\$ 22,672	X	0.98843	=	\$ 22,409
3	\$ 22,672	X	0.98270	=	\$ 22,279
4	\$ 22,672	X	0.97700	=	\$ 22,150
5	\$ 22,672	X	0.97134	=	\$ 22,022
6	\$ 22,672	X	0.96570	=	\$ 21,894
7	\$ 6,586	X	0.96010	=	\$ 6,323

Present Value of Total Leaseup and Holding Costs \$ 139,618

Rounded \$ 140,000

*Construction costs come directly from TP's Residential Construction Project Information Form, submitted on 2/2/18. Total project cost was estimated at \$600,000 with \$450,000 spent and 75% estimated completion as of 1/1/18. Per conversation with TP on 8/2/18, project was awaiting fire sprinklers, which would indicate project was approximately 90% complete as of 7/1/18.

Construction Costs Remaining as of 7/1/18
 10% * \$600,000 = \$60,000

When a Property Contains Both Restricted and Unrestricted Portions

When only a portion of a property that would normally be considered a single appraisal unit is restricted by a historical property contract, the assessed value should be determined by making a comparison of three values, determined as follows. First, the portion under contract should be valued using the capitalization method prescribed by section 439.2. Added to this figure should be the lower of the unrestricted portion's fair market value or factored base year value. The resulting sum should be compared to both the fair market value and the factored base year value of the entire property (i.e., both restricted and unrestricted portions) and the lowest of the three figures should be enrolled.