



SAN FRANCISCO PLANNING DEPARTMENT

Mills Act Historical Property Contracts Case Report

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Hearing Date: October 3, 2018
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a. *Filing Date:* May 1, 2018
Case No.: 2018-006629MLS
Project Address: **2253 Webster Street** (District 2)
Landmark District: Contributor to the Webster Street Historic District
Zoning: RH-2 (Residential-House, Two-Family District)
Height & Bulk: 40-X
Block/Lot: 0612/001
Applicant: Virginia Hong Revoc Living Trust
2253 Webster Street
San Francisco, CA 94115

b. *Filing Date:* May 1, 2018
Case No.: 2018-006717MLS
Project Address: **353 Kearny Street** (District 3)
Landmark District: Category IV–Contributory Building to Kearny-Market-Mason-Sutter
Conservation District
Zoning: C-3-O – Downtown-Office
Height and Bulk: 80-130-F
Block/Lot: 0270/001
Applicant: Pine Kearny LLC
590 Pacific Avenue
San Francisco, CA 94133

c. *Filing Date:* May 1, 2018
Case No.: 2018-006796MLS
Project Address: **465-467 Oak Street** (District 5)
Landmark District: Contributor to the California Register of Historical Places-listed
Hayes Valley Residential Historic District
Zoning: RTO (Residential Transit Oriented District)
Height and Bulk: 40-X
Block/Lot: 0840/017
Applicant: Joseph E & Jennifer A Laska Jnt Lvg Trust
467 Oak Street
San Francisco, CA 94102

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2018006796MLS (465-467 Oak Street); 2018-006690MLS (587 Waller Street); 2018-
006794MLS (354-356 San Carlos Street); 2018-007338MLS (811 Treat Avenue)

- d. Filing Date:** May 1, 2018
Case No.: 2018-006690MLS
Project Address: **587 Waller Street** (District 8)
Landmark District: Contributing building to Duboce Park Historic District
Zoning: RTO (Residential Transit Oriented District)
Height and Bulk: 40-X
Block/Lot: 0865/021
Applicant: Christopher Hansten & June Kwon
4658 18th St. PH
San Francisco, CA 94114
- e. Filing Date:** May 1, 2017
Case No.: 2018-006794MLS
Project Address: **354-356 San Carlos Street** (District 9)
Landmark District: Contributor to Liberty Hill Historic District
Zoning: RTO-M – Residential Transit Oriented - Mission
Height and Bulk: 40-X
Block/Lot: 3609/093
Applicant: Joyjit & Preetha Nath
354 San Carlos Street
San Francisco, CA 94110
- f. Filing Date:** May 1, 2017
Case No.: 2018-007338MLS
Project Address: **811 Treat Avenue** (District 9)
Landmark District: Individually listed on the National Register of Historic Places
Zoning: RH-3 – Residential-House, Three Family
Height and Bulk: 40-X
Block/Lot: 3613/053
Applicant: Golden Gate Properties LLC
2170 Sutter Street
San Francisco, CA 94115

PROPERTY DESCRIPTIONS

- a. 2253 Webster Street:** The subject property is located on the west side of Webster Street between Washington and Clay streets, Assessor’s Block 0612, Lot 001. The subject property is located within a RH-2 (Residential-House, Two-Family District) zoning district and a 40-X Height and Bulk district. The subject property is a contributing building to the Webster Street Historic District. It is a two-story, plus basement, wood-frame, single-family dwelling designed in the Italianate style and built in circa 1900.

- b. **353 Kearny Street:** The subject property is located on the southwest corner of Kearny and Pine streets, Assessor's Block 0270, Lot 001. The subject property is located within the C-3-O – Downtown-Office zoning district and a 80-130-F Height and Bulk district. The subject property is a Category IV – Contributory Building to Kearny-Market-Mason-Sutter Conservation District. It is a five-story over basement, brick masonry, commercial building designed in the Renaissance-Revival style by San Francisco architectural firm Salfield & Kohlberg and was built in 1907.
- c. **465 Oak Street:** The subject property is located on the south side of Oak Street between Buchanan and Laguna streets, Assessor's Block 0840, Lot 017. The subject property is located within a RTO (Residential Transit Oriented District) zoning district and a 40-X Height and Bulk district. The subject property is a contributing building to the California Register of Historical Places- listed Hayes Valley Residential Historic District. It is a two-story plus basement, wood-frame, two-family dwelling designed in the flat-front Italiante style and built in circa 1900.
- d. **587 Waller Street:** The subject property is located on the south side of Waller Street between Pierce and Potomac streets, Assessor's Block 0865 Lot 021. The subject property is located within a RTO (Residential Transit Oriented District) zoning district and a 40-X Height and Bulk district. The subject property is a contributing building to the Duboce Park Historic District. It is a two-and-half-story plus basement, wood-frame, single-family dwelling designed in the Queen Anne style and built in circa 1900.
- e. **354-356 San Carlos Street:** The subject property is located on the west side of San Carlos Street between 20th and 21st streets, Assessor's Block 3609, Lot 093. The subject property is located within the RTO-M – Residential Transit Oriented - Mission zoning district and 40X Height and Bulk district. The subject property is a potential contributor to Liberty Hill Historic District. It is a three-story wood-frame, two-family residential building originally designed in the Italianate style and was built in 1877 by The Real Estate Associates (T.R.E.A.). The front façade was altered with stucco cladding, stuccoed front steps, and vinyl windows at an unknown date. Rehabilitation work was completed in 2015-2016.
- f. **811 Treat Avenue:** The subject property is located on the east side of San Carlos Street between 21st and 22nd streets, Assessor's Block 3613, Lot 053. The subject property is located within the RH-3 – Residential-House, Three Family zoning district and 40X Height and Bulk district. The subject property is individually listed on the National Register of Historic Places. Known as the Henry Geilfuss House, the property comprises an Italianate main residence designed by local master architect Henry Geilfuss circa 1882 as his personal residence; a raised room (c. 1882, altered c. 1900); a workshop (c. 1920) and a garage (c. 1940). The main residence and raised room are contributing features; the workshop and garage are non-contributing features that were added after Geilfuss moved from the property.

PROJECT DESCRIPTION

This project is a Mills Act Historical Property Contract application.

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006794MLS (354-356 San Carlos Street); 2018-007338MLS (811 Treat Avenue)

MILLS ACT REVIEW PROCESS

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

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

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

MILLS ACT REVIEW PROCEDURES

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

- The draft Mills Act Historical Property Contract between the property owner and the City and County of San Francisco.
- The proposed rehabilitation and maintenance plan.

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

APPLICABLE PRESERVATION STANDARDS

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

TERM

Mills Act contracts must be made for a minimum term of ten years. The ten-year period is automatically renewed by one year annually to create a rolling ten-year term. One year is added automatically to the initial term of the contract on the anniversary date of the contract, unless notice of nonrenewal is given or

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

ELIGIBILITY

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

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

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

Residential Buildings

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

Commercial, Industrial or Mixed Use Buildings

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

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

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

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

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PUBLIC/NEIGHBORHOOD INPUT

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

STAFF ANALYSIS

The Department received six Mills Act applications by the May 1, 2018 filing date. The Project Sponsors, Planning Department Staff, and the Office of the City Attorney have negotiated the six attached draft historical property contracts, which include a draft rehabilitation and maintenance plan for the historic building. Department Staff believes the draft historical property contracts and plans are adequate. Please see below for complete analysis.

- a. **2253 Webster Street:** As detailed in the Mills Act application, the applicant proposes to rehabilitate and maintain the historic property. Staff determined that the proposed work, detailed in the attachments, is consistent with the Secretary of Interior's Standards for Rehabilitation.

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

The applicant completed some rehabilitation of the building in 2017, including dry rot repair and painting with an estimated cost of \$75,270. The proposed Rehabilitation Plan includes flashing replacement, roof repair and replacement, additional dry rot repair, installing new compatible handrail, replacing the front door in-kind. Rehabilitation work is estimated to cost \$87,364.31 over ten years.

The proposed Maintenance Plan includes annual inspection of the wood siding, windows, roof, front porch and door. Maintenance work is estimated to cost \$3,500 annually. Any needed repairs will be made in kind and will avoid altering, removing or obscuring character-defining features of the building.

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

- b. **353 Kearny Street:** As detailed in the Mills Act application, the applicant proposes to rehabilitate and maintain the historic property. Staff determined that the proposed work, detailed in the attachments, is consistent with the Secretary of Interior's Standards for Rehabilitation.

The subject property is currently valued by the Assessor's Office at over \$3,000,000 (see attached Market Analysis and Income Approach reports). The subject property qualifies for an exemption as it is designated as a Category IV – Contributory Building to Kearny-Market-Mason-Sutter Conservation District under Article 11 of the Planning Code. A Historic Structure Report was

required in order to demonstrate that granting the exemption would assist in the preservation of a property that might otherwise be in danger of demolition or substantial alterations

The proposed Rehabilitation Plan includes roof replacement, parapet bracing, elevator penthouse repair, brick repair and repointing at the façade and basement under sidewalk, repair and in-kind replacement of wood windows, plaster repair at rear façade, sheet metal cornice repair or in-kind replacement, fire escape repair, historic elevator and stair repair, storefront repair and replacement. Rehabilitation work is estimated to cost \$1,091,077 over ten years.

The proposed Maintenance Plan includes annual inspection of roof, parapet bracing, elevator penthouse, basement, wood windows, brick and plaster facades, storefronts, sheet metal cornice,, and fire escape with in-kind repair of any deteriorated elements as necessary. Maintenance work is estimated to cost \$23,694 annually. Any needed repairs will be made in kind and will avoid altering, removing or obscuring character-defining features of the building.

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

- c. **465-467 Oak Street:** As detailed in the Mills Act application, the applicant proposes to rehabilitate and maintain the historic property. Staff determined that the proposed work, detailed in the attachments, is consistent with the Secretary of Interior's Standards for Rehabilitation.

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

The applicant completed rehabilitation work to the building in 2017, including wood window repair, exterior painting, brick chimney repair at an estimated cost of \$6963.28. The proposed Rehabilitation Plan includes seismic upgrade, roof replacement, rear stair and balcony replacement, and exterior repainting. Rehabilitation work is estimated to cost \$369,600 over ten years.

The proposed Maintenance Plan includes annual inspection of roof, gutters and downspouts, windows, doors, front steps and porch, and wood siding a trim. Any needed repairs will be made in kind and will avoid altering, removing or obscuring character-defining features of the building. Maintenance work is estimated to cost approximately \$2,000 annually.

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

- d. **587 Waller Street:** As detailed in the Mills Act application, the applicant proposes to rehabilitate and maintain the historic property. Staff determined that the proposed work, detailed in the attachments, is consistent with the Secretary of Interior's Standards for Rehabilitation.

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

The proposed Rehabilitation Plan includes seismic and foundation work, roof replacement, front façade restoration, window replacement, and front steps and porch restoration. Rehabilitation work is estimated to cost \$337,400 over ten years.

The proposed Maintenance Plan includes annual inspection of gutters and downspouts, windows, front steps and porch, front façade, and roof. Any needed repairs resulting from inspection will be made in kind and will avoid altering, removing or obscuring character-defining features of the building. Maintenance work is estimated to cost approximately \$1,300 annually.

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

- e. **354-356 San Carlos Street:** As detailed in the Mills Act application, the applicant proposes to rehabilitate and maintain the historic property. Staff determined that the proposed work, detailed in the attachments, is consistent with the Secretary of Interior's Standards for Rehabilitation and Preservation.

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

The applicant completed substantial rehabilitation work to the property in 2016, including front façade restoration, window replacement, exterior painting, front stair replacement, and foundation and structural work at an estimated cost of \$317,000. The proposed Rehabilitation Plan includes roof replacement. Rehabilitation work is estimated to cost \$50,000 over ten years.

The proposed Maintenance Plan includes annual inspection of the roof, gutters and drains, windows, foundation and structure, stairs. Annual inspection of the siding and trim will occur every five years. Any needed repairs resulting from inspection will be made in kind and will avoid altering, removing or obscuring character-defining features of the building. Maintenance work is estimated to cost approximately \$1,600 annually.

No changes to the use of the property are proposed. Please refer to the attached Rehabilitation and Maintenance Plan for a full description of the proposed work. The attached draft historical

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property contract will help the applicant mitigate these expenditures and will induce the applicant to maintain the property in excellent condition in the future.

- f. **811 Treat Avenue:** As detailed in the Mills Act application, the applicant proposes to rehabilitate and maintain the historic property. Staff determined that the proposed work, detailed in the attachments, is consistent with the Secretary of Interior's Standards for Rehabilitation and Preservation.

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

The proposed Rehabilitation Plan includes siding and trim repair and repainting, incompatible garage door replacement, door repair and decorative glass replacement, and roof replacement. Rehabilitation work is estimated to cost \$67,000 over ten years.

The proposed Maintenance Plan includes annual inspection of the foundation, roof, gutters, drains, windows, doors, and stairs and porch. Inspection of the siding and trim will occur every five years. Any needed repairs resulting from inspection will be made in kind and will avoid altering, removing or obscuring character-defining features of the building. Maintenance work is estimated to cost approximately \$2,100 annually.

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

ASSESSOR-RECORDER INFORMATION

Based on information received from the Assessor-Recorder, the following properties will receive an estimated first year reduction as a result of the Mills Act Contract. Please refer to the attached Preliminary Valuation spreadsheet prepared by the Assessor for detailed information about each property.

- a) **2253 Webster Street:** Estimated Property Tax Savings of \$13,750 (a 54.73% reduction from factored base year value)
- b) **353 Kearny Street:** Estimated Property Tax Savings of \$26,963 (a 33.82% reduction from factored base year value)
- c) **465 Oak Street:** Estimated Property Tax Savings of \$16,250 (a 52.98% reduction from factored base year value)
- d) **587 Waller Street:** Estimated Property Tax Savings of \$16,412 (a 58.33% reduction from factored base year value)

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- e) **354-356 San Carlos Street:** Estimated Property Tax Savings: \$4,532 (a 25.05% reduction from factored base year value).
- f) **811 Treat Avenue:** Estimated Property Tax Savings: \$368 (a 2.20% reduction from factored base year value).

PLANNING DEPARTMENT RECOMMENDATION

- The Planning Department recommends that the Historic Preservation Commission adopt a resolution recommending **approval** of the Mills Act Historical Property Contracts and Rehabilitation and Maintenance Plans to the Board of Supervisors for the following properties:
 - a. 2253 Webster Street
 - b. 353 Kearny Street
 - c. 465 Oak Street
 - d. 587 Waller Street
 - e. 354-356 San Carlos Street
 - f. 811 Treat Avenue

ISSUES AND OTHER CONSIDERATIONS

Mills Act Contract property owners are required to submit an annual affidavit demonstrating compliance with Rehabilitation and Maintenance Plans.

HISTORIC PRESERVATION COMMISSION ACTIONS

Review and adopt a resolution for each property:

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

Attachments:

- a. **2253 Webster Street:**
 - Draft Resolution
 - Draft Mills Act Historical Property Contract
 - Draft Rehabilitation Program& Maintenance Plan
 - Draft Mills Act Valuation provided by the Assessor-Recorder's Office
 - Pre-Approval Inspection Report
 - Mills Act Application

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b. 353 Kearny Street:

Draft Resolution
Draft Mills Act Historical Property Contract
Draft Rehabilitation Program & Maintenance Plan
Draft Mills Act Valuation provided by the Assessor-Recorder's Office
Pre-Approval Inspection Report
Mills Act Application
Historic Structure Report

c. 465-467 Oak Street:

Draft Resolution
Draft Mills Act Historical Property Contract
Draft Rehabilitation Program & Maintenance Plan
Draft Mills Act Valuation provided by the Assessor-Recorder's Office
Pre-Approval Inspection Report
Mills Act Application

d. 587 Waller Street:

Draft Resolution
Draft Mills Act Historical Property Contract
Draft Rehabilitation Program & Maintenance Plan
Draft Mills Act Valuation provided by the Assessor-Recorder's Office
Pre-Approval Inspection Report
Mills Act Application

e. 354-356 San Carlos Street:

Draft Resolution
Draft Mills Act Historical Property Contract
Draft Rehabilitation Program & Maintenance Plan
Draft Mills Act Valuation provided by the Assessor-Recorder's Office
Pre-Approval Inspection Report
Mills Act Application

f. 811 Treat Avenue:

Draft Resolution
Draft Mills Act Historical Property Contract
Draft Rehabilitation Program & Maintenance Plan
Draft Mills Act Valuation provided by the Assessor-Recorder's Office
Pre-Approval Inspection Report
Mills Act Application