



# SAN FRANCISCO PLANNING DEPARTMENT

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## Executive Summary Discussion of Proposed Amendments to the Mills Act Program

HEARING DATE: OCTOBER 3, 2018

*Project Name:* **Discussion of Proposed Amendments Relating to the Mills Act Program**

*Case Number:* **2016-004157OTH**

*Initiated by:* At the request of the Government Audit & Oversight Committee

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*Recommendation:* **For Discussion**

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### BACKGROUND

At the May 16, 2018 HPC hearing, Planning staff proposed several recommendations for modifications to the Mills Act Program based on a November 1, 2017 discussion of the Government Audit and Oversight Committee and as directed by HPC President Wolfram. Following discussion of the proposed modifications at the hearing, the HPC agreed with staff's recommendations. The attached draft Mills Act Application Packet has been revised to reflect the modifications.

### Mills Act Program

Enacted in 1972, the Mills Act legislation grants participating local governments the authority to enter into contracts with owners of qualified historic properties who actively participate in the rehabilitation, restoration, preservation, and maintenance of their historic properties while receiving property tax relief. A formal agreement, known as a Historical Property Contract (Contract), is executed between the City and the property owner for an initial ten-year term. Contracts are automatically renewed each year and are transferred to new owners when the property is sold. Property owners agree to rehabilitate, restore, preserve, and maintain the property in accordance with *Secretary of the Interior's Standards for the Treatment of Historic Properties* ("Secretary's Standards"), the State Historical Building Code, and conditions identified in the contract.

San Francisco adopted a local Mills Act Program in 1996. In 2012, the Board adopted amendments to the Mills Act Program to promote the Program and to make the process more predictable and affordable for San Francisco's historic property owners. The changes included a timeline that guarantees completion of the application by city agencies in a timely manner and a reduction in application fees to \$2,500. Prior to 2012, the City held seven Mills Act Contracts. Currently the City holds 30 Contracts. Mills Act Contracts are located in Supervisorial Districts 2, 3, 4, 5, 6, and 8. The largest number of Contracts are located in District 8, with 13 total Contracts, 11 of which are located in the Duboce Park Historic District. Seven landmark buildings hold Mills Act Contracts, with the majority of Contracts held by contributory buildings to a local landmark district or National Register of Historic Places district. Please see Attachment 1 for a list and photos of current Mills Act Contract properties.

#### GAO Committee Comments, November 2017

During the 2017 Mills Act application cycle, the GAO Committee had comments and concerns regarding the Mills Act Program:

- More property owners should be able to take advantage of the Mills Act Program.
- Several properties applying for Mills Act have an eviction or code enforcement history.
- Several properties had already completed rehabilitation work without the benefit of the Mills Act, and this work appears as if it would have been completed regardless of whether a Mills Act contract is entered into. Shouldn't the focus of the Mills Act Program should be as an incentive to rehabilitate, restore and preserve the City's historical properties?
- Scopes of work proposed in a Mills Act Contract should already be reviewed and approved by Planning and/or HPC before a Mills Act Contract is forwarded to the Board of Supervisors.
- Mills Act Contracts should be executed when there is a preservation need and terminated when there is no longer a need. It may not be necessary for contracts to remain rolling contracts, so contract term limits should be considered.

Reflecting these concerns, the GAO Committee approved 10-year rolling contracts during the 2017 cycle for 101 Vallejo Street and 940 Grove Street. The GAO Committee approved three contracts that it intended to be limited to a ten year term; legislation to terminate contracts for 627 Waller Street, 55 Laguna Street and 973 Market Street at the end of ten years will be introduced at the Board of Supervisors in the following months. The contract for 56 Potomac Street was not approved as a Certificate of Appropriateness for a horizontal and vertical rear addition is on currently hold. The contract for 1338 Filbert Street was not approved as the units are currently for sale. The contract for 60-62 Carmelita Street was approved on April 2, 2018.

#### GAO Committee Update, September 2018

On September 19, 2018 the GAO Committee approved resolutions sponsored by Supervisor Peskin to limit the contracts for 215 & 229 Haight Street, 627 Waller Street, and 973 Market Street to a ten year term. The resolutions were approved by the full Board of Supervisors on September 25, 2018. The HPC approved similar resolutions on September 28, 2018.

#### MILLS ACT AMENDMENTS

Following HPC discussion on May 16, 2018 of the proposed modifications, the Mills Act Application Packet was updated with the following changes:

##### A. Eligibility

1. Historic properties must meet **Priority Consideration Criteria** in order to be considered for a Mills Act Contract:
  - (a) **Necessity:** The project will **require a financial incentive to help ensure the preservation** of the property. This criterion will establish that the property is in danger of deterioration and in need of substantial rehabilitation and restoration that has significant associated costs. **Properties with previous violations for deferred maintenance will not meet this criterion.**
  - (b) **Investment:** The project will **result in additional private investment** in the property **other than for routine maintenance.** This may include seismic retrofitting and substantial

rehabilitation and restoration work. This criterion will establish that the owner is committed to investing in the restoration, rehabilitation and maintenance the property.

- (c) **Distinctiveness:** The project preserves a distinctive example of a property that is especially deserving of a contract due to its exceptional nature.
- (d) **Recently Designated City Landmarks:** properties that have been recently designated landmarks will be given priority consideration. Properties that show a demonstrated need for repairs, restoration, seismic upgrades, accessibility, and other life-safety upgrades, but that are not designated at the local level, may apply for a Mills Act contract concurrent with local designation as a Landmark under Article 10 of the Planning Code or a Significant or Contributory Building under Article 11 of the Planning Code. Local designation status remains with the property after the contract expires. Buildings must demonstrate in a Historic Structure Report or Conditions Assessment the need for a Mills Act Contract.
- (e) **Legacy Business:** The project will preserve a property at which a business included in the Legacy Business Registry is located. This criterion will establish that the owner is committed to preserving the property, including physical features that define the existing Legacy Business.

**Basis for Recommendation:** All Mills Act applications would be reviewed on the merits of the Priority Consideration Criteria. Priority Consideration Criteria would ensure that applications forwarded to the Assessor, HPC, and Board of Supervisors are high quality applications that meet or exceed the requirements of the Mills Act Program and address and prioritize individual preservation needs.

**Necessity & Investment:** Applications for which there is substantial identified work to be completed and the property owner is willing to invest the required sums to complete the work shall be given priority consideration. Properties requiring only routine maintenance may not be given priority. This policy change can be made at the staff level.

**Distinctiveness:** Historic properties that are a unique and distinctive example of a property type shall be given priority consideration. This policy change can be made at the staff level.

**Recently Designated Landmarks:** Currently, eligibility is limited to those properties that are listed or designated on or before December 31 of the year before the Mills Act application is made. Existing designation requirements would remain the same; however priority would be given to eligible properties with a need for restoration, rehabilitation and preservation that apply for Article 10 or 11 designation at the same time as the Mills Act. Properties applying for designation and Mills Act concurrently would be required to submit an HSR prepared by a qualified historic preservation consultant to substantiate the necessity for a Mills Act Contract. Modification to the designation timeframe would expand eligibility to more property owners with a preservation need and give property owners more of an incentive to seek historic designation. OHP has stated that other municipalities allow a similar parallel process. This policy change would require a modification in the way the Department promotes the Mills Act Program and also would require an amendment to San Francisco Administrative Code 71: Mills Act.

**Legacy Business:** Projects involving preservation of properties at which registered Legacy Businesses are located will also receive priority consideration. This policy change can be made at the staff level.

2. **Properties with outstanding violations** issued by the Department of Building Inspection or outstanding enforcement violations issued by the Planning Department are **not eligible** for a Mills Act Contract. All violations must be corrected before an application is accepted or processed.

**Basis for Recommendation:** This proposed policy amendment addresses concerns raised by GAO Committee. This change can be made at the staff level.

## B. Qualifying Scopes of Work

1. **Qualifying scopes of work are those that prolong the life of the building. Mills Act Contracts must include the following qualifying scopes of work at a minimum:**

- (a) Exterior restoration, rehabilitation, and preservation associated with the creation of an Accessory Dwelling Unit
- (b) Façade restoration, rehabilitation, preservation
- (c) Accessibility and Life Safety improvements, such as seismic retrofit
- (d) Window repair or restoration
- (e) Front stair/entrance repair or restoration
- (f) Roof replacement
- (g) Structural improvements, such as a new foundation
- (h) Storefront repair or restoration
- (i) Façade stabilization and repair, such as terra cotta repair, repair of historic stucco or wood cladding
- (j) Theater marquee repair, restoration, or reconstruction
- (k) Materials conservation, such as murals, frescos, and decorative plasterwork

Additional scopes of work that are not listed above may be included as necessary to rehabilitate, restore and maintain the property. Scopes of work must be completed in conformance with the Secretary of the Interior's Standards for Rehabilitation and the California Historical Building Code. Critical infrastructure and rehabilitation tasks should be completed first.

**Basis for Recommendation:** The goal of the Mills Act Program is to provide an incentive for rehabilitation, restoration and preservation. Specific scopes of work, such as seismic work, reflect that. Requiring minimum qualifying scopes of work would ensure that all properties that hold a Mills Act contract receive a minimum standard of restoration, rehabilitation, preservation and maintenance work to prolong the life of the building. Other scopes beyond the above listed qualifying scopes of work may still qualify at the discretion of the HPC and Board of Supervisors. This policy change can be made at the staff level.

2. Scopes of work may not be completed prior to approval of the Mills Act Contract.

*Basis for Recommendation:* Current Mills Act application allows property owners to include scopes of work that have been completed in the last year. Requiring that scopes of work not be completed before the contract is in effect demonstrates the need for the tax benefit. If an owner was able to successfully complete their project without financial subsidy, there is no established need for granting a Mills Act contract. This change reinforces that the Mills Act Contract is an incentive program to encourage future rehabilitation work to occur. This policy change can be made at the staff level.

3. All proposed scopes of work must be completed during the initial ten year term of the contract.

*Basis for Recommendation:* Requiring scopes of work to be completed during the ten year term of the contract addresses the need for the contract and fulfills the property owner's conditions of the contract. This policy change can be made at the staff level.

4. A Certificate of Appropriateness (COA) to complete qualifying scopes of work identified within the first three years of the Contract must be must be filed and approved by the HPC, Planning Commission, Zoning Administrator, or any other government body during the Mills Act application process. All remaining permits and entitlements for scopes of work beyond year three must be secured and completed prior to the end of the ten year Contract.

*Basis for Recommendation:* To address GAO Committee concerns, a COA must be filed and approved during the Mills Act application process in order to prioritize scopes of work and demonstrate to the City the property owner's commitment for rehabilitation, restoration and preservation of the property. This policy change can be made at the staff level.

## ISSUES AND CONSIDERATIONS

Mills Act modifications will not require amendment to San Francisco Administrative Code 71. All modifications can be implemented on a staff level. Modifications will go into effect for the 2019 Mills Act cycle.

Once the HPC has commented on the attached Mills Act Application Packet, it will be updated with the HPC's changes and posted on the Department's website. Staff will introduce the final Mills Act Application Packet to the GAO Committee in the following months.

## RECOMMENDATION

HPC discussion of draft Mills Act Application Packet reflecting modifications. The relevant sections have been highlighted.

### Attachments:

Exhibit A: Proposed Mills Act Application Packet



# MILLS ACT HISTORICAL PROPERTY CONTRACT

## INFORMATIONAL PACKET AND APPLICATION GUIDE

State Law and Chapter 71 of the San Francisco Administrative Code allows the City and County of San Francisco to enter into a preservation contract with local property owners who restore and preserve qualified historic properties. In exchange for maintaining and preserving a historic property, the owner receives a property tax reduction.

Planning staff are available to advise you in the preparation of this application. Call (415) 558-6377 for further information.

**Español:** Si desea ayuda sobre cómo llenar esta solicitud en español, por favor llame al 415.575.9010. Tenga en cuenta que el Departamento de Planificación requerirá al menos un día hábil para responder

中文：如果您希望獲得使用中文填寫這份申請表的幫助，請致電415.575.9010。請注意，規劃部門需要至少一個工作日來回應。

**Tagalog:** Kung gusto mo ng tulong sa pagkumpleto ng application na ito sa Filipino, paki tawagan ang 415.575.9120. Paki tandaan na mangangailangan ang Planning Department ng hindi kukulangin sa isang araw na

## WHAT IS A MILLS ACT PROPERTY CONTRACT?

The Mills Act Contract is an agreement between the City and County of San Francisco and the owner of a qualified property based on California Government Code, Article 12, Sections 50280-50290 (Mills Act). This state law, enacted in 1972, grants the City and County of San Francisco the authority to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of their historic properties while receiving property tax relief. Owners of qualifying historic properties who agree to comply with certain preservation restrictions receive a potential property tax savings to help offset the costs to restore, rehabilitate, and maintain their historic property according to the *Secretary of the Interior's Standards* and the California Historical Building Code. The Mills Act allows historic property owners to restore their historic buildings; obligates future owners to the maintenance and care of the property; and may provide significant property tax savings to the property owner, particularly to smaller, single-family homeowners. The San Francisco Board of Supervisors approves all final contracts. Once executed, the contract is recorded on the property and leads to reassessment of the property the following year.

## WHO MAY APPLY FOR A MILLS ACT PROPERTY CONTRACT?

The Mills Act is for qualified historic property owners who agree to rehabilitate, restore and maintain their property and in conformance with the *Secretary of the Interior's Treatment of Historic Properties*, in particular the Standards for Rehabilitation, and the California Historical Building Code. Rehabilitation, restoration and maintenance work to the property must begin and be completed during the initial ten year term of the Mills Act Contract. Qualified historic properties are those that have been designated as a City Landmark or those listed on the National Register of Historic Places. Eligibility for Historical Property Contracts shall be limited to residential buildings or structures with a pre-contract assessed valuation of \$3,000,000 or less and commercial and industrial buildings with a pre-contract assessed valuation of \$5,000,000 or less, unless the individual property is granted an exemption from those limits by the Board of Supervisors.

If a property has multiple owners, all property owners of the subject property must enter into the contract simultaneously.

## THE APPLICATION PACKET

This Application Packet is a summary of the Mills Act Historical Property Contract (“Mills Act Contract”) Program’s features. The complete details are described in the legal texts of the San Francisco Administrative Code, Chapter 71, California Government Code Sections 50280-50290 (Appendix A to this packet.) and California Taxation Code Article 1.9, Sections 439-439.4. (Appendix B to this packet.)

**IMPORTANT: Please read the entire application packet before getting started. Applicants are responsible for all of the information contained in the Application Guide. Be sure to review the Application Checklist to ensure that you are submitting all of the required documents. A Mills Act Historical Property Contract application provides the potential for property tax reduction. It is not a guarantee. Each property varies according to its income-generating potential and current assessed value. Mills Act properties are reassessed annually and periodically inspected for contract compliance. Incomplete applications may not meet the schedule outlined in this application.**

## ROLE OF THE PLANNING DEPARTMENT

The Planning Department oversees all Mills Act applications, presents applications before the appropriate hearing bodies and monitors the City’s existing Mills Act properties. Preservation Planners work with property owners to complete their applications and develop rehabilitation and maintenance plans that are specific to each property. Planners keep the applicants informed throughout the year, as the application moves forward through the Office of the Assessor-Recorder, the Historic Preservation Commission, and the Board of Supervisors. The Planning Department also serves as the main point of contact for annual monitoring.

## ROLE OF THE OFFICE OF ASSESSOR-RECORDER

The role of the Office of the Assessor-Recorder is to locate and accurately assess all taxable property in San Francisco and also serve as the county’s official record-keeper of documents such as deeds, liens, maps and property contracts. In a Mills Act Historical Property contract, the Office of the Assessor-Recorder assesses qualified properties based on a state prescribed approach and records the fully executed contract. All Mills Act properties will receive an initial valuation during the application process and will be assessed annually by the January 1st lien date and in subsequent years, as required by state law.

## ROLE OF THE HISTORIC PRESERVATION COMMISSION

The Historic Preservation Commission (HPC) will hold a hearing to make a recommendation to the Board of Supervisors whether to approve, modify or deny the application. The HPC may include recommendations regarding the proposed rehabilitation, restoration, and maintenance work, the historic value of the qualified property and any proposed restrictions or maintenance requirements to be included in the final Historical Property Contract. The HPC’s recommendation will be forwarded to the Board of Supervisors.

If the Historic Preservation Commission recommends disapproval of the contract, such decision shall be final unless the property owner files an appeal with the Clerk of the Board of Supervisors within 10 days of final action of the Historic Preservation Commission.

## ROLE OF THE BOARD OF SUPERVISORS

The Mills Act Application is referred by the Planning Department to the Board of Supervisors. Every contract must be scheduled in a Committee of the Board of Supervisors. A report prepared by the Board of Supervisors Budget & Legislative Analysts Office will detail the property tax savings and the potential impact this may have on the City’s finances. The Committee may recommend, not recommend or forward the application without recommendation to the full Board of Supervisors.

The Board of Supervisors has complete discretion whether to approve, disapprove, or approve with modifications the Mills Act Historical Property Contract. The final decision rests with the Board of Supervisors. The legislative process may take a minimum of five weeks.

## WHICH PROPERTIES ARE ELIGIBLE TO APPLY?

In order to participate in the Mills Act Contract Program, properties must meet the following four criteria:

### 1. Qualified Historic Property

- **Individually Designated Pursuant to Article 10 of the Planning Code.** Properties that have been designated as an individual city landmark are eligible.
- **Buildings in Landmark Districts Designated Pursuant to Article 10 of the Planning Code.** Properties that have been listed as a contributor to a city landmark district are eligible.
- **Properties Designated as Significant (Category I or II) Pursuant to Article 11 of the Planning Code.** Properties located in the C-3 Zoning District that have been determined to be a Category I or II, Significant Building are eligible.
- **Properties Designated as Contributory (Category IV) to a Conservation District Pursuant to Article 11 of the Planning Code.** Properties located in the C-3 Zoning District that have been determined to be Category IV are eligible.
- **Properties Designated as Contributory (Category III) Pursuant to Article 11 of the Planning Code.** Properties in the C-3 Zoning District that have been listed as a Contributory Structure (Category III) which are located outside of a Conservation District are eligible for the Mills Act program.
- **Individual Landmarks under the California Register of Historical Resources.** Properties that have been officially designated as a California Register individual landmark are eligible for the Mills Act program.
- **Contributory Buildings in California Register of Historical Resources Historic Districts.** Properties that have been identified as a contributory building in a California Register Historic District are eligible for the Mills Act program.
- **Individual Landmarks listed in the National Register of Historic Places.** Properties that have been individually listed in the National Register are eligible for the Mills Act program.
- **Contributory Buildings listed in the National Register of Historic Places as a Historic District.** Properties that have been identified as a contributory building to a National Register Historic District are eligible for the Mills Act program.

*NOTE: Properties with outstanding violations issued by the San Francisco Planning Department or the Department of Building Inspection are not eligible to apply for the Mills Act. Outstanding violations must be corrected before submitting a Mills Act application.*

If there are any questions about whether your property is eligible please contact the Planning Department at (415) 558-6377.

### 2. Tax Assessment Value

Qualified historic properties must also meet a tax assessment value to be eligible for a Mills Act Contract. All owners of the property must enter into the Mills Act contract with the City.

#### **For Residential Buildings:**

Eligibility is limited to a property tax assessment value of less than \$3,000,000.

#### **For Commercial, Industrial or Mixed-Use Buildings:**

Eligibility is limited to a property tax assessment value of less than \$5,000,000.

#### **Exceptions To Property Value Limits:**

A property may be exempt from the tax assessment value if it meets 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 the property meets the exemption criteria. This evidence must be documented by a qualified historic preservation consultant in a Historic Structure Report or Conditions Assessment to substantiate the circumstances for granting the exemption. Please contact Planning Department Preservation Staff to determine which report your property requires.

The Historic Preservation Commission shall make specific findings to the Board of Supervisors recommending approval or denial of the exemption. Final approval of this exemption is under the purview of the Board of Supervisors.

*NOTE: Owners of properties with comparatively low property taxes due to Proposition 13 may not see a benefit with a Mills Act Contract. The assessed value under the Mills Act may be higher than the existing base-year value of the property. Generally, owners who have purchased their properties within the last ten years are more likely to benefit from entering into a Mills Act contract. As the Planning Department cannot give tax advice, applicants should consult with financial and tax professionals to assess the merits of applying for the Mills Act.*

### **NEW! 3. Priority Consideration Criteria**

All applications are reviewed on the merits of the Priority Consideration Criteria. An application must meet a minimum of three out of five criteria to be given priority for the program and must demonstrate a need for restoration, rehabilitation and preservation. If fewer than three of the criteria are met your application will still be considered, but may not be given priority. Properties requiring only routine maintenance may not be given priority. Properties needing financial assistance to commence or complete rehabilitation work will be given priority.

Historic properties must meet three or more of the following priority consideration criteria in order to be given priority for a Mills Act Contract:

- **Necessity:** The project will require a financial incentive to help ensure the preservation of the property. This criterion will establish that the property is in danger of deterioration and in need of substantial rehabilitation and restoration that has significant associated costs. Properties with previous violations for deferred maintenance will not meet this criterion.
- **Investment:** The project will result in additional private investment in the property other than for routine maintenance. This may include seismic retrofitting and substantial rehabilitation and restoration work. This criterion will establish that the owner is committed to investing in the restoration, rehabilitation and maintenance the property.
- **Distinctiveness:** The project preserves a distinctive example of a property that is especially deserving of a contract due to its exceptional nature.
- **Recently Designated City Landmarks:** properties that have been recently designated landmarks will be given priority consideration. Properties that show a demonstrated need for repairs, restoration, seismic upgrades, accessibility, and other life-safety upgrades, but that are not designated at the local level, may apply for a Mills Act contract concurrent with local designation as a Landmark under Article 10 of the Planning Code or a Significant or Contributory Building under Article 11 of the Planning Code. Local designation status remains with the property after the contract expires. Buildings applying for local designation concurrently must demonstrate in a Historic Structure Report or Conditions Assessment the need for a Mills Act Contract.
- **Legacy Business:** The project will preserve a property at which a business included in the Legacy Business Registry is located. This criterion will establish that the owner is committed to preserving the property, including physical features that define the existing Legacy Business.

### **NEW! 4. Rehabilitation/Restoration and Maintenance Plans**

The purpose of a Mills Act Contract is to restore, rehabilitate and maintain historic properties. Program participants shall have Rehabilitation/Restoration and Maintenance plans with qualifying scopes of work that rehabilitate, restore and maintain the property. Qualifying scopes of work are those that prolong the life of the building. Examples of qualifying scopes of work include the following:

- Exterior restoration, rehabilitation, and preservation associated with the creation of an Accessory Dwelling Unit

- Façade restoration, rehabilitation, preservation
- Accessibility and Life Safety improvements, such as seismic retrofit
- Window repair or restoration
- Front stair/entrance repair or restoration
- Roof replacement
- Structural improvements, such as a new foundation
- Storefront repair or restoration
- Façade stabilization and repair, such as terra cotta repair, repair of historic stucco or wood cladding
- Theater marquee repair, restoration, or reconstruction
- Materials conservation, such as murals, frescos, and decorative plasterwork

*NOTE: Additional scopes of work that are not listed above may be included as necessary to rehabilitate, restore and maintain the property. Scopes of work must be completed in conformance with the Secretary of the Interior's Standards for Rehabilitation and the California Historical Building Code. Critical infrastructure and rehabilitation tasks should be completed first. Scopes of work may not be completed prior to approval of the Mills Act Contract. All proposed scopes of work must be completed during the initial ten year term of the contract. A Certificate of Appropriateness (COA) to complete qualifying scopes of work identified within the first three years of the Contract must be filed and approved by the HPC, Planning Commission, Zoning Administrator, or any other government body during the Mills Act application process. All remaining permits and entitlements for scopes of work beyond year three must be secured and completed prior to the end of the ten year Contract.*

## TERMS OF THE MILLS ACT HISTORICAL PROPERTY CONTRACT

### Duration of Contract

The Mills Act contract is for a minimum term of ten years. Absent non-renewal or cancellation as set forth below, an additional year is automatically added to the contract each year on its anniversary date, so the contract remains valid for ten years. Under these circumstances, the contract runs (essentially in perpetuity) with the land, which means it is binding on all future owners of the property.

### **NEW!** Non-Renewal of the Contract

Should either party desire not to renew the contract for an additional year at any point, they can issue a notice of non-renewal giving the other party such notice. The owner may notify the Planning Department at least ninety days prior to the annual renewal date. The City may notify the owner at least sixty days prior to the annual renewal date. The owner may make a written protest. After either party issues a notice of non-renewal, the contract remains in effect for the balance of the 10-year term of the contract beyond the notice of non-renewal.

### **NEW!** Rehabilitation and Maintenance of the Historic Property

Any work performed to the property must conform to the *Secretary of the Interior's Standards for the Treatment of Historic Properties*, specifically, the Standards for Rehabilitation and the California Historical Building Code. The owner must apply for and receive any necessary building permits or approvals, such as a Certificate of Appropriateness, by the Historic Preservation Commission, Planning Commission, Zoning Administrator, or any other government body for the first three years of work outlined in the Rehabilitation/Restoration or Maintenance plans during the Mills Act application process. All work outlined in the Rehabilitation/Restoration and Maintenance Plans must begin and be completed during the ten year term of the Mills Act Contract. The Rehabilitation/Restoration and Maintenance Plans must include Qualifying Scopes of Work or work that is necessary to prolong the life of the building. Qualifying Scopes of work may include restoration, seismic upgrades, accessibility, and other life-safety upgrades. Additional work may also be necessary.

### Annual Monitoring and Periodic Inspections

The Planning Department issues an Affidavit for Annual Monitoring requiring the property owner to self-inspect and report to the Planning Department on the progress of rehabilitating and maintaining their property. The City may conduct periodic inspections

of the property to confirm work has been completed in conformance with the approved Mills Act Contract. In compliance with state law, onsite inspections of the property by the Planning Department and the Office of the Assessor-Recorder will occur every five years. All site visits will be scheduled in advance with the property owner.

### **Breach of Contract**

If the property owner is found to be in breach of contract, the City may cancel the contract whereupon the Assessor-Recorder will collect a cancellation fee of 12 1/2 percent (12.5%) of the fair market value of the property as determined by the Assessor-Recorder. Failure to rehabilitate or maintain the property are grounds for cancellation, among others, as set forth in the contract.

### **Recordation**

A complete Mills Act contract must be recorded with the Office of the Assessor-Recorder. In order to record the contract, all approvals, signatures, recordation attachments must be included and all applicable recording fees must be paid by the property owner. A contract may be considered incomplete if all components are not adequately satisfied. To see the current recording fee schedule, go to [www.sfassessor.org](http://www.sfassessor.org).

### **Transfer of Ownership**

A Mills Act Contract runs with the property. Subsequent owners are bound by the terms and conditions of the contract, and obligated to complete any work identified in the contract that the prior owner did not complete, or partially completed and perform required maintenance, as well as all other owner obligations under the contract. For example, if an owner completes some of the contract mandated work in the first five years and then sells the property, the new buyer would have five years to complete the rehabilitation/restoration of the property. Prospective buyers will receive notice of the contract because it will be recorded.

# Mills Act Process & Timeline

## Phase 1: Planning Department Reviews Application

### 1. Property owner submits completed application to Planning.

1650 Mission Street, Suite 400.  
San Francisco, CA 94103

Check Planning Department's fee schedule for application fees.

**DEADLINE: MAY 1**

### 2. Review of applications.

Planning Department reviews the applications for completeness. Planner works with the Owner if issues are found.

### 3. Property Inspection.

Planning and Office of Assessor-Recorder schedule site visits with Owner.

## Phase 8: Mills Act Monitoring

### 18. Affidavit of compliance is issued.

Onsite property inspections occur every three years with Planning and the Assessor Recorder's Office.

### 19. Owner returns affidavit to Planning.

**DEADLINE: APRIL 30**

## Phase 7: Contracts Are Distributed

### 17. Planning mails recorded contracts to Owners.

## Phase 2: Assessor Calculates Valuations

### 4. Planning transmits applications to Office of Assessor-Recorder.

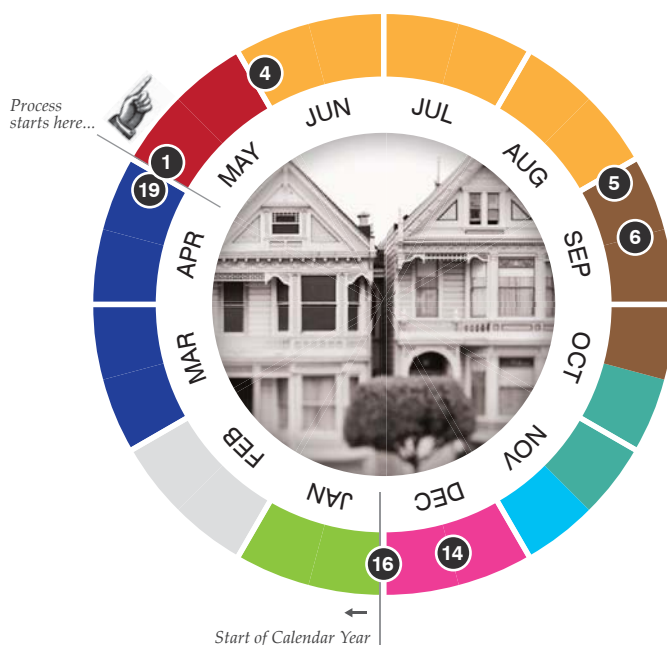
**JUNE 1**

### 5. Final valuation submitted to property owners.

**SEPTEMBER 1**

### 6. Property owner reviews valuations. Property owner has until Sept. 15 to review the valuation and ask the Office of Assessor-Recorder questions.

**DEADLINE: SEPTEMBER 15**



## Phase 6: Final Contracts Issued & Recorded

### 10. City Attorney's Office finalizes contracts. City Attorney verifies, prints and signs final contracts and returns to Planning.

### 11. Owners pick up contracts from Planning. Owners sign and have contracts notarized.

### 12. Owners return contracts to Planning Department.

**DEADLINE: DECEMBER 15**

### 13. Planning transmits to Office of Assessor-Recorder to review and sign contracts.

### 14. Owner records contracts at Office of Assessor-Recorder. City Hall, Room 190, 8am-4pm San Francisco, CA 94103

**DEADLINE: DECEMBER 30**

## Phase 3: Approvals: Historic Preservation Commission Hearing

### 7. HPC Hearing. The HPC meets the first and third Wednesday of each month. The HPC Hearing will be the third Wednesday in September or the first Wednesday in October. Planning Staff will present the application, rehabilitation and maintenance plans to the HPC.

**ACTION TAKEN**

*The HPC may recommend, modify, or deny approval to the Board of Supervisors.*

## Phase 4: Approvals: Budget & Finance Committee Hearing

### 8. Budget and Finance Committee Hearing. The Budget & Finance Committee meets every Wednesday. Clerk of the Board schedules hearing according to availability on the committee agenda.

**ACTION TAKEN**

*Budget and Finance Committee may Recommend, Not Recommend, or forward without Recommendation to the Full Board.*

## Phase 5: Approvals: Board of Supervisors Final Hearing

### 9. Clerk of the Board schedules Final BoS hearing. Clerk of the Board schedules hearing

**ACTION TAKEN**

*The Board of Supervisors may approve, modify or deny the contract.*

# MILLS ACT HISTORICAL PROPERTY CONTRACT APPLICATION CHECKLIST:

Applicants should complete this checklist and submit along with the application to ensure that all necessary materials have been provided. Saying “No” to any of the following questions may nullify the timelines established in this application. Applications must be submitted as a hard copy and a digital copy to the Planning Department Mills Act Coordinator by May 1st in order to comply with the timelines established in the Application Guide.

## 1. Mills Act Application

YES NO Has each property owner signed?

YES NO Has each signature been notarized?

## 2. High Property Value Exemption Form & Historic Structure Report (if applicable)

Required for Residential properties with an assessed value over \$3,000,000 and Commercial/Industrial properties with an assessed value over \$5,000,000.

YES NO Have you included a separate sheet of paper adequately justifying how the property meets the following exemption criteria and why it should be exempt from the property tax valuations?

YES NO Have you included a copy of the Historic Structure Report completed by a qualified consultant?

## **NEW!** 3. Priority Consideration Criteria Checklist

YES NO Have you included a separate sheet of paper adequately justifying how the property meets three or more priority consideration criteria?

## 4. Draft Mills Act Historical Property Contract

YES NO Are you using the Planning Department’s standard “Historical Property Contract?”

YES NO Have all owners signed and dated the contract?

YES NO Have all signatures been notarized?

## 5. Notary Acknowledgement Form

YES NO Is the Acknowledgement Form complete?

YES NO Do the signatures match the names and capacities of signers?

## 6. Draft Rehabilitation/Restoration and Draft Maintenance Plans

YES NO Have you identified and completed the Rehabilitation/Restoration, and Maintenance Plans organized by contract year, including all supporting documentation, such as photographs and contractor’s estimates related to the scopes of work?

## 7. Photographic Documentation

YES NO Have you provided both interior and exterior images (either digitally or on a CD)? Are the images properly labeled?

## 8. Site Plan

YES NO Does your site plan show all buildings on the property including lot boundary lines, street name(s), north arrow and dimensions?

## 9. Tax Bill

YES NO Did you include a copy of your most recent tax bill?

## 10. Rental Income Information

YES NO Did you include information regarding any rental income on the property, including anticipated annual expenses, such as utilities, garage, insurance, building maintenance, etc.?

## 11. Application Fee Payment

YES NO Did you include a check payable to the San Francisco Planning Department? The current fee schedule for applications can be found on the Planning Department website.



# MILLS ACT HISTORICAL PROPERTY CONTRACT

## SUPPLEMENTAL APPLICATION

*Note: Applications must be submitted in both hard copy and digital copy form to the Planning Department at 1650 Mission St., Suite 400 by May 1 in order to comply with the timelines established in the Application Guide. Please submit only the Application and required documents.*

### Property Information

Project Address:

Block/Lot(s):

Is the entire property owner-occupied?

Yes No

If **NO**, please provide an approximate square footage for owner-occupied areas vs. rental income (non-owner-occupied areas). Attach a separate sheet of paper if necessary.

### Rental Income Information

Include information regarding any rental income on the property, including anticipated annual expenses, such as utilities, garage, insurance, building maintenance, etc.? Attach a separate sheet of paper if necessary.

### Property Owner's Information (If more than three owners attach additional sheets as necessary. Property owner names must be listed exactly as listed on the deed)

Name (Owner 1):

Company/Organization:

Address:

Email Address:

Telephone:

Name (Owner 2):

Company/Organization:

Address:

Email Address:

Telephone:

Name (Owner 3):

Company/Organization:

Address:

Email Address:

Telephone:

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Do you own other property in the City and County of San Francisco?

Yes    No

If **YES**, please list the addresses and Block/Lot(s) for all other property owned within the City of San Francisco.

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**Applicant Information**    Same as above

Name:

Company/Organization:

Address:

Email Address:

Telephone:

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**Please Select Billing Contact**    Owner    Applicant    Other (see below for details)

Name:

Email Address:

Telephone:

Please Select Primary Project Contact:    Owner    Applicant    Other (see below for details)

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**Qualified Historic Property**

Individually Designated Pursuant to Article 10 of the Planning Code.

Landmark No.: \_\_\_\_ Landmark Name: \_\_\_\_\_

Contributing Building in a Landmark District Designated Pursuant to Article 10 of the Planning Code.

Landmark District Name: \_\_\_\_\_

Significant (Category I or II) Pursuant to Article 11 of the Planning Code.

Contributory (Category IV) to a Conservation District Pursuant to Article 11 of the Planning Code.

Contributory (Category III) Pursuant to Article 11 of the Planning Code

Individual Landmark under the California Register of Historical Resources

Contributory Building in California Register of Historical Resources Historic Districts.

Individual Landmark listed in the National Register of Historic Places.

Contributory Building listed in the National Register of Historic Places as a Historic District.

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Are there any outstanding violations on the property from the San Francisco Planning Department or the Department of Building Inspection? If **YES**, all outstanding violations must be abated and closed for eligibility for the Mills Act.

Yes    No

Are taxes on all property owned within the City and County of San Francisco paid to date? If **NO**, all property taxes must be paid for eligibility for the Mills Act.

Yes    No

**NOTE:** All property owners are required to include a copy of their most recent property tax bill.



## Tax Assessment Value

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Most Recent Assessed Value: \$

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Choose one of the following options:

The property is a Residential Building valued at less than \$3,000,000

Yes    No

The property is a Commercial/Industrial Building valued at less than \$5,000,000

Yes    No

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## Exemption from Tax Assessment Value

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If the property value exceeds the Tax Assessment Value, please explain how the property meets the following two criteria and why it should be exempt from the Tax Assessment Value.

1. The site, building, or object, or structure is a particularly significant resource and represents an exceptional example of an architectural style, the work of a master, or is associated with the lives of significant persons or events important to local or natural history;
2. Granting the exemption will assist in the preservation of a site, building, or object, or structure that would otherwise be in danger of demolition, substantial alteration, or disrepair.

**NOTE:** A Historic Structures Report, completed by a qualified historic preservation consultant, must be submitted in order to apply for an exemption from the tax assessment value.

Property owner will ensure that a portion of the Mills Act tax savings will be used to finance the preservation, rehabilitation, and maintenance of the property.

Yes    No

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## **NEW!** Priority Consideration Criteria

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Please check the appropriate criteria as they apply to your property and explain how the property meets the stated Priority Consideration Criteria. Only properties qualifying in three of the five categories are given priority consideration.

**Necessity:** The project will require a financial incentive to help ensure the preservation of the property. This criterion will establish that the property is in danger of deterioration and in need of substantial rehabilitation and restoration that has significant associated costs. Properties with previous violations for deferred maintenance will not meet this criterion.

**Investment:** The project will result in additional private investment in the property other than for routine maintenance. This may include seismic retrofitting and substantial rehabilitation and restoration work. This criterion will establish that the owner is committed to investing in the restoration, rehabilitation and maintenance the property.

**Distinctiveness:** The project preserves a distinctive example of a property that is especially deserving of a contract due to its exceptional nature.

**Recently Designated City Landmarks:** properties that have been recently designated landmarks will be given priority consideration. Properties that show a demonstrated need for repairs, restoration, seismic upgrades, accessibility, and other life-safety upgrades, but that are not designated at the local level, may apply for a Mills Act contract concurrent with local designation as a Landmark under Article 10 of the Planning Code or a Significant or Contributory Building under Article 11 of the Planning Code. Local designation status remains with the property after the contract expires. Buildings applying for concurrent local designation must demonstrate in a Historic Structure Report or Conditions Assessment the need for a Mills Act Contract.

**Legacy Business:** The project will preserve a property at which a business included in the Legacy Business Registry is located. This criterion will establish that the owner is committed to preserving the property, including physical features that define the existing Legacy Business.

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## Photographic Documentation

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Provide both interior and exterior images (either on separate sheets of paper or digitally) and label the images properly.

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## Site Plan

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On a separate sheet of paper, show all buildings on the property including lot boundary lines, street name(s), north arrow and dimensions on a site plan on a separate sheet of paper.

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## Rehabilitation/Restoration & Maintenance Plans

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A 10 Year Rehabilitation/Restoration Plan has been submitted detailing work to be performed on the subject property

Yes    No

A 10 Year Maintenance Plan has been submitted detailing work to be performed on the subject property

Yes    No

Proposed work will meet the *Secretary of the Interior's Standards for the Treatment of Historic Properties*, the California Historic Building Code and all applicable Codes and Guidelines, including the Planning Code and Building Code.

Yes    No

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## Rehabilitation/Restoration Plan (Exhibit A)

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Use this form to outline your Rehabilitation/Restoration Plan. Copy this page as necessary to include all rehabilitation and restoration scopes of work that you propose to complete within the next ten years. Arrange all scopes of work in order of priority.

#1 (Provide a scope number)

Building Feature:

Contract Year for Work Completion:

Total Cost (rounded to nearest dollar):

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## **Maintenance Plan (Exhibit B)**

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Use this form to outline your Maintenance Plan. Copy this page as necessary to include all maintenance scopes of work that you propose to complete within the next ten years. Arrange all scopes of work in order of priority.

#1 (Provide a scope number)

Building Feature:

Contract Year for Work Completion:

Total Cost (rounded to nearest dollar):

## Signature and Notary Acknowledgement Form

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

\_\_\_\_\_  
Name (Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

## Public Information Release

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Please read the following statements and check each to indicate that you agree with the statement. Then sign below in the space provided.

I understand that submitted documents will become public records under the California Public Records Act, and that these documents will be made available upon request to members of the public for inspection and copying.

I acknowledge that all photographs and images submitted as part of the application may be used by the City without compensation.

\_\_\_\_\_  
Name (Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

## Public Information Release

---

Please read the following statements and check each to indicate that you agree with the statement. Then sign below in the space provided.

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---

Name (Print)

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Date

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Signature

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