SAN FRANCISCO
PLANNING
DEPARTMENT

APPLICATION PACKET FOR

Mills Act Historical Property Contract

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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.

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, established in 1976, provides for a property tax reduction for owners of qualifying historic properties who agree to comply with certain preservation restrictions and use the property tax savings to help offset the costs to restore, rehabilitate, and maintain their historic resource according to the *Secretary of the Interior's Standards and the California Historical Building Code*. 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 property owners who are actively rehabilitating their properties or have recently completed a rehabilitation project compliant with the *Secretary of the Interior's Treatment of Historic Properties*, in particular the Standards for Rehabilitation, and the California Historical Building Code. Recently completed projects shall mean completed in the year prior to the application. Eligibility for Historical Property Contracts shall be limited to buildings or structures with a pre-contract assessed valuation of $3,000,000 or less for residential buildings, and $5,000,000 or less for commercial or industrial buildings, unless the individual property is granted an exemption from those limits by the Board of Supervisors.

Applicants who enter into a contract with San Francisco and fail to rehabilitate or maintain the property are subject to the City cancelling the contract and the Assessor collecting the 12.5 percent of current fair market value penalty against the property. All property owners must enter into the contract. The attached application has three separate entries for property owners if there are multiple. Please attach additional sheets if necessary.

Timeline for Mills Act Application Process

		YEAR												YEAR											
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Planning Department	Application submittal to the Plannning Department	Deadline: May 1																							
	Pre-Contract Inspections						June 1 through September 30																		
	Planning Department Review						June 1 through September 30																		
Assessor Recorder	Assessor-Recorder's Office Review						June 1 through August 31																		
	Preliminary estimated provided to Historic Preservation Commission, Land Use Committee, Board of Supervisors						June 1 through August 31																		
	City Approval Process: Including Historic Preservation Commission, Land Use Committee, Board of Supervisors hearings									September 1 through December 31															
Mills Act Contract Approval	Mills Act Contract approved Must be approved by December 31 to meet ensuing lien date																								
	Lien Date: January 1 The next lien date would be the following year: January 1																								
	Contract is recorded and Assessor is notified no later than January 31																								
	Assessor-Recorders Office Reappraisal period Final Value Determined														February 1 through April 30										
	Reassessed Property Tax Bill mailed in late October																								

APPLICATION FOR

Mills Act Historical Property Contract

1. Owner/Applicant Information

PROPERTY OWNER 1 NAME:	TELEPHONE:
	( )
PROPERTY OWNER 1 ADDRESS:	EMAIL:

PROPERTY OWNER 2 NAME:	TELEPHONE:
	( )
PROPERTY OWNER 2 ADDRESS:	EMAIL:

PROPERTY OWNER 3 NAME:	TELEPHONE:
	( )
PROPERTY OWNER 3 ADDRESS:	EMAIL:

2. Subject Property Information

PROPERTY ADDRESS:	ZIP CODE:
PROPERTY PURCHASE DATE:	ASSESSOR BLOCK/LOT(S):
MOST RECENT ASSESSED VALUE:	ZONING DISTRICT:

Are taxes on all property owned within the City and County of San Francisco paid to date?	YES ☐	NO ☐
Do you own other property in the City and County of San Francisco? *If Yes, please list the addresses for all other property owned within the City of San Francisco on a separate sheet.*	YES ☐	NO ☐
Property is designated as a City Landmark under Article 10 of the Planning Code	YES ☐	NO ☐
Are there any outstanding enforcement cases on the property from the San Francisco Planning Department or the Department of Building Inspection?	YES ☐	NO ☐

I/we am/are the present owner(s) of the property described above and hereby apply for an historical property contract.

Owner Signature: _____ Date: _____

Owner Signature: _____ Date: _____

Owner Signature: _____ Date: _____

3. Program Priority Criteria

The following criteria are used to rank applications. Please check the appropriate categories as they apply to your building. Use a separate sheet to explain why your building should be considered a priority when awarding a Mills Act Historical Property Contract. Buildings that qualify in three of the five categories are given priority consideration.

1. Property meets one of the six criteria for a qualified historic property:

Property is individually listed in the National Register of Historic Places	YES ☐	NO ☐
Property is listed as a contributor to an historic district included on the National Register of Historic Places	YES ☐	NO ☐
Property is designated as a City Landmark under Article 10 of the Planning Code	YES ☐	NO ☐
Property is designated as a contributory building to an historic district designated under Article 10 of the Planning Code	YES ☐	NO ☐
Property is designated as a Category I or II (significant) to a conservation district under Article 11 of the Planning Code	YES ☐	NO ☐
Property is designated as a Category III or IV (contributory) to a conservation district under Article 11 of the Planning Code	YES ☐	NO ☐

2. Property falls under the following Property Tax Value Assessments:

Residential Buildings: $3,000,000	YES ☐	NO ☐
Commercial, Industrial or Mixed Use Buildings: $5,000,000	YES ☐	NO ☐

**If property value exceeds these values please complete Part 4: Application of Exemption*

3. Rehabilitation/Restoration/Maintenance Plan:

A 10 Year Rehabilitation/Restoration/Maintenance Plan will be submitted detailing work to be performed on the subject property	YES ☐	NO ☐

4. Required Standards:

Proposed work will meet the *Secretary of the Interior's Standards for the Treatment of Historic Properties* and/or the California Historic Building Code.	YES ☐	NO ☐

**Detail how the proposed work meets the Secretary of Interior Standards on a separate sheet or include as part of Rehabilitation/Restoration/Maintenance Plan.*

5. Mills Act Tax Savings:

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 ☐

4. Application for Exemption from Property Tax Valuation

If answered "no" to either question under No. 2 "Property fall under the following Property Tax Value Assessments" in the Program Priority Criteria Checklist, on a separate sheet of paper, explain how the property meets the following criteria and should be exempt from the property tax valuations. Also attach a copy of the most recent property tax bill.

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; or

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. (A historic structures report by a qualified consultant must be submitted to demonstrate meeting this requirement).

NAMES:
TAX ASSESSED VALUE:
PROPERTY ADDRESS:

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.

Owner Signature: _____ Date: _____

Owner Signature: _____ Date: _____

Owner Signature: _____ Date: _____

Planning Department Staff Evaluation

THIS SECTION TO BE COMPLETED EXCLUSIVELY BY PLANNING DEPARTMENT STAFF

Exceptional Structure?	YES ☐	NO ☐	Percent above value limit: _____
Specific threat to resource?	YES ☐	NO ☐	No. of criteria satisfied: _____
Complete HSR submitted?	YES ☐	NO ☐	Planner's Initial: _____

5. Draft Mills Act Historical Agreement

Please use the Planning Department's standard form "Historical Property Contract" located on the Planning Department's Forms page at www.sfplanning.org. Any modifications to the City's standard form contract made by the applicant or the submittal of an independently prepared contract shall be subject to approval by the City Attorney prior to consideration by the Historic Preservation Commission and the Board of Supervisors and may result in additional processing time.

6. Rehabilitation/Restoration/Maintenance Plan

Use this form to outline your rehabilitation, restoration, and maintenance plan. Copy this page as necessary to include all items that apply to your property. Begin by listing recently completed work (if applicable) and continue with work you propose to complete within the next ten years arranging in order of priority.

Please note that *all applicable Codes and Guidelines apply to all work*, including the Planning Code and Building Code. If components of the proposed Plan requires approvals by the Historic Preservation Commission, Planning Commission, Zoning Administrator, or any other government body, these *approvals must be secured prior to applying for a Mills Act Historical Property Contract*.

This plan will be included along with any other supporting documents as part of the Mills Act historical Property contract.

Draft Rehabilitation/Restoration/Maintenance Scope

BUILDING FEATURE:

Rehab/Restoration ☐ Maintenance ☐ Completed ☐ Proposed ☐

CONTRACT YEAR WORK COMPLETION:

TOTAL COST (rounded to nearest dollar):

DESCRIPTION OF WORK:

BUILDING FEATURE:

Rehab/Restoration ☐ Maintenance ☐ Completed ☐ Proposed ☐

CONTRACT YEAR WORK COMPLETION:

TOTAL COST (rounded to nearest dollar):

DESCRIPTION OF WORK:

THIS SECTION TO BE COMPLETED EXCLUSIVELY BY PLANNING DEPARTMENT STAFF

Property Address:	
Block / Lot:	
Board of Supervisors Ordinance Number:	

Draft Rehabilitation/Restoration/Maintenance Scope Continued

BUILDING FEATURE:

Rehab/Restoration ☐ Maintenance ☐ Completed ☐ Proposed ☐

CONTRACT YEAR WORK COMPLETION:

TOTAL COST (rounded to nearest dollar):

DESCRIPTION OF WORK:

BUILDING FEATURE:

Rehab/Restoration ☐ Maintenance ☐ Completed ☐ Proposed ☐

CONTRACT YEAR WORK COMPLETION:

TOTAL COST (rounded to nearest dollar):

DESCRIPTION OF WORK:

BUILDING FEATURE:

Rehab/Restoration ☐ Maintenance ☐ Completed ☐ Proposed ☐

CONTRACT YEAR WORK COMPLETION:

TOTAL COST (rounded to nearest dollar):

DESCRIPTION OF WORK:

7. Notary Acknowledgment Form

The notarized signature of the majority representative owner or owners, as established by deed or contract, of the subject property or properties is required for the filing of this application. (Additional sheets may be attached.)

State of California

County of: _____

On: _____ before me, _____ ,
DATE INSERT NAME OF THE OFFICER

NOTARY PUBLIC personally appeared: _____ ,
NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) who name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
SIGNATURE

(PLACE NOTARY SEAL ABOVE)

8. Historical Property Tax Adjustment Worksheet Calculation

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. This form is a guideline only. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation.

Determine Annual Income and Annual Operating Expenses
An $120,000 potential gross income less a vacancy and collection loss of $2,400 and less $17,640 annual expenses for maintenance, repairs, insurance, and utilities yields a net annual income of $99,960. (Mortgage payments and property taxes are not considered expenses). Estimated vacancy and collection loss is based upon what is typically happening in the marketplace. It can be different for different properties (i.e. - residential properties generally have a lower vacancy and collection loss than commercial properties). The theory is that when estimating a property's value using the income approach (the approach required for Mills Act valuations) it is reasonable to assume some rent loss due to vacancy and inability to collect rents.

Determine Capitalization Rate
Add the following together to determine the Capitalization Rate:

- The Interest Component is determined by the Federal Housing Finance Board and is based on conventional mortgages. While this component will vary from year to year, the State Board of Equalization has set this at 4.75% for 2012.
- The Historical Property Risk Component of 4% (as prescribed in Sec. 439.2 of the State Revenue and Tax Code) applies to owner-occupied single-family dwellings. A 2% risk component applies to all other Properties.
- The Property Tax Component (Post-Prop. 13) of .01 times the assessment ratio of 100% (1%).
- The Amortization Component is a percentage equal to the reciprocal of the remaining life of the structure and is set at the discretion of the County Assessor for each individual property. In this example the remaining life of the building is 60 years and the improvements represent 45% of the total property value. The amortization component is calculated thus: 1/60 = .0167 x .45 = .0075.

Calculate New Assessed Value and Estimated Tax Reduction
The new assessed value is determined by dividing the annual net income ($99,960) by the capitalization rate .1067 (10.67%) to arrive at the new assessed value of $936,832.

Lastly, determine the amount of taxes to be paid by taking the current tax rate of 1.167 (1%) of the assessed value $26,652. Compare this with the current property tax rate for land and improvements only (be sure not to include voter indebtedness, direct assessments, tax rate areas and special districts items on your tax bill).

In this example, the annual property taxes have been reduced by $15,719 ($26,652 – $10,933), an approximately 40% property tax reduction.

EXAMPLE:

Simple Property Tax Calculation
Current Assessed Value = $2,283,810
Current Tax Rate = X 1.167%
Current Property Taxes = @26,652

Assessment Using Mills Act Valuation Methodology

Potential Annual Gross Income Using Market Rent ($10,000 per month X 12 months)	$120,000
Estimated Vacancy and Collection Loss of 2%	($2,400)
Effective Gross Income	$117,600
Less Operating Expenses (i.e. utilities, insurance, maintenance, management)	($17,640)
Net Income	$99,960
Restricted Capitalization Rate	10.67%
Historical Property Value	$936,832
Current Tax Rate	X 1.167%
New Tax Calculation	$10,933
Property Tax Savings	**$15,719**

9. Historical Property Tax Adjustment Worksheet Guide

PROPERTY ADDRESS: _____

PROPERTY DESCRIPTION: _____

OWNER OCCUPIED: YES ☐ NO ☐

STEP 1: Determine Annual Income of Property

ANNUAL PROPERTY INCOME	CURRENT	EXPLANATION
1. Monthly Rental Income	$	For owner-occupied properties estimate a monthly rental income. Include all potential sources of income (filming, advertising, photo shoots, billboard rentals, etc.)
2. Annual Rental Income	$	Multiply Line 1 by 12
3. Deduction for Vacancy	$	5% (subtract %5 from line 2)

STEP 2: Calculate Annual Operating Expenses

ANNUAL OPERATING EXPENSES	CURRENT	EXPLANATION
4. Insurance	$	Fire, Liability, etc.
5. Utilities	$	Water, Gas, Electric, etc
6. Maintenance*	$	Maintenance includes: Painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, structural repairs, security, and property management.
7. Management*	$	
8. Other Operating Expenses	$	Security, services, etc. Provide breakdown on separate sheet.
9. **Total Expenses†**	$	Add Lines 4 through 8

* If calculating for commercial property, provide the following back-up documentation where applicable:
- Rent Roll (include rent for on-site manager's unit as income if applicable)
- Maintenance Records (provide detailed break-down; all costs should be recurring annually)
- Management Expenses (include expense of on-site manager's unit and 5% off-site management fee; and describe other management costs. Provide breakdown on separate sheet.)

† Annual operating expenses do not include mortgage payments, property taxes, depletion charges, corporate income taxes or interest on funds invested in the property.

STEP 3: Determine Annual Net Income

NET OPERATING INCOME	CURRENT	EXPLANATION
9. **Net Operating Income**	$	Line 3 minus Line 9

STEP 4: Determine Capitalization Rate

CAPITALIZATION RATE	CURRENT	EXPLANATION
10. Interest Component	6.50%	As determined by the State Board of Equalization for 2009/2010
11. Historic Property Risk Component		Single-family home = 4% All other property = 2%
12. Property Tax Component	1%	.01 times the assessment ratio of 100%
13. Amortization Component (Reciprocal of life of property)		If the life of the improvements is 20 years Use 100% x 1/20 = 5%
14. Capitalization Rate		Add Lines 10 through 13

STEP 5: Calculate New Assessed Value

NEW ASSESSED VALUE	CURRENT	EXPLANATION
15. **Mills Act Assessed Value**	$	Line 9 divided by Line 14

STEP 6: Determine Estimated Tax Reduction

NEW TAX ASSESSMENT	CURRENT	EXPLANATION
16. Current Tax (Exclude voter indebtedness, direct assessments, tax rate areas and special districts)	$	General tax levy only – do not include voted indebtedness or other direct assessments
17. Tax under Mills Act	$	Line 15 x .01
18. **Estimated Tax Reduction**	$	Line 16 minus Line 17

The Assessor Recorder's Office may request additional information. A timely response is required to maintain hearing and review schedules.

Application Checklist to be Submitted with all Materials

Utilize this list to ensure a complete application package is submitted.

1	**Historical Property Contract Application** Have all owners signed and dated the application?	YES ☐ NO ☐
2	**Priority Consideration Criteria Worksheet** Have three priorities been checked and adequately justified?	YES ☐ NO ☐
3	**Exemption Form & Historic Structure Report** Required for Residential properties with an assessed value over $3,000,000 and Commercial/Industrial properties with an assessed value over $5,000,000 Have you included a copy of the Historic Structures Report completed by a qualified consultant?	YES ☐ NO ☐
4	**Draft Mills Act Historical Property Agreement** Are you using the Planning Department's standard form "Historical Property Contract?" Have all owners signed and dated the contract? Have all signatures been notarized?	YES ☐ NO ☐
5	**Notary Acknowledgement Form** Is the Acknowledgement Form complete? Do the signatures match the names and capacities of signers?	YES ☐ NO ☐
6	**Draft Rehabilitation/Restoration/Maintenance Plan** Have you identified and completed the Rehabilitation, Restoration, and Maintenance Plan organized by contract year and including all supporting documentation related to the scopes of work?	YES ☐ NO ☐
7	**Historical Property Tax Adjustment Worksheet** Did you provide back-up documentation (*for commercial property only*)?	YES ☐ NO ☐
8	**Photographic Documentation** Have you provided both interior and exterior images? Are the images properly labeled?	YES ☐ NO ☐
9	**Site Plan** Does your site plan show all buildings on the property including lot boundary lines, street name(s), north arrow and dimensions?	YES ☐ NO ☐
10	**Tax Bill** Did you include a copy of your most recent tax bill?	YES ☐ NO ☐
11	**Payment** Did you include a check payable to the San Francisco Planning Department?	YES ☐ NO ☐

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FOR MORE INFORMATION:
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Planning staff are available by phone and at the PIC counter.
No appointment is necessary.