



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.

For questions, you can call the Planning counter at 628.652.7300 or email pic@sfgov.org where planners are able to assist you.

Español: Si desea ayuda sobre cómo llenar esta solicitud en español, por favor llame al 628.652.7550. 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628.652.7550。請注意, 規劃部門需要至少一個工作日來回應。

Filipino: Kung gusto mo ng tulong sa pagkumpleto ng application na ito sa Filipino, paki tawagan ang 628.652.7550. Paki tandaan na mangangailangan ang Planning Department ng hindi kukulangin sa isang araw na pantrabaho para makasagot.

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 or California 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. Incomplete applications may not meet the schedule outlined in this application.

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.

WHICH PROPERTIES ARE ELIGIBLE TO APPLY?

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

Criteria 1: Qualified Historic Property

The following are qualifying historic properties eligible for the Mills Act program.

- **Individually Designated Pursuant to Article 10 of the Planning Code.** Properties that have been designated as an individual city landmark.
- **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.
- **Properties Designated as Significant (Category I or II) Pursuant to Article 11 of the Planning Code.** Properties that have been determined to be a Category I or II, Significant Building.
- **Properties Designated as Contributory (Category III and IV) to a Conservation District Pursuant to Article 11 of the Planning Code.** Properties that have been determined to be Category III and IV.
- **Individual Landmarks under the California Register of Historical Resources.** Properties that have been officially designated as a California Register individual landmark.
- **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.
- **Individual Landmarks listed in the National Register of Historic Places.** Properties that have been individually listed in the National Register.
- **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.

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.

To be considered a qualifying historic property, the property owner must submit a complete application for listing or designation on or before December 31 of the year before the Mills Act application is made.

If there are any questions about whether your property is eligible, please contact the Planning Department at **CPC.MillsActInfo@sfgov.org**.

Criteria 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.

Criteria 3. Priority Considerations

All applications are reviewed on the merits of the Priority Consideration Criteria. An application must meet at least one criterion to be given priority for the program and must demonstrate a need for restoration, rehabilitation and preservation. If none 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 one of the following priority consideration criteria in order to be given priority for a Mills Act Contract:

- Office to residential conversion
- Properties located in the C-3 Zoning District
- Located in a priority equity geography
- Multi-family housing
- Estimated cost of rehabilitation work exceeds \$200,000 for single family dwellings and \$500,000 for multi-unit residential, commercial, or industrial buildings.
- **Recently Designated City Landmarks:** properties that have been recently designated landmarks will be given priority consideration.
- **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.

Criteria 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 be completed within the same calendar year as the application is made. All proposed scopes of work must be completed during the initial ten-year term of the contract. Permits and entitlements for scopes of work identified within the first three years of the Rehabilitation Plan must be filed prior to or 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.

MILLS ACT TIMELINE

DECEMBER 31: Property owners submits a complete application for listing or designation as a qualified historical property before December 31 of the year before the Mills Act application is made.

JANUARY 1: Mills Act application period open. All Mills Act applications must be filed no later than May 1.

MARCH: To be given priority consideration, property owner must schedule a Project Review Meeting no later than March 15. Preservation staff will review completed DRAFT Mills Act application and offer guidance on next steps. Project Review Meeting Applications are available San Francisco Planning Department Website at www.sfplanning.org. **When completing the application, please state the purpose of the Project Review Meeting and check the box requesting the presence of Preservation Planner.**

Please note that meetings occur on a first come first basis. We recommend applying early to ensure that Preservation staff is available to meet with you prior to March 15.

APRIL: Schedule an Intake Appointment to submit your Mills Act application. Only complete submittals will be accepted! To ensure you have a complete application with all required materials, please refer to the checklist at the end of the application packet. Intake Application forms are available on the San Francisco Planning Department Website at www.sfplanning.org.

MAY 1: Mills Act applications due.

MID-MAY: Planning staff schedules site visit of property with property owner.

JUNE 1: Planning transmits applications to Office of Assessor-Recorder.

SEPTEMBER 1: Estimated valuation from the Office of Assessor-Recorder submitted to property owner.

SEPTEMBER 15: Property owner has until September 15 to review the valuation and ask the Office of Assessor-Recorder questions.

SEPTEMBER/OCTOBER:

- **Historic Preservation Commission Hearing.** Planning Department staff presents application to Historic Preservation Commission (HPC) for their review. HPC may recommend, modify, or deny approval to the Board of Supervisors (BOS).

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.

- **Government and Audit Oversight Committee Hearing.** Government and Audit Oversight (GAO) Committee may Recommend, Not Recommend, or forward without Recommendation to the Full Board.

NOVEMBER: Board of Supervisors Final Hearing. Clerk of the Board Schedules Final Board of Supervisors (BOS) hearing. BOS may approve, modify or deny the contract.

DECEMBER:

- **City Attorney's Office finalizes contracts.** City Attorney verifies, prints and signs final contracts and returns to Planning.
- **Owners pick up contracts from Planning.** Owners sign and notarize contracts.

DECEMBER 15: Owners return signed and notarized contracts to Planning

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

DECEMBER 30: Owner records contracts at Office of Assessor-Recorder

- Office of the Assessor-Recorder
City Hall, Room 190
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Recording Hours of Operation: Mon-Fri (8-4pm)
- Owner responsible for all recording fees

JANUARY: Contracts are distributed

- Original contract is mailed to the Planning Department. Owner pays for conformed copy for their records.

FEBRUARY/MARCH: Mills Act Monitoring

- Planning mails contract compliance affidavits to owners.
Onsite property inspections occur every three years with Planning and the Assessor Recorder's Office.
- Owner returns affidavits to Planning no later than March 31.

MILLS ACT PROCESS & TIMELINE

Detailed timeline information provided on previous page under "Important Dates and Milestones"

Be Prepared

- Review the Informational Packet
- Determine whether your property qualifies for the Mills Act
- Gather estimates for all proposed scopes of work

Phase 1:

Planning Department Reviews Application

- Schedule a Project Review meeting with Preservation staff by March 15.
- Property owner schedules an Intake Appointment to submit the Mills Act application (April)
- Property owner submits completed application to Planning (Deadline May 1)
- Planning Department and the Office of Assessor-Recorder schedule site visits with the Owner for a property inspection.

Phase 2:

Assessor Calculates Valuations

- Planning transmits applications to Office of Assessor-Recorder. (June 1)
- Final valuation submitted to property owners. (September 1)
- Property owner reviews valuations. (Deadline September 15)

Phase 3:

Approvals: Historic Preservation Commission (HPC) Hearing

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

Phase 4:

Approvals: Government Audit and Oversight (GAO) Committee Hearing

- GAO Committee may Recommend, Not Recommend, or forward without Recommendation to the Full Board.

Phase 5:

Approvals: Board of Supervisors (BoS) Final Hearing

- Clerk of the Board schedules Final BoS hearing according to availability on the committee agenda. The Board of Supervisors may approve, modify, or deny the contract.

Phase 6:

Final Contracts Issued and Recorded

- City Attorney verifies, prints, and signs final contracts and returns to Planning.
- Owners pick up contracts from Planning, signs and has contracts notarized.
- Owners return contracts to Planning Department. (Deadline December 15)
- Planning transmits to Office of Assessor-Recorder to review and sign contracts.
- Owner records contracts at Office of Assessor-Recorder. (Deadline December 30)

Phase 7:

Contracts are distributed

- Original contract is mailed to the Planning Department. Owner pays for conformed copy for their records.

Phase 8:

Mills Act Monitoring

- Planning mails compliance affidavits to owners; owner then returns affidavit to Planning. (Deadline March 31)

San Francisco Planning Department
49 South Van Ness Avenue, Suite 1400
San Francisco, CA 94103
628.652.7600
www.sfplanning.org

Office of Assessor Recorder
City Hall, Room 190, 8am-4pm
San Francisco, CA 94103
415.554.5596
www.sfassessor.org

TERMS AND ROLES 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.

Non-Renewal of the Contract

If in any year of the Mills Act contract should either the owner or the City 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. The Board of Supervisors will make the City's final determination that the Contract will not be renewed. The Contract will remain in effect for the balance of the period remaining since the original execution or the last renewal of the Contract, as the case may be. Thereafter, the Owner shall pay property taxes to the City without regard to any restriction imposed on the Historic Property by the Contract, and based upon the Assessor's determination of the fair market value of the Historic Property as of expiration of the Contract.

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, for the first three years of work outlined in the Rehabilitation/Restoration or Maintenance plans during the Mill Act application process. All work outlined in the Rehabilitation/Restoration and Maintenance Plans must be completed during the ten year term of the Mills Act Contract. Work completed in the same calendar year as the Mills Act application is made may be included in the Rehabilitation Plan. 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.

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.

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.

FEES

Check the current fee schedule at the San Francisco Planning Department website for Mills Act and Project Review application fees.

Mills Act Contract Recording Fee

Contract recording fees are determined by the Office of the Assessor-Recorder. Contracts must be recorded in-person by the property owner at Office of the Assessor-Recorder.

Cancellations and Refunds

Applicant may withdraw a Mills Act application at any time during the application cycle. Applicant may request a refund for any remaining fees (once staff time and materials are deducted) if the application is canceled prior to the Historic Preservation Commission Hearing.

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. **Any application found to be incomplete may nullify the timelines 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 established timelines.

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?

3. Priority Consideration Criteria Checklist

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

4. Draft Mills Act Historical Property Contract

☐ YES ☐ NO Have you reviewed the Planning Department's standard "Historical Property Contract"?

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 separate sheets of paper)? 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.

12. Eligibility

- ☐ YES ☐ NO Is your property a qualified historic property?
- ☐ YES ☐ NO If no, did you submit a complete city landmark designation application before December 31 of the previous year.

13. Project Review Meeting

- ☐ YES ☐ NO Did you attend a Project Review Meeting with Preservation Staff?

If yes, please provide date of Project Review Meeting. Date: _____



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 49 South Van Ness Avenue., Suite 1400 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:

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.

Applicant Information ☐ Same as above

Name:

Company/Organization:

Address:

Email Address:

Telephone:

Please Select Billing Contact ☐ Owner ☐ Applicant

Name:

Email Address:

Telephone:

Please Select Primary Project Contact: ☐ Owner ☐ Applicant

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 III) Pursuant to Article 11 of the Planning Code

☐ Contributory (Category IV) to a Conservation District 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.

☐ Submitted a complete application for listing or designation on or before December 31 of the year before the application is made.

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

Most Recent Assessed Value: \$

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

Exemption from Tax Assessment Value

If the property value exceeds the Tax Assessment Value, please explain below 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 or Conditions Assessment, 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

Priority Consideration Criteria

Please check the appropriate criteria as they apply to your property and explain on a separate piece of paper how the property meets the stated Priority Consideration Criteria. A property must qualify in one of the six categories to be given priority consideration.

- ☐ **Office to Residential Conversion:** The project converts underutilized office buildings into housing (typically properties eligible for the Commercial to Residential Adaptive Reuse Program).

- ☐ **The property is located in a Priority Equity Geography:** Priority Equity Geographies are areas with a higher density of vulnerable populations as defined by the San Francisco Department of Health, including but not limited to people of color, seniors, youth, people with disabilities, linguistically isolated households, and people living in poverty or unemployed. Please check [San Francisco Property Information Map](#) to determine if the property is located within a Priority Equity Geography.

- ☐ **Multi-Family Housing:** The project consists of, or promotes multi-family housing.

- ☐ **Estimated cost of rehabilitation work:** The project has an estimated cost of rehabilitation work that exceeds \$200,000 for single family dwellings and \$500,000 for multi-unit residential, commercial, or industrial buildings.

- ☐ **Recently Designated City Landmarks:** properties that have been recently designated landmarks will be given priority consideration.

- ☐ **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.

Photographic Documentation

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

Site Plan

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.

Rehabilitation/Restoration & Maintenance Plans

A 10 Year Rehabilitation/Restoration Plan, including estimates prepared by qualified contractors, 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

Rehabilitation/Restoration Plan (Exhibit A)

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.

Scope: #	Building Feature:
<input type="checkbox"/> Maintenance <input type="checkbox"/> Rehab/Restoration <input type="checkbox"/> Completed <input type="checkbox"/> Proposed	
Contract year work completion:	
Total Cost: \$	
Description of work:	

Maintenance Plan (Exhibit B)

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.

Scope: #	Building Feature:
<input type="checkbox"/> Maintenance <input type="checkbox"/> Rehab/Restoration <input type="checkbox"/> Completed <input type="checkbox"/> Proposed	
Contract year work completion: Annually	
Total Cost: \$	
Description of work:	

Signature and Notary Acknowledgement Form

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

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.

- ☐ 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

Recording Requested by, and when recorded,
send notice to:
City and County of San Francisco Planning
Department
Attn: [Planner Name]
49 South Van Ness Avenue, Suite 1400
San Francisco, CA 94103

CALIFORNIA MILLS ACT HISTORIC PROPERTY AGREEMENT

THIS AGREEMENT is entered into by and between the City and County of San Francisco, a California municipal corporation ("City") and _____ ("Owner").

RECITALS

Owner is the owner of the property located at [address], in San Francisco, California (Block 000, Lot 000). The building located at [address] is designated as a [list designation type here Historic District pursuant to Article 10 of the Planning Code, and is also known as the "Historic Property". The Historic Property is a Qualified Historic Property, as defined under California Government Code Section 50280.1.

Owner desires to execute a rehabilitation and ongoing maintenance project for the Historic Property. Owner's application calls for the rehabilitation and restoration of the Historic Property according to established preservation standards, which it estimates will cost [x] dollars (\$000.00). (See Rehabilitation Plan, Exhibit A.) Owner's application calls for the maintenance of the Historic Property according to established preservation standards, which is estimated will cost approximately [x] dollars (\$000.00) annually (See Maintenance Plan, Exhibit B).

The State of California has adopted the "Mills Act" (California Government Code Sections 50280-50290, and California Revenue & Taxation Code, Article 1.9 [Section 439 et seq.]) authorizing local governments to enter into agreements with property Owners to reduce their property taxes, or to prevent increases in their property taxes, in return for improvement to and maintenance of historic properties. The City has adopted enabling legislation, San Francisco Administrative Code Chapter 71, authorizing it to participate in the Mills Act program.

Owner desires to enter into a Mills Act Agreement (also referred to as a "Historic Property Agreement") with the City to help mitigate anticipated expenditures to restore and maintain the Historic Property. The City is willing to enter into such Agreement to mitigate these expenditures and to induce Owner to restore and maintain the Historic Property in excellent condition in the future.

NOW, THEREFORE, in consideration of the mutual obligations, covenants, and conditions contained herein, the parties hereto do agree as follows:

1. Application of Mills Act. The benefits, privileges, restrictions and obligations provided for in the Mills Act shall be applied to the Historic Property during the time that this Agreement is in effect commencing from the date of recordation of this Agreement.
2. Rehabilitation of the Historic Property. Owner shall undertake and complete the work set forth in Exhibit A ("Rehabilitation Plan") attached hereto according to certain standards and

requirements. Such standards and requirements shall include, but not be limited to: the Secretary of the Interior's Standards for the Treatment of Historic Properties ("Secretary's Standards"); the rules and regulations of the Office of Historic Preservation of the California Department of Parks and Recreation ("OHP Rules and Regulations"); the State Historical Building Code as determined applicable by the City; all applicable building safety standards; and the requirements of the Historic Preservation Commission, the Planning Commission, and the Board of Supervisors, including but not limited to any Certificates of Appropriateness approved under Planning Code Article 10. The Owner shall proceed diligently in applying for any necessary permits for the work and shall apply for such permits within no more than six (6) months after recordation of this Agreement, shall commence the work within six (6) months of receipt of necessary permits, and shall complete the work within three (3) years from the date of receipt of permits. Upon written request by the Owner, the Zoning Administrator, at his or her discretion, may grant an extension of the time periods set forth in this paragraph. Owner may apply for an extension by a letter to the Zoning Administrator, and the Zoning Administrator may grant the extension by letter without a hearing. Work shall be deemed complete when the Director of Planning determines that the Historic Property has been rehabilitated in accordance with the standards set forth in this Paragraph. Failure to timely complete the work shall result in cancellation of this Agreement as set forth in Paragraphs 12 and 13 herein.

3. Maintenance. Owner shall maintain the Historic Property during the time this Agreement is in effect in accordance with the standards for maintenance set forth in Exhibit B ("Maintenance Plan"), the Secretary's Standards; the OHP Rules and Regulations; the State Historical Building Code as determined applicable by the City; all applicable building safety standards; and the requirements of the Historic Preservation Commission, the Planning Commission, and the Board of Supervisors, including but not limited to any Certificates of Appropriateness approved under Planning Code Article 10.

4. Damage. Should the Historic Property incur damage from any cause whatsoever, which damages fifty percent (50%) or less of the Historic Property, Owner shall replace and repair the damaged area(s) of the Historic Property. For repairs that do not require a permit, Owner shall commence the repair work within thirty (30) days of incurring the damage and shall diligently prosecute the repair to completion within a reasonable period of time, as determined by the City. Where specialized services are required due to the nature of the work and the historic character of the features damaged, "commence the repair work" within the meaning of this paragraph may include contracting for repair services. For repairs that require a permit(s), Owner shall proceed diligently in applying for any necessary permits for the work and shall apply for such permits within no more than sixty (60) days after the damage has been incurred, commence the repair work within one hundred twenty (120) days of receipt of the required permit(s), and shall diligently prosecute the repair to completion within a reasonable period of time, as determined by the City. Upon written request by the Owner, the Zoning Administrator, at his or her discretion, may grant an extension of the time periods set forth in this paragraph. Owner may apply for an extension by a letter to the Zoning Administrator, and the Zoning Administrator may grant the extension by letter without a hearing. All repair work shall comply with the design and standards established for the Historic Property in Exhibits A and B attached hereto and Paragraph 3 herein. In the case of damage to twenty percent (20%) or more of the Historic Property due to a catastrophic event, such as an earthquake, or in the case of damage from any cause whatsoever that destroys more than fifty percent (50%) of the Historic Property, the City and Owner may mutually agree to terminate this Agreement. Upon such termination, Owner shall not be obligated to pay the cancellation fee set forth in Paragraph 13 of this Agreement. Upon such termination, the City shall assess the full value of the Historic Property without regard to any restriction imposed upon the Historic Property by this Agreement and Owner shall pay property taxes to the City based upon the valuation of the Historic Property as of the date of termination.

5. Insurance. Owner shall secure adequate property insurance to meet Owner's repair and replacement obligations under this Agreement and shall submit evidence of such insurance to the City upon request.

6. Inspections and Compliance Monitoring. Prior to entering into this Agreement and every five years thereafter, and upon seventy-two (72) hours advance notice, Owner shall permit any representative of the City, the Office of Historic Preservation of the California Department of Parks and Recreation, or the State Board of Equalization, to inspect of the interior and exterior of the Historic Property, to determine Owner's compliance with this Agreement. Throughout the duration of this Agreement, Owner shall provide all reasonable information and documentation about the Historic Property demonstrating compliance with this Agreement, as requested by any of the above-referenced representatives.

7. Term. This Agreement shall be effective upon the date of its recordation and shall be in effect for a term of ten years from such date ("Term"). As provided in Government Code section 50282, one year shall be added automatically to the Term, on each anniversary date of this Agreement, unless notice of nonrenewal is given as set forth in Paragraph 9 herein.

8. Valuation. Pursuant to Section 439.4 of the California Revenue and Taxation Code, as amended from time to time, this Agreement must have been signed, accepted and recorded on or before the lien date (January 1) for a fiscal year (the following July 1-June 30) for the Historic Property to be valued under the taxation provisions of the Mills Act for that fiscal year.

9. Notice of Nonrenewal. If in any year of this Agreement either the Owner or the City desire not to renew this Agreement, that party shall serve written notice on the other party in advance of the annual renewal date. Unless the Owner serves written notice to the City at least ninety (90) days prior to the date of renewal or the City serves written notice to the Owner sixty (60) days prior to the date of renewal, one year shall be automatically added to the Term of the Agreement. The Board of Supervisors shall make the City's determination that this Agreement shall not be renewed and shall send a notice of nonrenewal to the Owner. Upon receipt by the Owner of a notice of nonrenewal from the City, Owner may make a written protest. At any time prior to the renewal date, City may withdraw its notice of nonrenewal. If either party serves notice of nonrenewal of this Agreement, this Agreement shall remain in effect for the balance of the period remaining since the original execution or the last renewal of the Agreement, as the case may be. Thereafter, the Owner shall pay property taxes to the City without regard to any restriction imposed on the Historic Property by this Agreement, and based upon the Assessor's determination of the fair market value of the Historic Property as of expiration of this Agreement.

10. Payment of Fees. As provided for in Government Code Section 50281.1 and San Francisco Administrative Code Section 71.6, upon filing an application to enter into a Mills Act Agreement with the City, Owner shall pay the City the reasonable costs related to the preparation and approval of the Agreement. In addition, Owner shall pay the City for the actual costs of inspecting the Historic Property, as set forth in Paragraph 6 herein.

11. Default. An event of default under this Agreement may be any one of the following:

(a) Owner's failure to timely complete the rehabilitation work set forth in Exhibit A, in accordance with the standards set forth in Paragraph 2 herein;

(b) Owner's failure to maintain the Historic Property as set forth in Exhibit B, in accordance with the requirements of Paragraph 3 herein;

(c) Owner's failure to repair any damage to the Historic Property in a timely manner, as provided in Paragraph 4 herein;

(d) Owner's failure to allow any inspections or requests for information, as provided in Paragraph 6 herein;

(e) Owner's failure to pay any fees requested by the City as provided in Paragraph 10 herein;

(f) Owner's failure to maintain adequate insurance for the replacement cost of the Historic Property, as required by Paragraph 5 herein; or

(g) Owner's failure to comply with any other provision of this Agreement.

An event of default shall result in Cancellation of this Agreement as set forth in Paragraphs 12 and 13 herein, and payment of the Cancellation Fee and all property taxes due upon the Assessor's determination of the full value of the Historic Property as set forth in Paragraph 13 herein. In order to determine whether an event of default has occurred, the Board of Supervisors shall conduct a public hearing as set forth in Paragraph 12 herein prior to cancellation of this Agreement.

12. Cancellation. As provided for in Government Code Section 50284, City may initiate proceedings to cancel this Agreement if it makes a reasonable determination that Owner has breached any condition or covenant contained in this Agreement, has defaulted as provided in Paragraph 11 herein, or has allowed the Historic Property to deteriorate such that the safety and integrity of the Historic Property is threatened or it would no longer meet the standards for a Qualified Historic Property. In order to cancel this Agreement, City shall provide notice to the Owner and to the public and conduct a public hearing before the Board of Supervisors as provided for in Government Code Section 50285. The Board of Supervisors shall determine whether this Agreement should be cancelled.

13. Cancellation Fee. If the City cancels this Agreement as set forth in Paragraph 12 above, and as required by Government Code Section 50286, Owner shall pay a Cancellation Fee of twelve and one-half percent (12.5%) of the fair market value of the Historic Property at the time of cancellation. The City Assessor shall determine fair market value of the Historic Property without regard to any restriction imposed on the Historic Property by this Agreement. The Cancellation Fee shall be paid to the City Tax Collector at such time and in such manner as the City shall prescribe. As of the date of cancellation, the Owner shall pay property taxes to the City without regard to any restriction imposed on the Historic Property by this Agreement and based upon the Assessor's determination of the fair market value of the Historic Property as of the date of cancellation.

14. Enforcement of Agreement. In lieu of the above provision to cancel the Agreement, the City may bring an action to specifically enforce or to enjoin any breach of any condition or covenant of this Agreement. Should the City determine that the Owner has breached this Agreement, the City shall give the Owner written notice by registered or certified mail setting forth the grounds for the breach. If the Owner does not correct the breach, or do not undertake and diligently pursue corrective action to the reasonable satisfaction of the City within thirty (30) days from the date of receipt of the notice, then the City may, without further notice, initiate default procedures under this Agreement as set forth in Paragraph 12 and bring any action necessary to enforce the obligations of the Owner set forth in this Agreement. The City does not waive any claim of default by the Owner if it does not enforce or cancel this Agreement.

15. Indemnification. The Owner shall indemnify, defend, and hold harmless the City and all of its boards, commissions, departments, agencies, agents and employees (individually and collectively, the "City") from and against any and all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses incurred in connection with or arising in whole or in part from: (a) any accident, injury to or death of a person, loss of or damage to property occurring in or about the Historic Property; (b) the use or occupancy of the Historic Property by the Owner, their Agents or Invitees; (c) the condition of the Historic Property; (d)

any construction or other work undertaken by Owner on the Historic Property; or (e) any claims by unit or interval Owner for property tax reductions in excess those provided for under this Agreement. This indemnification shall include, without limitation, reasonable fees for attorneys, consultants, and experts and related costs that may be incurred by the City and all indemnified parties specified in this Paragraph and the City's cost of investigating any claim. In addition to Owner's obligation to indemnify City, Owner specifically acknowledges and agrees that they have an immediate and independent obligation to defend City from any claim that actually or potentially falls within this indemnification provision, even if the allegations are or may be groundless, false, or fraudulent, which obligation arises at the time such claim is tendered to Owner by City, and continues at all times thereafter. The Owner's obligations under this Paragraph shall survive termination of this Agreement.

16. Eminent Domain. In the event that a public agency acquires the Historic Property in whole or part by eminent domain or other similar action, this Agreement shall be cancelled and no cancellation fee imposed as provided by Government Code Section 50288.

17. Binding on Successors and Assigns. The covenants, benefits, restrictions, and obligations contained in this Agreement shall run with the land and shall be binding upon and inure to the benefit of all successors in interest and assigns of the Owner. Successors in interest and assigns shall have the same rights and obligations under this Agreement as the original Owner who entered into the Agreement.

18. Legal Fees. In the event that either the City or the Owner fails to perform any of their obligations under this Agreement or in the event a dispute arises concerning the meaning or interpretation of any provision of this Agreement, the prevailing party may recover all costs and expenses incurred in enforcing or establishing its rights hereunder, including reasonable attorneys' fees, in addition to court costs and any other relief ordered by a court of competent jurisdiction. Reasonable attorneys' fees of the City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

19. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

20. Recordation. Within 20 days from the date of execution of this Agreement, the parties shall cause this Agreement to be recorded with the Office of the Recorder of the City and County of San Francisco. From and after the time of the recordation, this recorded Agreement shall impart notice to all persons of the parties' rights and obligations under the Agreement, as is afforded by the recording laws of this state.

21. Amendments. This Agreement may be amended in whole or in part only by a written recorded instrument executed by the parties hereto in the same manner as this Agreement.

22. No Implied Waiver. No failure by the City to insist on the strict performance of any obligation of the Owner under this Agreement or to exercise any right, power, or remedy arising out of a breach hereof shall constitute a waiver of such breach or of the City's right to demand strict compliance with any terms of this Agreement.

23. Authority. If the Owner signs as a corporation or a partnership, each of the persons executing this Agreement on behalf of the Owner does hereby covenant and warrant that such entity is a duly authorized and existing entity, that such entity has and is qualified to do business in California, that the Owner has full right and authority to enter into this Agreement, and that each and all of the persons signing on behalf of the Owner is authorized to do so.

24. Severability. If any provision of this Agreement is determined to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each other provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

25. Tropical Hardwood Ban. The City urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

26. Charter Provisions. This Agreement is governed by and subject to the provisions of the Charter of the City.

27. Signatures. This Agreement may be signed and dated in parts

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as follows:

CITY AND COUNTY OF SAN FRANCISCO:

By: _____
_____, Assessor-Recorder

DATE: _____

By: _____
_____, Director of Planning

DATE: _____

APPROVED AS TO FORM:
DENNIS J. HERRERA
CITY ATTORNEY

By: _____
_____, City Attorney

DATE: _____

OWNERS

By: _____
_____, Owner

DATE: _____

OWNER(S)' SIGNATURE(S) MUST BE NOTARIZED.
ATTACH PUBLIC NOTARY FORMS HERE.

PRELIMINARY CHANGE OF OWNERSHIP REPORT

To be completed by the transferee (buyer) prior to a transfer of subject property, in accordance with section 480.3 of the Revenue and Taxation Code. A *Preliminary Change of Ownership Report* must be filed with each conveyance in the County Recorder's office for the county where the property is located.



Carmen Chu, Assessor-Recorder
Office of the Assessor-Recorder
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 19C
San Francisco, CA 94102
www.sfassessor.org (415) 554-5596

FOR ASSESSOR'S USE ONLY

<p>ASSESSOR'S PARCEL NUMBER _____</p> <p>SELLER/TRANSFEROR _____</p> <p>BUYER'S DAYTIME TELEPHONE NUMBER () _____</p> <p>BUYER'S EMAIL ADDRESS _____</p>	<p>STREET ADDRESS OR PHYSICAL LOCATION OF REAL PROPERTY _____</p> <p>MAIL PROPERTY TAX INFORMATION TO (NAME) _____</p>
---	--

ADDRESS _____		CITY _____	STATE _____	ZIP CODE _____						
<input type="checkbox"/> YES	<input type="checkbox"/> NO	This property is intended as my principal residence. If YES, please indicate the date of occupancy or intended occupancy.		<table border="1"> <tr> <td>MO</td> <td>DAY</td> <td>YEAR</td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </table>	MO	DAY	YEAR			
MO	DAY	YEAR								

PART 1. TRANSFER INFORMATION *Please complete all statements.*

This section contains possible exclusions from reassessment for certain types of transfers.

YES NO

- ☐ ☐ A. This transfer is solely between spouses (*addition or removal of a spouse, death of a spouse, divorce settlement, etc.*).
- ☐ ☐ B. This transfer is solely between domestic partners currently registered with the California Secretary of State (*addition or removal of a partner, death of a partner, termination settlement, etc.*).
- ☐ ☐ *C. This is a transfer: ☐ between parent(s) and child(ren) ☐ from grandparent(s) to grandchild(ren).
- ☐ ☐ *D. This transfer is the result of a cotenant's death. Date of death _____
- ☐ ☐ *E. This transaction is to replace a principal residence by a person 55 years of age or older.
Within the same county? ☐ YES ☐ NO
- ☐ ☐ *F. This transaction is to replace a principal residence by a person who is severely disabled as defined by Revenue and Taxation Code section 69.5. Within the same county? ☐ YES ☐ NO
- ☐ ☐ G. This transaction is only a correction of the name(s) of the person(s) holding title to the property (*e.g., a name change upon marriage*).
If YES, please explain: _____
- ☐ ☐ H. The recorded document creates, terminates, or reconveys a lender's interest in the property.
- ☐ ☐ I. This transaction is recorded only as a requirement for financing purposes or to create, terminate, or reconvey a security interest (*e.g., cosigner*). If YES, please explain: _____
- ☐ ☐ J. The recorded document substitutes a trustee of a trust, mortgage, or other similar document.
- ☐ ☐ K. This is a transfer of property:
- ☐ ☐ 1. to/from a revocable trust that may be revoked by the transferor and is for the benefit of
☐ the transferor, and/or ☐ the transferor's spouse ☐ registered domestic partner.
- ☐ ☐ 2. to/from a trust that may be revoked by the creator/grantor/trustor who is also a joint tenant, and which names the other joint tenant(s) as beneficiaries when the creator/grantor/trustor dies.
- ☐ ☐ 3. to/from an irrevocable trust for the benefit of the
☐ creator/grantor/trustor and/or ☐ grantor's/trustor's spouse ☐ grantor's/trustor's registered domestic partner.
- ☐ ☐ L. This property is subject to a lease with a remaining lease term of 35 years or more including written options.
- ☐ ☐ M. This is a transfer between parties in which proportional interests of the transferor(s) and transferee(s) in each and every parcel being transferred remain exactly the same after the transfer.
- ☐ ☐ N. This is a transfer subject to subsidized low-income housing requirements with governmentally imposed restrictions.
- ☐ ☐ *O. This transfer is to the first purchaser of a new building containing an active solar energy system.

* Please refer to the instructions for Part 1.

Please provide any other information that will help the Assessor understand the nature of the transfer.

ADDITIONAL INFORMATION

Please answer all questions in each section, and sign and complete the certification before filing. This form may be used in all 58 California counties. If a document evidencing a change in ownership is presented to the Recorder for recordation without the concurrent filing of a *Preliminary Change of Ownership Report*, the Recorder may charge an additional recording fee of twenty dollars (\$20).

NOTICE: The property which you acquired may be subject to a supplemental assessment in an amount to be determined by the County Assessor. Supplemental assessments are not paid by the title or escrow company at close of escrow, and are not included in lender impound accounts. **You may be responsible for the current or upcoming property taxes even if you do not receive the tax bill.**

NAME AND MAILING ADDRESS OF BUYER: Please make necessary corrections to the printed name and mailing address. Enter Assessor's Parcel Number, name of seller, buyer's daytime telephone number, buyer's email address, and street address or physical location of the real property.

NOTE: Your telephone number and/or email address is very important. If there is a question or a problem, the Assessor needs to be able to contact you.

MAIL PROPERTY TAX INFORMATION TO: Enter the name, address, city, state, and zip code where property tax information should be mailed. This must be a valid mailing address.

PRINCIPAL RESIDENCE: To help you determine your principal residence, consider (1) where you are registered to vote, (2) the home address on your automobile registration, and (3) where you normally return after work. If after considering these criteria you are still uncertain, choose the place at which you have spent the major portion of your time this year. Check YES if the property is intended as your principal residence, and indicate the date of occupancy or intended occupancy.

PART 1: TRANSFER INFORMATION

If you check YES to any of these statements, the Assessor may ask for supporting documentation.

C,D,E, F: If you checked YES to any of these statements, you may qualify for a property tax reassessment exclusion, which may allow you to maintain your property's previous tax base. **A claim form must be filed and all requirements met in order to obtain any of these exclusions.** Contact the Assessor for claim forms. **NOTE:** If you give someone money or property during your life, you may be subject to federal gift tax. You make a gift if you give property (including money), the use of property, or the right to receive income from property without expecting to receive something of at least equal value in return. The transferor (donor) may be required to file Form 709, Federal Gift Tax Return, with the Internal Revenue Service if they make gifts in excess of the annual exclusion amount.

G: Check YES if the reason for recording is to correct a name already on title [e.g., Mary Jones, who acquired title as Mary J. Smith, is granting to Mary Jones]. This is not for use when a name is being removed from title.

H: Check YES if the change involves a lender, who holds title for security purposes on a loan, and who has no other beneficial interest in the property.

"Beneficial interest" is the right to enjoy all the benefits of property ownership. Those benefits include the right to use, sell, mortgage, or lease the property to another. A beneficial interest can be held by the beneficiary of a trust, while legal control of the trust is held by the trustee.

I: A **"cosigner"** is a third party to a mortgage/loan who provides a guarantee that a loan will be repaid. The cosigner signs an agreement with the lender stating that if the borrower fails to repay the loan, the cosigner will assume legal liability for it.

M: This is primarily for use when the transfer is into, out of, or between legal entities such as partnerships, corporations, or limited liability companies. Check YES only if the interest held in each and every parcel being transferred remains exactly the same.

N: Check YES only if property is subject to subsidized low-income housing requirements with governmentally imposed restrictions; property may qualify for a restricted valuation method (i.e., may result in lower taxes).

O: If you checked YES, you may qualify for a new construction property tax exclusion. **A claim form must be filed and all requirements met in order to obtain the exclusion. Contact the Assessor for a claim form.**

PART 2: OTHER TRANSFER INFORMATION

A: The date of recording is rebuttably presumed to be the date of transfer. If you believe the date of transfer was a different date (e.g., the transfer was by an unrecorded contract, or a lease identifies a specific start date), put the date you believe is the correct transfer date. If it is not the date of recording, the Assessor may ask you for supporting documentation.

B: Check the box that corresponds to the type of transfer. If OTHER is checked, please provide a detailed description. Attach a separate sheet if necessary.

PART 3: PURCHASE PRICE AND TERMS OF SALE

It is important to complete this section completely and accurately. The reported purchase price and terms of sale are important factors in determining the assessed value of the property, which is used to calculate your property tax bill. Your failure to provide any required or requested information may result in an inaccurate assessment of the property and in an overpayment or underpayment of taxes.

A. Enter the total purchase price, not including closing costs or mortgage insurance.

“Mortgage insurance” is insurance protecting a lender against loss from a mortgagor’s default, issued by the FHA or a private mortgage insurer.

B. Enter the amount of the down payment, whether paid in cash or by an exchange. If through an exchange, exclude the closing costs.

“Closing costs” are fees and expenses, over and above the price of the property, incurred by the buyer and/or seller, which include title searches, lawyer’s fees, survey charges, and document recording fees.

C. Enter the amount of the First Deed of Trust, if any. Check all the applicable boxes, and complete the information requested.

A **“balloon payment”** is the final installment of a loan to be paid in an amount that is disproportionately larger than the regular installment.

D. Enter the amount of the Second Deed of Trust, if any. Check all the applicable boxes, and complete the information requested.

E. If there was an assumption of an improvement bond or other public financing with a remaining balance, enter the outstanding balance, and mark the applicable box.

An **“improvement bond or other public financing”** is a lien against real property due to property-specific improvement financing, such as green or solar construction financing, assessment district bonds, Mello-Roos (a form of financing that can be used by cities, counties and special districts to finance major improvements and services within the particular district) or general improvement bonds, etc. Amounts for repayment of contractual assessments are included with the annual property tax bill.

F. Enter the amount of any real estate commission fees paid by the buyer which are not included in the purchase price.

G. If the property was purchased through a real estate broker, check that box and enter the broker’s name and phone number. If the property was purchased directly from the seller (who is not a family member of one of the parties purchasing the property), check the “Direct from seller” box. If the property was purchased directly from a member of your family, or a family member of one of the parties who is purchasing the property, check the “From a family member” box and indicate the relationship of the family member (e.g., father, aunt, cousin, etc.). If the property was purchased by some other means (e.g., over the Internet, at auction, etc.), check the “OTHER” box and provide a detailed description (attach a separate sheet if necessary).

H. Describe any special terms (e.g., seller retains an unrecorded life estate in a portion of the property, etc.), seller concessions (e.g., seller agrees to replace roof, seller agrees to certain interior finish work, etc.), broker/agent fees waived (e.g., fees waived by the broker/agent for either the buyer or seller), financing, buyer paid commissions, and any other information that will assist the Assessor in determining the value of the property.

PART 4: PROPERTY INFORMATION

A. Indicate the property type or property right transferred. Property rights may include water, timber, mineral rights, etc.

B. Check YES if personal, business property or incentives are included in the purchase price in Part 3. Examples of personal or business property are furniture, farm equipment, machinery, etc. Examples of incentives are club memberships (golf, health, etc.), ski lift tickets, homeowners’ dues, etc. Attach a list of items and their purchase price allocation. An adjustment will not be made if a detailed list is not provided.

C. Check YES if a manufactured home or homes are included in the purchase price. Indicate the purchase price directly attributable to each of the manufactured homes. If the manufactured home is registered through the Department of Motor Vehicles in lieu of being subject to property taxes, check NO and enter the decal number.

D. Check YES if the property was purchased or acquired with the intent to rent or lease it out to generate income, and indicate the source of that anticipated income. Check NO if the property will not generate income, or was purchased with the intent of being owner-occupied.

E. Provide your opinion of the condition of the property at the time of purchase. If the property is in “fair” or “poor” condition, include a brief description of repair needed.

HOW ARE MY PROPERTY TAX SAVINGS CALCULATED?

To calculate your property tax savings, the Assessor-Recorder will perform a three-way value comparison test. The lowest of these three values will determine your taxable value for the year.

1. Restricted income approach (income capitalization method) per the Mills Act as prescribed by the California State Board of Equalization
2. Market value based upon comparable sales
3. Factored base year value of your property and use

The following example shows how the Assessor-Recorder will calculate your property tax savings. Some components of the formula will vary each year (i.e. property tax rates and interest rates).

Step 1: Restricted Income Approach (per the Mills Act) is calculated.

Current Market Rent (annual)	\$ 72,000
Vacancy & Collection Loss of 2%	\$ 1,440
Effective Annual Income	\$ 70,560
Less Anticipated Operating Expenses of 15% <i>(i.e. – utilities, water, garbage, insurance, maintenance, management fee)</i>	\$ 10,584
Net Income	\$ 59,976
Capitalization Rate Components:	
Interest rate <i>(Interest rate is determined annually by the State Board of Equalization – 4%)</i>	.04000
Risk rate <i>(4% for owner occupied or 2% for all other property types)</i>	.04000
Property tax rate of 1.188% <i>(2013 Tax Rate)</i>	.01188
Amortization rate <i>(60 year remaining life; improvements constitute 40% of total property value - .0167 x .40)</i>	.00667
Restricted Capitalization Rate	.09855

Step 2: Three-Way Value Comparison is performed.

Restricted Income Approach (per the Mills Act)	\$ 610,000
Market Value Using Comparable Sales	\$ 1,500,000
Factored Base Year Value	\$ 1,064,403

Step 3: Estimated property tax savings are calculated.

Restricted Income Approach (per the Mills Act)		\$ 610,000
(or the lowest of the three values)	x Property tax rate of 1.188%	.01188
	= Estimated property taxes under a Mills Act contract	\$ 7,247
	- Current property taxes (\$1,064,403 x .01188)	\$ 12,645
Estimated annual property tax savings		\$ 5,398

FREQUENTLY ASKED QUESTIONS

If I own an historic property am I obligated to participate in the program?

No. Participation is voluntary. The contracts are intended for property owners who have a strong commitment to historic preservation and to assist property owners who plan to rehabilitate their property.

What is the term of a Mills Act Historical Property Contract?

The contract is written for an initial term of 10 years. However, the contract automatically renews each year on its anniversary date. The contract, in effect, runs in perpetuity with the land. The initial 10-year term is the period of time in which major rehabilitation projects should be substantially completed. If an owner desires to be released from the contract, a letter of non-renewal is submitted to the City within 60 days of the contract renewal date. The owner is released from the contract ten years after the notice of non-renewal is submitted.

Are certain properties more likely to benefit from the Mills Act?

- Properties purchased within the last ten years are most likely to receive the highest reduction.
- Properties purchased more than ten years ago will likely receive a minimal reduction.
- Properties purchased prior to 1978 (Proposition 13) are unlikely to receive a tax reduction.

How are my property taxes reduced?

Please refer to the example calculation on page 29 of the Application Guide.

How much of a reduction will I receive?

The Mills Act Historical Property Contract Program does not guarantee a reduction amount for any property. Properties that have more recently been purchased are likely to see greater tax reductions. Projects to date have identified property tax reductions ranging from 5% to 64%.

What happens if I want to sell my property after I have a Mills Act Contract?

The contract will always remain with the property, and the new owner is obligated to meet the contract requirements. This can enhance the marketability of the property because

it is not reassessed at its new market value when it changes hands. The new owners will likely pay property taxes based on the existing or proximate Mills Act Valuation notice.

Are there potential penalties for property owners with a Mills Act Contract?

Yes. If a property is not maintained under the terms of the contract, is improperly altered, or if rehabilitation work is not performed, the owner could be found in breach of contract. If the breach of contract cannot be resolved to satisfy the contract, the Contract is cancelled and the owner is assessed a 12.5 percent penalty based on the current fair-market value of the property.

How long does it take to process a Mills Act Application?

Please refer the process flowchart in the Application Guide.

If I apply for a Mills Act Historic Property Contract, is the City obligated to enter into the contract?

No. The City will evaluate each individual contract application alongside a set of priority criteria and determine which applications are most likely to yield the greatest public benefit.

Am I required to open my property to the public?

No. The Mills Act Historic Property Program does not require the property owner to grant public access to the property. The contract does specify that with an appointment, period inspections will be made by City officials to determine compliance with the terms and provisions of the contract.

Where can I learn more about the Mills Act?

The California State Office of Historic Preservation (OHP) is responsible for the administration of Federally and State mandated historic preservation programs in California. The OHP website offers information on a wide range of historic preservation topics including the Mills Act. The link to the OHP website is: <http://www.ohp.parks.ca.gov>. The direct link to the Mills Act program is: http://ohp.parks.ca.gov/?page_id=21412.

How often will a property with a Mills Act Contract be assessed?

The Office of the Assessor-Recorder reassesses properties with a Mills Act Contract annually on the lien date, January 1st.

Can I expect the same amount of property tax savings every year?

No. The Office of the Assessor-Recorder, as mandated by state law, reappraises all properties annually. Interest rates, market rates (the fair market rent your property can generate as of January 1st of each year) and the property tax rate change annually, which impacts the taxable value of the property.

Is my contract final once it is approved by the San Francisco Board of Supervisors?

No. The Board of Supervisors is the final hearing body in the approvals process. However, your contract is not finalized until it has been recorded with the Office of the Assessor-Recorder. The absolute deadline to have your property contract recorded is December 31st by 4pm. If the contract is not recorded by this date, the property cannot be reassessed on January 1st under the Mills Act valuation and the property owner will not receive a tax savings until the following tax year.

Contracts must be recorded in-person by the property owner at:

Office of the Assessor-Recorder
City Hall, Room 190
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Website: www.sfassessor.org
Recording Hours of Operation: Mon-Fri (8-4pm)

Is there a fee to have my Mills Act Contract recorded?

Yes. The Office of the Assessor-Recorder requires \$15 for the first page and \$3 for each additional page that is recorded.

If I disagree with the Mills-Act assessed value of my property, can I appeal the taxable value?

Yes. If a property owner disagrees with the assessed value or the results of the Mills Act Assessment, they may file a formal “Application for Changed Assessment” with the Assessment Appeals Board, an independently appointed review board. The application may be obtained in person, downloaded from the website, or requested in writing from:

Clerk of the Assessment Appeals Board
City Hall, Room 405
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Website: www.sfgov.org/aab

What is the deadline for filing an “Application for Changed Assessment” with the Assessment Appeals Board?

Assessment appeals applications may be filed between July 2nd and September 15th of the current year. Applications must be filed in on time to be considered. There are no exceptions to these dates.

I received a “Notification of Assessed Value” letter for the current tax year. What is this letter and do I need to take any action?

This is an informational letter used to notify property owners of their assessed property value for the current tax year. The assessed value minus exemptions is the basis for your property tax bill. The tax bill covers the fiscal year starting July 1st and ending June 30th.

You do not need to take any action unless you believe the market value of your property as of January 1st was less than the assessed value. If this is the case, a timely assessment appeal application must be filed.

The “Notification of Assessed Value” letter states, “The assessed value shown may reflect an assessment that is not up to date”. How will I know if my assessment is up to date?

If the Mills Act contract was recorded on time (on December 31st or before), the assessed value indicated in this letter is up to date – unless the property was recently purchased and ownership changes or if any new construction occurred on your property.

I received a “Notification of Assessed Value” letter, but I have recently sold that property. Do I need to take any action?

If you are no longer the current owner of the property, you may disregard this letter. The Office of the Assessor-Recorder will update the change in ownership accordingly.

When will I receive my property tax bill?

The fiscal year annual secured property tax bill is mailed in October of each year. Property owners will receive their property tax bills each year by November 1st. Please contact the Tax Collector’s Office if you do not receive your tax bill.

GOVERNMENT CODES

APPENDIX A: CALIFORNIA GOVERNMENT CODE SECTIONS 50280-50290

50280. Upon the application of an owner or the agent of an owner of any qualified historical property, as defined in Section 50280.1, the legislative body of a city, county, or city and county may contract with the owner or agent to restrict the use of the property in a manner which the legislative body deems reasonable to carry out the purposes of this article and of Article 1.9 (commencing with Section 439) of Chapter 3 of Part 2 of Division 1 of the Revenue and Taxation Code. The contract shall meet the requirements of Sections 50281 and 50282.

50280.1. “Qualified historical property” for purposes of this article, means privately owned property which is not exempt from property taxation and which meets either of the following:

- (a) Listed in the National Register of Historic Places or located in a registered historic district, as defined in Section 1.191-2(b) of Title 26 of the Code of Federal Regulations.
- (b) Listed in any state, city, county, or city and county official register of historical or architecturally significant sites, places, or landmarks.

50281. Any contract entered into under this article shall contain the following provisions:

- (a) The term of the contract shall be for a minimum period of 10 years.
- (b) Where applicable, the contract shall provide the following:
 - (1) For the preservation of the qualified historical property and, when necessary, to restore and rehabilitate the property to conform to the rules and regulations of the Office of Historic Preservation of the Department of Parks and Recreation, the United States Secretary of the Interior’s Standards for Rehabilitation, and the State Historical Building Code.
 - (2) For the periodic examinations of the interior and exterior of the premises by the assessor, the Department of Parks and Recreation, and the State Board of Equalization as may be necessary to determine the owner’s compliance with the contract.
 - (3) For it to be binding upon, and inure to the benefit of, all successors in interest of the owner. A successor in interest shall have the same rights and obligations under the contract as the original owner who entered into the contract.
- (c) The owner or agent of an owner shall provide written notice of the contract to the Office of Historic Preservation within six months of entering into the contract.

50281.1. The legislative body entering into a contract described in this article may require that the property owner, as a condition to entering into the contract, pay a fee not to exceed the reasonable cost of administering this program.

50282. (a) Each contract shall provide that on the anniversary date of the contract or such other annual date as is specified in the contract, a year shall be added automatically to the initial term of the contract unless notice of nonrenewal is given as provided in this section. If the property owner or the legislative body desires in any year not to renew the contract, that party shall serve written notice of nonrenewal of the contract on the other party in advance of the annual renewal date of the contract. Unless the notice is served by the owner at least 90 days prior to the renewal date or by the legislative body at least 60 days prior to the renewal date, one year shall automatically be added to the term of the contract.

(b) Upon receipt by the owner of a notice from the legislative body of nonrenewal, the owner may make a written protest of the notice of nonrenewal. The legislative body may, at any time prior to the renewal date, withdraw the notice of nonrenewal.

(c) If the legislative body or the owner serves notice of intent in any year not to renew the contract, the existing contract shall remain in effect for the balance of the period remaining since the original execution or the last renewal of the contract, as the case may be.

(d) The owner shall furnish the legislative body with any information the legislative body shall require in order to enable it to determine the eligibility of the property involved.

(e) No later than 20 days after a city or county enters into a contract with an owner pursuant to this article, the clerk of the legislative body shall record with the county recorder a copy of the contract, which shall describe the property subject thereto. From and after the time of the recordation, this contract shall impart a notice thereof to all persons as is afforded by the recording laws of this state.

50284. The legislative body may cancel a contract if it determines that the owner has breached any of the conditions of the contract provided for in this article or has allowed the property to deteriorate to the point that it no longer meets the standards for a qualified historical property. The legislative body may also cancel a contract if it determines that the owner has failed to restore or rehabilitate the property in the manner specified in the contract.

50285. No contract shall be canceled under Section 50284 until after the legislative body has given notice of, and has held, a public hearing on the matter. Notice of the hearing shall be mailed to the last known address of each owner of property within the historic zone and shall be published pursuant to Section 6061.

50286. (a) If a contract is canceled under Section 50284, the owner shall pay a cancellation fee equal to 12 ½ percent of the current fair market value of the property, as determined by the county assessor as though the property were free of the contractual restriction.

(b) The cancellation fee shall be paid to the county auditor, at the time and in the manner that the county auditor shall prescribe, and shall be allocated by the county auditor to each jurisdiction in the tax rate area in which the property is located in the same manner as the auditor allocates the annual tax increment in that tax rate area in that fiscal year.

(c) Notwithstanding any other provision of law, revenue received by a school district pursuant to this section shall be considered property tax revenue for the purposes of Section 42238 of the Education Code, and revenue received by a county superintendent of schools pursuant to this section shall be considered property tax revenue for the purposes of Article 3 (commencing with Section 2550) of Chapter 12 of Part 2 of Division 1 of Title 1 of the Education Code.

50287. As an alternative to cancellation of the contract for breach of any condition, the county, city, or any landowner may bring any action in court necessary to enforce a contract including, but not limited to, an action to enforce the contract by specific performance or injunction.

50288. In the event that property subject to contract under this article is acquired in whole or in part by eminent domain or other acquisition by any entity authorized to exercise the power of eminent domain, and the acquisition is determined by the legislative body to frustrate the purpose of the contract, such contract shall be canceled and no fee shall be imposed under Section 50286. Such contract shall be deemed null and void for all purposes of determining the value of the property so acquired.

50289. In the event that property restricted by a contract with a county under this article is annexed to a city, the city shall succeed to all rights, duties, and powers of the county under such contract.

50290. Local agencies and owners of qualified historical properties may consult with the State Historical Resources Commission for its advice and counsel on matters relevant to historical property contracts.

GOVERNMENT CODES

APPENDIX B: CALIFORNIA REVENUE AND TAXATION CODE, ARTICLE 1.9, SECTIONS 439-439.4

439. HISTORICAL PROPERTY RESTRICTIONS; ENFORCIBLY RESTRICTED PROPERTY.

For the purposes of this article and within the meaning of Section 8 of Article XIII of the Constitution, property is “enforceably restricted” if it is subject to an historical property contract executed pursuant to Article 12 (commencing with Section 50280) of Chapter 1 of Part 1 of Division 1 of Title 5 of the Government Code.

439.1. HISTORICAL PROPERTY; DEFINITIONS.

For purposes of this article “restricted historical property” means qualified historical property, as defined in Section 50280.1 of the Government Code, that is subject to a historical property contract executed pursuant to Article 12 (commencing with Section 50280) of Chapter 1 of Part 1 of Division 1 of Title 5 of the Government Code. For purposes of this section, “qualified historical property” includes qualified historical improvements and any land on which the qualified historical improvements are situated, as specified in the historical property contract. If the historical property contract does not specify the land that is to be included, “qualified historical property” includes only that area of reasonable size that is used as a site for the historical improvements.

439.2. HISTORICAL PROPERTY; VALUATION.

When valuing enforceably restricted historical property, the county assessor shall not consider sales data on similar property, whether or not enforceably restricted, and shall value that restricted historical property by the capitalization of income method in the following manner:

- (a) The annual income to be capitalized shall be determined as follows:
 - (1) Where sufficient rental information is available, the income shall be the fair rent that can be imputed to the restricted historical property being valued based upon rent actually received for the property by the owner and upon typical rentals received in the area for similar property in similar use where the owner pays the property tax. When the restricted historical property being valued is actually encumbered by a lease, any cash rent or its equivalent considered in determining the fair rent of the property shall be the amount for which the property would be expected to rent were the rental payment to be renegotiated in the light of current conditions, including applicable provisions under which the property is enforceably restricted.
 - (2) Where sufficient rental information is not available, the income shall be that which the restricted historical property being valued reasonably can be expected to yield under prudent management and subject to applicable provisions under which the property is enforceably restricted.
 - (3) If the parties to an instrument that enforceably restricts the property stipulate therein an amount that constitutes the minimum annual income to be capitalized, then the income to be capitalized shall not be less than the amount so stipulated. For purposes of this section, income shall be determined in accordance with rules and regulations issued by the board and with this section and shall be the difference between revenue and expenditures. Revenue shall be the amount of money or money’s worth, including any cash rent or its equivalent, that the property can be expected to yield to an owner-operator annually on the average from any use of the property permitted under the terms by which the property is enforceably restricted. Expenditures shall be any outlay or average annual allocation of money or money’s worth that can be fairly charged against the revenue expected to be received during the period used in computing the revenue. Those expenditures to be charged against revenue shall be only those which are ordinary and necessary in the production and maintenance of the revenue for that period. Expenditures shall not include depletion charges, debt retirement, interest on funds invested in the property, property taxes, corporation income taxes, or corporation franchise taxes based on income.
- (b) The capitalization rate to be used in valuing owner-occupied single family dwellings pursuant to this article shall not be derived from sales data and shall be the sum of the following components:
 - (1) An interest component to be determined by the board and announced no later than September 1 of the year preceding the assessment year and that was the yield rate equal to the effective rate on conventional mortgages as determined by the Federal Housing Finance Board, rounded to the nearest 1/4 percent.
 - (2) A historical property risk component of 4 percent.
 - (3) A component for property taxes that shall be a percentage equal to the estimated total tax rate applicable to the property for the assessment year times the assessment ratio.
 - (4) A component for amortization of the improvements that shall be a percentage equivalent to the reciprocal of

the remaining life.

- (c) The capitalization rate to be used in valuing all other restricted historical property pursuant to this article shall not be derived from sales data and shall be the sum of the following components:
 - (1) An interest component to be determined by the board and announced no later than September 1 of the year preceding the assessment year and that was the yield rate equal to the effective rate on conventional mortgages as determined by the Federal Housing Finance Board, rounded to the nearest 1/4 percent.
 - (2) A historical property risk component of 2 percent.
 - (3) A component for property taxes that shall be a percentage equal to the estimated total tax rate applicable to the property for the assessment year times the assessment ratio.
 - (4) A component for amortization of the improvements that shall be a percentage equivalent to the reciprocal of the remaining life.
- (d) Unless a party to an instrument that creates an enforceable restriction expressly prohibits the valuation, the valuation resulting from the capitalization of income method described in this section shall not exceed the lesser of either the valuation that would have resulted by calculation under Section 110, or the valuation that would have resulted by calculation under Section 110.1, as though the property was not subject to an enforceable restriction in the base year.
- (e) The value of the restricted historical property shall be the quotient of the income determined as provided in subdivision (a) divided by the capitalization rate determined as provided in subdivision (b) or (c).
- (f) The ratio prescribed in Section 401 shall be applied to the value of the property determined in subdivision (d) to obtain its assessed value.

439.3. HISTORICAL PROPERTY; NOTICE OF NON-RENEWAL.

Notwithstanding any provision of Section 439.2 to the contrary, if either the county or city or the owner of restricted historical property subject to contract has served notice of nonrenewal as provided in Section 50282 of the Government Code, the county assessor shall value that restricted historical property as provided in this section.

- (a) Following the hearing conducted pursuant to Section 50285 of the Government Code, subdivision (b) shall apply until the termination of the period for which the restricted historical property is enforceably restricted.
- (b) The board or assessor in each year until the termination of the period for which the property is enforceably restricted shall do all of the following:
 - (1) Determine the full cash value of the property pursuant to Section 110.1. If the property is not subject to Section 110.1 when the restriction expires, the value shall be determined pursuant to Section 110 as if the property were free of contractual restriction. If the property will be subject to a use for which this chapter provides a special restricted assessment, the value of the property shall be determined as if it were subject to the new restriction.
 - (2) Determine the value of the property by the capitalization of income method as provided in Section 439.2 and without regard to the fact that a notice of nonrenewal or cancellation has occurred.
 - (3) Subtract the value determined in paragraph (2) of this subdivision by capitalization of income from the full cash value determined in paragraph (1).
 - (4) Using the rate announced by the board pursuant to paragraph (1) of subdivision (b) of Section 439.2, discount the amount obtained in paragraph (3) for the number of years remaining until the termination of the period for which the property is enforceably restricted.
 - (5) Determine the value of the property by adding the value determined by the capitalization of income method as provided in paragraph (2) and the value obtained in paragraph (4).
 - (6) Apply the ratios prescribed in Section 401 to the value of the property determined in paragraph (5) to obtain its assessed value.

439.4. HISTORICAL PROPERTY; RECORDATION.

No property shall be valued pursuant to this article unless an enforceable restriction meeting the requirements of Section 439 is signed, accepted and recorded on or before the lien date for the fiscal year in which the valuation would apply.

GOVERNMENT CODES

APPENDIX C: SAN FRANCISCO ADMINISTRATIVE CODE, CH. 71: MILLS ACT CONTRACT PROCEDURES

SEC. 71.1. PURPOSE.

(a) This Chapter 71 implements the Mills Act, California Government Code Sections 50280 et seq. The Mills Act authorizes local governments to enter into contracts with owners of private historical property who will rehabilitate, restore, preserve, and maintain qualified historical property. As consideration for the rehabilitation, restoration, preservation and maintenance of the qualified historical property, the City and County of San Francisco may provide certain property tax reductions 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.

(b) San Francisco contains many historic buildings which add to its character and international reputation. Many of these buildings have not been adequately maintained, may be structurally deficient, or may need rehabilitation. The costs of properly rehabilitating, restoring and preserving historic buildings may be prohibitive for property owners. Implementation of the Mills Act in San Francisco will make the benefits of the Mills Act available to many property owners.

(c) The benefits of the Mills Act to the individual property owners must be balanced with the cost to the City and County of San Francisco of providing the property tax reductions set forth in the Mills Act as well as the historical value of individual buildings proposed for historical property contracts, and the resultant property tax reductions, under the Mills Act.

SEC. 71.2. ELIGIBILITY.

Qualified Historical Property. An owner, or an authorized agent of the owner, of a qualified historical property may apply for a historical property contract. For purposes of this Chapter 71, “qualified historical property” shall mean privately owned property that is not exempt from property taxation and that either has submitted a complete application for listing or designation, or has been listed or designated in one of the following ways on or before December 31 of the year before the application is made:

- (a) Individually listed in the National Register of Historic Places or the California Register of Historical Resources;
- (b) Listed as a contributor to an historic district included on the National Register of Historic Places or the California Register of Historical Resources;
- (c) Designated as a City landmark pursuant to San Francisco Planning Code Article 10;
- (d) Designated as contributory to an historic 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) pursuant to San Francisco Planning Code Article 11.

SEC. 71.3. APPLICATION FOR HISTORICAL PROPERTY CONTRACT.

An owner, or an authorized agent of an owner, of a qualified historical property may submit an application for a historical property contract to the Planning Department on forms provided by the Planning Department. The property owner shall provide, at a minimum, the address and location of the qualified historical property, evidence that the property is a qualified historical property, the nature and cost of the rehabilitation, restoration or preservation work to be conducted on the property, financial information necessary for the Assessor-Recorder to conduct the valuation assessment under the Mills Act, including any information regarding income generated by the qualified historical property, and a plan for continued maintenance of the property. The Planning Department, the Historic Preservation Commission, or the Assessor-Recorder may require any further information it determines necessary to make a recommendation on or conduct the valuation of the historical property contract.

SEC. 71.4. APPROVAL PROCESS.

(a) **Assessor-Recorder Review.** The Planning Department shall refer the application for historical property contract to the Assessor-Recorder for his or her review and recommendation. Within 60 days of the receipt of a complete application, the Assessor-Recorder shall provide to the Board of Supervisors and the Historic Preservation Commission a report estimating the yearly property tax revenue to the City under the proposed Mills Act contract valuation method and under the standard method without the Mills Act contract and showing the difference in property tax assessments under the two valuation methods. If the Assessor-Recorder determines that the proposed rehabilitation includes substantial new construction or a change of use, or the valuation is otherwise complex, he or she may extend this period for up to an additional 60 days by providing written notice

of the extension to the applicant. Such notice shall state the basis for the extension.

(b) **Historic Preservation Commission Review.** The Historic Preservation Commission shall have the authority to recommend approval, disapproval, or modification of historical property contracts to the Board of Supervisors. For this purpose, the Historic Preservation Commission shall hold a public hearing to review the application for the historical property contract and make a recommendation regarding whether the Board of Supervisors should approve, disapprove, or modify the historical property contract within 90 days of receipt of the Assessor-Recorder's report. The recommendation of the Historic Preservation Commission may include recommendations regarding the proposed rehabilitation, restoration, and preservation work, the historical value of the qualified historical property, and any proposed preservation restrictions or maintenance requirements to be included in the historical property contract. The Planning Department shall forward the recommendation of the Historic Preservation Commission to approve or modify an historical property contract, with its application, to the Board of Supervisors. If the Historic Preservation Commission recommends disapproval of the historical property 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 the final action of the Historic Preservation Commission. Failure of the Historic Preservation Commission to act within the 90-day time limit shall constitute a recommendation of approval disapproval for the purposes of this subsection, and the Planning Department shall notify the property owner in writing of the Historic Preservation Commission's failure to act; provided, however, that the Board of Supervisors by resolution may grant an extension of time to the Historic Preservation Commission for its review.

(c) **Budget Analyst Review.** Upon receipt of the recommendation of the Historic Preservation Commission or upon receipt of a timely appeal, the Clerk of the Board of Supervisors shall forward the application and the Assessor-Recorder's report to the Budget Analyst, who, notwithstanding any other provision of this Code, shall prepare a report to the Board of Supervisors on the fiscal impact of the proposed historical property contract.

(d) **Board of Supervisors Decision.** The Board of Supervisors shall conduct a public hearing to review the Historic Preservation Commission's recommendation, the Assessor-Recorder's report, the Budget Analyst's report, and any other information the Board requires in order to determine whether the City should execute a historical property contract for a particular property. The Board of Supervisors shall have full discretion to determine whether it is in the public interest to enter a Mills Act historical property contract regarding a particular qualified historical property. The Board of Supervisors may approve, disapprove, or modify and approve the terms of the historical property contract. Upon approval, the Board of Supervisors shall authorize the Director of Planning and the Assessor-Recorder to execute the historical property contract.

SEC. 71.5. TERMS OF THE HISTORICAL PROPERTY CONTRACT.

(a) The historical property contract shall set forth the agreement between the City and the property owner that as long as the property owner properly rehabilitates, restores, preserves and maintains the qualified historical property as set forth in the contract, the City shall comply with California Revenue and Taxation Code Article 1.9 (commencing with Section 439) of Chapter 3 of Part 2 of Division 1, provided that the Assessor determines that the specific provisions of the Revenue and Taxation Code are applicable to the property in question. A historical property contract shall contain, at a minimum, the following provisions:

- (1) The initial term of the contract, which shall be for a minimum period of 10 years;
- (2) The owner's commitment and obligation to preserve, rehabilitate, restore and maintain the property in accordance with the rules and regulations of the Office of Historic Preservation of the California Department of Parks and Recreation and the United States Secretary of the Interior's standards for the Treatment of Historic Properties;
- (3) Permission to conduct periodic examinations of the interior and exterior of the qualified historical property by the Assessor-Recorder, the Department of Building Inspection, the Planning Department, the Office of Historic Preservation of the California Department of Parks and Recreation and the State Board of Equalization as may be necessary to determine the owner's compliance with the historical property contract;
- (4) That the historical property contract is binding upon, and shall inure to the benefit of, all successors in interest of the owner;
- (5) An extension to the term of the contract so that one year is added automatically to the initial term of the contract on the anniversary date of the contract or such other annual date as specified in the contract unless notice of nonrenewal is given as provided in the Mills Act and in the historical property contract;
- (6) Agreement that the Board of Supervisors may cancel the contract, or seek enforcement of the contract, when the Board determines, based upon the recommendation of any one of the entities listed in Subsection (3) above, that the owner has breached the terms of the contract. The City shall comply with the requirements of the Mills Act for enforcement or cancellation of the historical property contract. Upon cancellation of the contract, the property owner shall pay a cancellation fee of 12.5 percent of the full value of the property at the time of cancellation (or such other amount authorized by the Mills

Act), as determined by the Assessor-Recorder without regard to any restriction on such property imposed by the historical property contract; and

(7) The property owner's indemnification of the City for, and agreement to hold the City harmless from, any claims arising from any use of the property.

(b) The City and the qualified historical property owner shall comply with all provisions of the Mills Act, including amendments thereto. The Mills Act, as amended from time to time, shall apply to the historical property contract process and shall be deemed incorporated into each historical property contract entered into by the City.

SEC. 71.6. FEES.

The Planning Department shall determine the amount of a fee necessary to compensate the City for processing and administering an application for a historical property contract. The fee shall pay for the time and materials required to process the application, based upon the estimated actual costs to perform the work, including the costs of the Planning Department, the City Attorney, and the Assessor-Recorder. The City may also impose a separate fee, following approval of the historical property contract, to pay for the actual costs of inspecting the qualified historical property and enforcing the historical property contract. Such estimates shall be provided to the applicant, who shall pay the fee when submitting the application. In the event that the costs of processing the application are lower than the estimates, such differences shall be refunded to the applicant. In the event the costs exceed the estimate, the Planning Department shall provide the applicant with a written analysis of the additional fee necessary to complete the review of the application, and applicant shall pay the additional amount prior to execution of the historical property contract. Failure to pay any fees shall be grounds for cancelling the historical property contract.

SEC. 71.7. DEPARTMENTAL MONITORING REPORT.

On March 31, 2013 and every three years thereafter, the Assessor-Recorder and the Planning Department shall submit a joint report to the Board of Supervisors and the Historic Preservation Commission providing the Departments' analysis of the historical property contract (Mills Act) program. The report shall be calendared for hearing before the Board of Supervisors and the Historic Preservation Commission.



San Francisco
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