

SAN FRANCISCO

PRESERVATION BULLETIN NO. 6

PRESERVATION INCENTIVES

INTRODUCTION

First and foremost, preservation incentives are intended to encourage property owners to repair, restore, or rehabilitate historic resources in lieu of demolition. While San Francisco offers local preservation incentive programs, there are other incentives offered through federal and state agencies. These include federal tax credits for rehabilitation of qualified historical resources, property tax abatement programs, alternative building codes, and tax deductions for preservation easements. Preservation incentives can result in tangible benefits to property owners.

FINANCIAL INCENTIVES

1. Property Tax Reduction. The Mills Act is perhaps the best preservation incentive available to private property owners in San Francisco. Enacted by the State of California in 1976, the Mills Act authorizes local governments to enter into contracts with owners of privately owned historical property to insure its rehabilitation, restoration, preservation and long-term maintenance. In return, the property owner enjoys a reduction in property taxes for a given period. Mills Act contracts have the net effect of freezing the base value of the property, thereby keeping property taxes low. The City's Mills Act enabling legislation was adopted in 1996. Owners of designated San Francisco landmarks and buildings listed individually in the National Register of Historic Places are eligible to apply for a Mills Act contract. *For more information on the Mills Act, see Preservation Bulletin No. 8, The Mills Act.*

2. Loans. The City has several loan programs administered through the Mayor's Office of Housing (MOH) and the Mayor's Office of Economic Development (MOED) to assist in the rehabilitation of residential resources. They include:

- **Community Housing Rehabilitation Program (CHRP).** These loans offer rehabilitation funds for low-to moderate-income, owner-occupants of residential buildings. Eligible uses of the funds are the correction of San Francisco Housing Code violations, which include electrical, plumbing, termite, dry rot, painting, repair and replacement of roofing, window and necessary upgrades or accessibility modification of kitchens and bathrooms. Some projects may be eligible for additional, adjunct program funding for lead paint remediation or earthquake hazard retrofit of specific structures. Eligible properties must be one or two units with the owner of title living in one of the units.
- **Code Enforcement Rehabilitation Fund (CERF).** The CERF program offers a hardship loan for a minimum of \$250 and maximum of \$15,000 to correct any conditions, which the City has determined in violation of the existing building code. Priority consideration is given to those conditions considered to be a health or safety issue.

- **Unreinforced Masonry Building (UMB) Loans.** In 1992, San Francisco voters authorized the issuance of \$350 million in bonds to make loans available to owners of UMB buildings. From that amount, \$150 million was set aside for low-interest loans at 2.5 percent to retrofit buildings containing affordable housing. The remaining \$200 million was used to retrofit all other types of UMBs.

For more information on the residential rehabilitation loan programs, contact the Mayor's Office of Housing at 252-3177. For additional information on the UMB program, contact the Seismic Safety Section of the Department of Building Inspection at (415) 558-6083. For questions regarding the UMB Bond Loan Program, contact the UMB Seismic Safety Loan Program Administrator at (415) 554-6936 and see *Preservation Bulletin No. 3, Review Process for the Seismic Retrofit of Unreinforced Masonry Buildings*.

3. Federal Tax Credits. The Federal Historic Preservation Tax Incentives program is one of the nation's most successful and cost-effective community revitalization programs. The 20% Rehabilitation Tax Credit is available for buildings that are National Historic Landmarks, listed in the National Register and that contribute to National Register Historic Districts and certain local historic districts. To qualify, properties must be income producing and must be rehabilitated according to standards set by the Secretary of the U.S. Department of Interior. The 20% Rehabilitation Tax Credit applies to any project that the Secretary of the Interior designates a *certified rehabilitation* of a *certified historic structure*. The 20% credit is available for properties rehabilitated for commercial, industrial, agricultural, or rental residential purposes, but it is not available for properties used exclusively as the owner's private residence.

4. Tax Deduction for Preservation Easements. One of the oldest strategies for historic preservation is an historic preservation easement. An easement insures the preservation of a property's significant architectural and natural (if any) features while allowing the owner to continue to occupy and use the property subject to the provisions of the easement. A preservation easement is created by deed and is typically donated or sold to a public or private preservation organization. Either the City or a qualified preservation group, such as San Francisco Architectural Heritage can hold title to the easement, which allows the property owner a one-time tax deduction and the holder has the right to review any changes to features covered by the easement.

5. State Historical Building Code (SHBC). This alternative building code seeks to preserve historic buildings by providing equivalent life safety standards for repairs, alterations and additions to historic buildings. The equivalent measures permitted by the code are more sensitive to the historic conditions of a building than standard building codes. The renovation of historic buildings is often difficult when older buildings must meet the standards of modern building codes (including Uniform Building Code, City Building Code, Fire Code, Plumbing Code) whose regulations are designed for contemporary construction technologies.

The SHBC allows flexibility in meeting building code requirements for rehabilitated structures. For example, a choice in provisions of egress and other fire-related precautions is allowed. Generally, building owners can enjoy substantial cost savings when rehabilitating an historic structure by using the SHBC. The SHBC applies to any building, site, structure, object, district or collection of structures and their associated sites deemed of importance to the history, architecture, or culture of an area by an

appropriate local, state or federal governmental jurisdiction.

In San Francisco, the SHBC applies to many rated cultural resources. These include properties listed in or determined eligible for the National Register of Historic Places, the California Register of Historical Resources and officially adopted inventories or surveys of historically or architecturally significant sites, places or landmarks such as those listed in Articles 10 and 11, Here Today and within the General Plan of the City and County of San Francisco.

Utilization of the SHBC can help ameliorate proposed adverse effects to an historic building with creative solutions that achieve the health, safety and welfare requirements for the building's occupants. For more information, contact the Department of Building Inspection at 558-6088.

7. Transfer of Development Rights (TDR's). TDR's are an effective planning tool for redirecting development away from the sites of historic buildings and are useful in protecting certain historic buildings in perpetuity. Article 11 and Section 128 of the Planning Code detail the provisions that allow for the transfer of unused development rights from designated significant and contributory buildings. These TDR's could be transferred to any parcel or parcels within the same zoning district if the height, bulk, and other rules of the Planning Code would permit the increased square footage. TDR's from the retail and office districts and to a limited extent from the general commercial and support districts can also be used in a special development district known as the South of Market Extended Preservation District. As a planning tool, TDR's have helped the City in accommodating orderly growth while preserving a compact downtown. TDR's provide property owners of significant and contributory buildings economic incentives to maintain these cultural resources.

For general questions or comments regarding this Preservation Bulletin, please contact the Planning Department at 558-6378.

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