

*California Historic Rehabilitation Tax Credit conversation*  
July 12, 2013

**Attendees:**

Oakland Chamber of Commerce: Eleanor Hollander  
City of Oakland: Rachel Flynn, Joann Pavlinec,  
Oakland: Niccolo De Luca, Solomon Ets-Hokin, Chris Pattillo, Naomi Schiff,  
Virginia: Mimi Sadler, Hal Craddock, Robin Miller, Dan Gecker  
CPF: Cindy Heitzman  
CA State: Claudia Cappio  
OHP: Carol Roland-Nawi, Tim Brandt, Mark Huck  
Additional: Peter Birkholz, Berkeley Architectural Heritage

1. Approval: How did a state tax credit get approved?

(Dan)

- It was authored by others, he participated in drafting regulations once it passed
- Was originally tired during a budget shortfall and failed (that same year North Carolina's passed)
- Lead: **Preservation Alliance of Virginia** in conjunction with Department of Historic Resources (and existing agency at the time)
  - Alliance led by strong board of directors and influential lobbyists
  - Phased in over years with a final full amount of 25%
  - Phased so it didn't hit the budget all in one year and allowed time to see if it actually worked
  - Key legislator: Current speaker of the House Bill (William J.) Howell (R) – wife is interested in land preservation
  - Exclusive jurisdiction of Dept. of Historic Resources (most states it's under SHPO)
- No vocal opposition
  - Must have laid groundwork
  - Back then no built-in constituency to approve or oppose
  - State was running on surplus
- Done at a time when VA was losing business to NC
  
- CA concern: California Teachers Association (CTA) – due to loss to general fund

2. Budget Allocation

- Testing done to support continued use
- There have been two impact studies done
  - **2004 PowerPoint (covering 1997-2003)**
  - **Virginia Commonwealth University** (showed 1.31 earned for every 1 spent)

### 3. Revenue Impacts

- Carol: We would need to demonstrate immediate impacts to state revenues in terms of the General Fund
- Dan: Can check on that
- Niccolo
  - Department of Finance would want to know, good for job creation – gets people back to work
  - Immediate need since redevelopment unwinding
  - State has to get rid of property (buyers could get credits on historic buildings)
  - Money from sales could flow directly to general fund
- Virginia
  - Rehabilitations in Richmond would not have been done w/o credits, buildings would have deteriorated and fallen down
    - Over a 30 year period, \$100-120 million invested
  - An 1897 tobacco warehouse rehabilitation in Lynchburg in 2007 resulted in 500,000 to 600,00 in taxes to city
  - **Case can be made:** many project would not happen w/o credits
    - **Can't get financing**
    - **Too much uncertainty and risk**
    - **20% Federal credit not enough, banks won't lend**
    - **With state credit, risk factor is reduced and benefits outweigh the risks**

### 4. Revenue Gains

- Indicate **Net Add**, not subtract
- More labor intensive
- Survey economic return

### 5. Process

- Mimi
  - State and Federal are parallel, almost equal
  - Same forms and application
  - Advantage of state review: developers and consultants work with and are familiar with SHPO reviewers
  - State reviews can be more flexible and an easier review process than federal reviews
- Rachel: oversaw credits
- Dan: was best lawyer in VA to get people credits
  - Could find additional eligible fees and costs

### 6. Development Impacts

- Real estate: Lodging went from 600 to over 500,000 (Side Note: Did lodging mean residential units or hotel units?)
- State credit push towards neighborhoods and owner occupied
  - Maintain integrity of existing neighborhoods is good common sense

- Avoid sprawl
- Rehabilitating housing stock and city cores increases tourism
- VA impacts on local neighborhoods significant and substantial (Manchester, Farber, Jackson Ward in Richmond)
- Florida study showing increase in rehabilitation of neighborhood
- Claudia
  - Enterprise zones have not been efficient
  - Not opposed because connected to urban revitalization
    - Fresno has a lot of historic buildings
  - Connect to other (Governor's) initiatives in a demonstrable way
    - Smart growth
    - Sustainability
  - High speed rail
  - Test Areas?
    - Fresno has major issues, but huge growth potential
    - Infrastructure already there
    - Fulton Mall
- VA has enterprise zones as well: people use them, but not to extent of tax credits
- Target historic districts, areas, cities

## 7. Strategy/Timing

- Piggyback on smart growth
- Historic buildings more energy efficient
- No need to send debris to landfills
- Existing infrastructure, streets, utilities, etc. already in place, not building new sprawled development
- Is there going to be a market for credits in CA?
  - VA: Wouldn't have any problem
  - Claudia: Still need to show numbers

## 8. Legislation

- VA: Was reauthorized and is permanent
- Claudia
  - This Governor would probably want to have an end
  - But, he's into heritage and looking at long view
  - Pioneer speech, relatives from Sutter County
  - Preserve what we have
  - Move forward in today's context
  - Provide specific examples, maybe some pilots
- Timing
  - Current legislative break through 8/12
  - End of legislative session 9/13, then know what bills in play
  - Start working Oct/Nov
  - Write in Dec
  - Release Jan 14

## 9. Where to start?

- Rachel: VA conversation started with **working group**
  - Preservation Alliance of Virginia (statewide group) took lead
  - Lobbyist hired
  - Needed financial people with real numbers
- Niccolo: In order to be successful:
  - Advocacy firm should be the lead and deal with legislative staff
  - Provide specific numbers and what they mean, what is increase?

## 10. State Credit

- VA Homeowner (owner occupied) Credit based on spending a material amount of money (at least 25% of assessed value), all other buildings 50%
- States like MD allowed bathroom remodels and were overloaded, causing significant changes to their program
- VA: Homeowner credit isn't used quite as much, but where it is used it is significant and the numbers are substantial (see Fredericksburg and Danville)

## 11. Next Steps

- **Next Meeting** Wednesday, August 7<sup>th</sup>, 9:00am, Oakland Chamber of Commerce, call in # to be provided
- **Establish Steering Committee**
  - Preservation Groups: Los Angeles Conservancy and California Preservation Foundation
  - Those already involved in credits
    - B of A
    - Syndicators
  - Developers
    - Phil Tagami
    - Hamid Behdad
    - John Protopappas
  - **Additional Stakeholders**
    - **Send potential names and emails to Eleanor at Oakland Chamber**
- Need Specific Examples
  - Offices attract restaurants
  - Offices and Housing attract retail
  - **Who could model numbers?**

**Note:** This is Tim's interpretation of the meeting. Please contact him at [tim.brandt@parks.ca.gov](mailto:tim.brandt@parks.ca.gov) with any revisions and/or corrections.