CITY OF RIVERSIDE

Historic Preservation Fund Committee Memorandum

Community & Economic Development Department **Planning Division**
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HISTORIC PRESERVATION FUND COMMITTEE MEETING: FEBRUARY 7, 2020
AGENDA ITEM NO.: 5

SUMMARY

Case Numbers	PSP19-0053 (Update)
Request	An update by staff to the Historic Preservation Fund Committee about State of California Senate Bill 451, Historic Preservation Tax Credit.
Staff Planner	Scott Watson, Historic Preservation Officer 951-826-5507 swatson@riversideca.gov

PURPOSE

The update on State of California Senate Bill 451 provides the Historic Preservation Fund Committee (HPFC), and the public, an update on the recently approved bill. No formal action is required by the HPFC.

BACKGROUND

On October 9, 2019, Governor Gavin Newsom approved Senate Bill 451 (SB-451). The bill, authored by State Senator Toni Atkin, amends the Revenue and Taxation Code of the State of California to add personal and corporation tax credits for rehabilitation of certified historic structures.

DISCUSSION

SB-451 takes effect January 1, 2021 and expires December 31, 2026. The bill establishes a framework for implementation of a tax credit program to be administered by the California Tax Credit Allocation Committee and the Office of Historic Preservation summarized below.

1. Definitions:
    a. *Certified Historic Structure* as a structure in this state that is listed on the California Register of Historical Resources.
    b. *Qualified Residence* as a residence owned and occupied by an individual taxpayer, who has a modified adjusted gross income of $200,000 or less, as the taxpayer's principal residence or what will be the taxpayer's principal residence within two years after the rehabilitation of the residence.
    c. *Qualified rehabilitation expenditure as*:

        i. Having the same meaning as that term is defined in Section 47(c)(2) of the Internal Revenue Code - generally those expenditure related to the rehabilitation of an income producing structure that is consistent with the Secretary of the Interior Standards; and
        ii. Expenditures incurred by the taxpayer with respect to a qualified residence for the rehabilitation of the exterior of the building or rehabilitation necessary for the functioning of the home, including, but not limited to, rehabilitation of the electrical, plumbing, or foundation of the qualified residence.
2. Income tax credits applied as a percentage of qualified rehabilitation expenditures.
    a. 20% as the standard percentage.
    b. 25% if the rehabilitation of the historic structure meets the follow:
        i. Project is located on federal surplus land;
        ii. Project includes affordable housing;
        iii. Project in located in a designated census tract that is determined by the Department of Finance to have a civilian unemployment rate that is within the top 25 percent of all census tracts within the state and has a poverty rate within the top 25 percent of all census tracts within the state;
        iv. Project is included as part of a military base reuse; or
        v. Project is Included as part of a Transit-oriented development that is a higher density, mixed-use project.
    c. Credits allocated on a first-come-first-served basis an aggregate amount of credits for a maximum of $50,000,000 statewide per calendar year.
        i. $10,000,000 of the total is to be set aside to be allocated as follow:
            1. $2,000,000 for qualified residences
                a. Minimum credit - $5,000
                b. Maximum credit - $25,000
                c. Credit allowed once every 10 years
            2. $8,000,000 for qualified rehabilitation expenditures on non-qualified residences that are less than $1,000,0000.
        ii. Any amount of the total annual available tax credits that are not allocation can add to the following years total available tax credits. For example if $1,000,000 of the maximum $5,000,000 in available credits is not awarded in any given year. That amount can be added to the following year's available tax credit.
    d. If the full amount of an individual credit is unused, the balance of the credit can be carried over to the personal or corporation tax bill for following year, and the seven succeeding years, if necessary, until the credit is exhausted.

EXHIBITS LIST

1. SB-451 Text

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Reviewed by: Patricia Brenes, Principal Planner

Approved by: Mary Kopaskie-Brown, City Planner