A California State Rehabilitation Tax Incentive  
An Incentive Whose Time Has Come

Statewide rehabilitation incentives could:

1. **Stimulate local economies**
   - The rehabilitation of historic buildings starts to pay back the state's investment immediately through taxes on construction jobs and materials.
   - Hard-pressed town and cities have the chance to put deteriorated property back on the tax rolls, to dispose of city owned tax-foreclosed properties, and to add new taxpayers to the local tax base.
   - Statistics have shown that the loss of state income tax revenue has been offset by future gains.

2. **Revitalize downtown areas and communities**
   - Incentives can create jobs and leverage investments.
   - Credits encourage growth and redevelopment generating employment and housing typically where they are most needed.
   - Cities benefit from increased real property, sales, and income taxes.

3. **Promote affordable housing**
   - Additional state incentives for historic buildings could assist other funding, including potential housing credits, to bring historic buildings up to current code, boost energy efficiency, and provide accessibility while preserving the building’s historic features.
   - Historic home-ownership credits could help low and moderate income tenants attain home ownership and enable existing homeowners in historic districts to rehabilitate their home.

4. **Demonstrate Inherent Sustainability**
   - Restoring a historic building is usually more environmentally efficient than building a new one, especially after they are retrofitted with energy upgrades. Although most of California is blessed with a moderate climate, even minimal weatherization upgrades can provide energy savings. It is important to look at “whole building” solutions.
   - In addition, the dense development and inherent walkability in many historic neighborhoods allows residents to be less dependent upon their vehicles, a distinct environmental advantage which reduces vehicle miles traveled (VMTs).
   - Support for historic preservation in communities would significantly advance environmental goals as well.

5. **Support Smart Growth and New Urbanism**
   - Counter to a sprawl mentality, the rehabilitation of historic properties can have direct links to community-based ideas, economic development, and pedestrian-based community planning to reduce greenhouse gas emissions all while creating a more sustainable model for cities and towns. Many preservation projects are already located in smart growth and energy efficient locations.
In any given year, there are typically more building renovation and rehabilitation projects undertaken by owners than there are new construction projects. While a small portion of these existing building projects involve a historic building, many are motivated by owner needs, energy concerns, maintenance considerations, and general modernization or upgrade requirements.

6. Encourage owners to list their properties
   - The availability of financial incentives may encourage the owners of historic properties to actively seek to list their buildings in order to take advantage of rehabilitation credits.
   - Incentives may help avoid typical objections to the listing of properties on the basis of owner’s rights by providing a financial reward to list a property.

7. Encourage property maintenance and rehabilitation
   - Incentives can assist in bringing vacant properties back to life, put existing buildings back to productive use, and lead to higher property tax revenue.
   - Incentives help to offset higher costs attributed to the rehabilitation of historic character defining features.

8. Leverage use of the federal rehabilitation tax credit
   - An effective state credit can increase the use of the federal credit bringing more federal dollars into the state. Missouri saw the number of projects using the federal rehabilitation tax credit double after the introduction of their state credit.

9. Benefit heritage tourism
   - In state after state analyses have shown that one of the major industries benefiting from preservation was tourism. Preservation visitors stay longer, visit twice as many places, and spend two and a half times as much money as do non-preservation visitors. Historic preservation brings tourist dollars into California’s economy.

10. Enhance California’s leadership role
    - State rehabilitation tax incentives are one of the most common legislative agenda items in the states.
    - With the state leading the nation in many areas, including sustainability, California can also show its support for historic preservation and the owners of historic properties to protect and enhance its historic and cultural properties for future generations.