CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE OVERSEES COMMERCIAL REVITALIZATION DEDUCTION PROGRAM

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Federal Renewal Community Program Targets Renewal

In December 2000, Congress passed, and the President signed, the Community Renewal Tax Relief Act of 2000 (26 U.S. Code Annotated 1400E, et seq.) (the Act). Among its provisions was the creation of the Renewal Community Program, a program designed to stimulate job growth and economic development, and create affordable housing in some of the nation’s most distressed communities.

Consistent with the Act, on January 23, 2002, the federal Department of Housing and Urban Development (HUD) designated 40 communities across the nation as Renewal Communities. Among the communities designated were five communities in California. Portions of the cities of San Francisco, Los Angeles, and San Diego were designated as urban Renewal Communities, and the cities of Parlier and Orange Cove, both in Fresno County, were designated as rural Renewal Communities. The designation allows these communities to utilize a variety of tax incentives to build a framework for economic revitalization in areas that experience high unemployment and shortages of affordable housing.

Among other things, the Act provides for up to $12 million in tax deductions per designated renewal community for each calendar year from 2002 through 2009, provided that such deductions are allocated by a designated state agency pursuant to a Qualified Allocation Plan (QAP). The California Tax Credit Allocation Committee (CTCAC) was designated the commercial revitalization agency for this state and adopted its QAP in November 2002. Commercial Revitalization Deductions are available to businesses located in the renewal communities that acquire and renovate, rehabilitate existing structure(s), or build property for commercial use.

To be eligible to receive a tax deduction, a business must first “partner” with a renewal community in its revitalization efforts, and then must receive the allocation from the CTCAC. The business receiving the tax deduction may either (1) deduct one-half of its qualified revitalization expenditures (generally, capitalized costs of constructing or rehabilitating a building) for the taxable year in which the building is placed in service; or (2) deduct all such expenditures evenly over a ten-year period, beginning with the month the building is placed in service.

Wide Range of Businesses Take Advantage of Tax Deductions

With $12 million dollars in tax deductions available to businesses in each of the five Renewal Communities in California for a total of $60 million available each year, a wide range of businesses have taken advantage of the program. For example, in 2002, a small coffee shop in San Diego’s Renewal Community and a publicly traded music and bookstore built in the Historic Gaslamp Quarter were awarded $4.7 million in deduction allocations. A total of $24.4 million in federal tax deductions were allocated in 2002.

The projects that took advantage of these tax incentives in 2003 were as varied as in 2002. One project was a historic building that was substantially rehabilitated with commercial uses on the ground floor and residential uses on the floors above, while another involved a dramatic expansion of a citrus packing plant. A total of $5.6 million was awarded for these two projects.

Again in 2004, there are $12 million in tax deductions for each of the five Renewal Communities in California. Interested businesses are encouraged to contact their local Renewal Community office as listed below:

Los Angeles
Cliff Weiss, Renewal Community Manager
215 W. 6th Street, 3rd Floor
Los Angeles, CA 90014
(213) 485-6301
cweiss@cdd.lacity.org
Orange Cove
Jim Gordon, Renewal Community Manager
633 Sixth Street
Orange Cove, CA 93646
(559) 626-4492
cmonluke@aol.com

San Diego
Plez Felix, Renewal Community Manager
600 B Street, 4th Floor, MS 904
San Diego, CA 92101
(619)533-5442
pflex@sandiego.gov

Parlier
Lou Martinez, Director of Econ. Development
1100 E. Parlier Ave
Parlier, CA 93648
(559)646-3545
econdev@parlier.ca.us

San Francisco
Albert Lerma, Program Director
25 Van Ness Avenue, Suite 700
San Francisco, CA 94102
(415)252-3134
albert.lerma@sfgov.org

For more information regarding the Act and the renewal communities, visit CTCAC’s web site at www.treasurer.ca.gov/ctcac and HUD’s web site at www.hud.gov/offices/cpd/ezec.