

**Final Statement of Reasons for the Proposed Adoption of
California Code of Regulations, Title 4, Division 17, Chapter 3,
State Historic Rehabilitation Tax Credit, and Sections 11010, State Historic
Rehabilitation Tax Credit Authority and Function, 11011, Definitions, 11012, Joint
Application and Compliance Process**

**UPDATE OF INFORMATION IN THE INITIAL STATEMENT OF REASONS AND
ADDENDUM TO INITIAL STATEMENT OF REASONS**

The factual basis, specific purposes, and necessity for, the problems to be addressed by, and the anticipated benefits from the adoption of chapter 3 and Regulations 11010, 11011, and 11012 are the same as provided in the initial statement of reasons.

In addition, the factual basis has not changed for the California Tax Credit Allocation Committee's (CTCAC or Committee) initial determination that the proposed regulatory action will not have a significant adverse economic impact on business and CTCAC's economic impact assessment, which determined that it is:

- Unlikely the proposed regulatory action will eliminate any jobs;
- Likely the proposed regulatory action will create an unknown number of jobs;
- Likely the proposed regulatory action may create an unknown number of new businesses to cater to the creation of a new state tax credit;
- Unlikely the proposed regulatory action will eliminate any existing businesses;
- Likely the proposed regulatory action will affect the expansion of businesses currently doing business in the state; and
- Likely that the public and private benefits of the proposed regulatory action will include long term jobs associated with the use of rehabilitated historic buildings and the overall economic activity associated with the rehabilitation of historic buildings facilitated by the state credits, and a 20% or 25% state tax credit for the certified rehabilitation of a certified historic structure.

Explanation of Modifications to Originally Proposed Text

CTCAC initially noticed the proposed rulemaking on June 6, 2024, and held a 45-day written comment period through July 22, 2024. CTCAC did not receive any written comments regarding the proposed regulatory action or written requests for a public hearing to comment on the proposed regulatory action. Following closure of the 45-day written comment period for the proposed action, CTCAC made changes to the proposed text as outlined in the Addendum to Initial Statement of Reasons. CTCAC determined it made substantial changes to the text because the changes materially altered the prescriptions contained in the original text to align more closely with the Office of Historic Preservation's (OHP) proposed regulatory action. CTCAC also determined it made substantial changes sufficiently related to the original text that the public was

adequately placed on notice that the changes could result from the originally proposed regulatory action because the changes streamlined language in the original text and aligned the original text with OHP's proposed regulatory action and the joint SHRTC Application and Instructions, referenced in the original text. Accordingly, CTCAC issued a notice of modified text on August 21, 2024, and held a 15-day public comment period through September 5, 2024. CTCAC did not receive any written comments regarding the proposed regulatory action or written requests for a public hearing to comment on the proposed regulatory action. Thereafter, CTCAC made nonsubstantial or solely grammatical in nature changes to the proposed regulatory action as outlined in the Second Revised Proposed State Historic Rehabilitation Tax Credit Regulations Text and, consistent with CTCAC Resolution No. 23/24-01, and the minutes of the July 26, 2023, and August 23, 2023, CTCAC Committee Meetings, adopted proposed Chapter 3, State Historic Rehabilitation Tax Credit, and Sections 11010, State Historic Rehabilitation Tax Credit Authority and Function, 11011, Definitions, 11012, Joint Application and Compliance Process in Chapter 3 of division 17 of title 4 of the California Code of Regulations (CCR).

Documents Added to the Record After Notice

CTCAC added a technical document, the "CTCAC Fee Schedule," and the "State Historic Rehabilitation Tax Credit v. 5/24 Application and Instructions" to the rulemaking file on August 21, 2024, after publication of the notice of proposed action and relied on the documents in proposing the action.

The fees in proposed Regulation 11012, subdivision (d), and exemplified in the CTCAC Fee Schedule are consistent with fees charged by CTCAC for existing federal and state tax credit program application reviews and follow a fee schedule, based on the total qualified rehabilitation expenditures (QRE). For QREs between \$25,000 to \$125,000 the CTCAC processing fee is \$500. For QREs between \$345,000 to \$3,292,000 the CTCAC processing fee is \$1,000. The administrative fee is a percentage (2%) of the tax allocation credit. In comparison, under the separate Low-Income Housing Tax Credit Program, CTCAC charges a \$2,500 application fee on competitive applications and a 4% allocation or administrative fee. All fees are anticipated to be offset by the state tax credit awarded to lower the applicant's state tax obligation.

Revenue and Taxation Code, sections 17053.91, subdivision (g)(2), and 23694, subdivision (g)(2), require the Committee jointly prescribe a written application form with the OHP for the allocation of the tax credit. On August 6, 2024, the Committee approved the State Historic Tax Credit joint application form as part of the regular rulemaking for the proposed action. Pursuant to Government Code (GC) section 11347.1, CTCAC made the documents available for public inspection at the location described in the notice for at least 15 calendar days before the proposed action was adopted by CTCAC. The 15-day public availability period began August 21, 2024, and ended on September 5, 2024. CTCAC received no written comments on the documents.

CTCAC did not rely on any other data or any other technical, theoretical, or empirical study, report, or similar document in proposing or adopting chapter 3 and Regulations

11010, 11011, and 11012 that was not identified in the initial statement of reasons, or which was otherwise not identified or made available for public review prior to the close of the public comment period.

No Mandate Imposed on Local Agencies or School Districts

CTCAC determined that the adoption of proposed Regulations 11010, 11011, and 11012 will not impose a mandate on local agencies or school districts, including a mandate that requires state reimbursement under part 7 (commencing with section 17500) of division 4 of title 2 of the Government Code.

Determination Regarding Alternatives

CTCAC determined that no alternative to Regulations 11010, 11011, and 11012 would be more effective in carrying out the purpose for which Regulations 11010, 11011, and 11012 are proposed, would be as effective and less burdensome to affected private persons than the adopted regulations, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law.

CTCAC did not reject any reasonable alternative to Regulations 11010, 11011, and 11012 that would lessen any adverse impact the proposed regulatory action may have on small business.

No reasonable alternative has been identified and brought to CTCAC's attention that would lessen any adverse impact the proposed action may have on small business, be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposed action.

Prescription of the Written Application

Revenue and Taxation Code, sections 17053.91, subdivision (g)(2) and 23694, subdivision (g)(2), require the Committee jointly prescribe a written application form with the OHP for the allocation of the tax credit. On August 6, 2024, the Committee approved the State Historic Tax Credit joint application form as part of the regular rulemaking for the proposed action.

Adoption of Proposed Regulations

On July 26, 2023, the Committee executed Resolution No. 23/24-01, adopting the proposed regular rulemaking regarding the State Historic Rehabilitation Tax Credit program. Pursuant to the express provisions of the Resolution and consistent with CTCAC's delegation authority under section 50199.8 of the Health and Safety Code, the Committee authorized the CTCAC Executive Director, or the Deputy Executive Director in the Executive Director's absence, to execute and deliver any documents and take

any steps, including making changes to the regulations text or file to secure approval by the Office of Administrative Law, they may deem necessary or advisable to effectuate the purposes of the Resolution. In accordance with the authority delegated through the Resolution, CTCAC's Executive Director made changes to the adopted proposed regulation text and file to secure approval by the Office of Administrative Law.