Incentives for Retrofitting Vulnerable Privately-Owned Buildings
Used by: Various Bay Area Local Governments
Date Established: Over about the past 20 years

Description
Local governments throughout Northern California have created financial incentives and removed disincentives to encourage owners to retrofit their vulnerable buildings. These incentives include: waivers or reductions of building permit fees, waivers of zoning and parking requirements, loans with easier qualifying requirements or below-market interest rates, grants to cover part of the design or construction costs using redevelopment or housing funds, and special assessment districts that generate funding sources for participants.

Problem
Owners have many reasons for not addressing the risks of collapse, life loss and property damage in their buildings. Since earthquakes are rare events, retrofitting is typically not the highest priority for the expenditure of limited funds. Governments convey mixed messages about earthquake risk; don’t usually require retrofits except for unreinforced masonry buildings; and leave such decisions up to owners. Yet governments have a stake in the future of their community’s buildings, in protecting both human life and economic continuity. The percentage of retrofitted buildings in Northern California is low—for example, less than 10% for residential dwellings, and less than 50% for highly vulnerable unreinforced masonry buildings.

Solution
Various local governments have evaluated their community’s vulnerability to earthquake losses, identified priority issues and alternatives, and selected from a variety of incentive options using the resources below. Governments have estimated the potential levels of participation and estimated offsets in revenue. Governments have held focus group meetings and public forums to gain feedback from potential beneficiaries of incentives, and to present draft incentives before their adoption.

Even small incentives appear to send a clear message to building owners that governments value efforts to reduce earthquake risk. Even nominal incentives convey a small recognition to owners of the government’s interest and appreciation. The positive public relations generated by offers of incentives have offset opposition to retrofitting proposals.

Larger incentives clearly produce more meaningful retrofit results and have changed market conditions and increased numbers of buildings being retrofitted. Based on recent ABAG surveys, communities with large, effective retrofit incentives have a substantially higher quantity of retrofitted buildings.
Examples of Retrofit Incentive Programs

Berkeley’s Transfer Tax is an example of a large, effective incentive that has enabled Berkeley to achieve more than three times the number of retrofitted buildings of adjacent cities. Following is a list of earthquake risk reduction incentives and the cities that have adopted them. Each city should be contacted for more information:

- **Waiver of Permit Fee for Seismic Retrofit**: Albany, Berkeley, Fremont, Livermore, Los Gatos, Morgan Hill, Oakley, San Rafael, Sonoma, St. Helena.
- **Permit Fee Reductions**: Pittsburg, San Leandro, St. Helena
- **Local Tax Breaks**: Berkeley Transfer Tax Rebate and proposed tax/rebate increase, St. Helena Mills Act, Redwood City Mills Act
- **State Tax Breaks**: Taxes reduced for earthquake strengthening when applicable forms are submitted prior to retrofitting. Contact your County Assessor’s Office.
- **Federal Tax Breaks**: 20% federal tax credit for work certified by the National Park Service on National Register buildings.
- **Federal Mitigation Incentives**: The Disaster Mitigation Act of 2000 (DMA2000) allows for enhanced eligibility for post-disaster mitigation funds for those jurisdictions that have effective mitigation programs established prior to disasters. The Governor’s Office of Emergency Services is laying out rules for these new mitigation programs with a November 2003 deadline.
- **Grants**: Brentwood, Colma, Emeryville, Morgan Hill, Napa, Pinole, St. Helena, Windsor, San Francisco’s general obligation bonds
- **Other Incentives**:
  - **Dixon** - $3/SF for URM retrofits
  - **Fremont** - low interest loans for redevelopment area Napa’s redevelopment funds for retrofit designs
  - **Palo Alto** - allowances for additions waivers
  - **Los Gatos** - parking waivers
  - **San Leandro** - special assessment district loan program
  - **San Mateo** - storefront improvement loads and grants
  - **Santa Clara** - 3% interest, 5 year loans for engineering analysis
  - **Sonoma** - grants for retrofit designs
  - **Vacaville** - 3% interest, 25 year redevelopment loans
  - **Vallejo** - $40,000 per building (max) Community Development Block Grants

Resources

- **Seismic Retrofit Incentive Programs** – A Handbook for Local Governments, ABAG, 1992. (Some case studies no longer applicable to current adaptations.)
- **Status of City and County Mitigation of Earthquake Hazards and Risks**, ABAG, 2002.
- **Preventing the Nightmare**, Designing a Model Program to Encourage Owners of Homes and Apartments to Do Earthquake Retrofits, ABAG, 1999. Based on a survey of residential retrofitting progress and recommendations from ABAG’s Housing Mitigation and Recovery Review Committee.
Adaptability/Sustainability

The adaptability of incentives used elsewhere depends greatly upon the similarity of economic conditions, the owner’s willingness to pay versus the size and effectiveness of the incentive, and current lending rates.

Tax laws have changed dramatically over the years, rendering many earlier attempts at incentives, such as the Marks Historical Bond Act and some types of special assessment districts such as Mello-Roos, either infeasible or less feasible.

Some incentives are not adaptable to other jurisdictions unless tax laws are similar, which is the case for Berkeley’s Transfer Tax. Most jurisdictions don’t have a transfer tax and creating new taxes coupled with offsetting incentives would require a two-thirds vote of the electorate.

Many incentives have a limited life or effectiveness. For example, special assessment districts may be created once and not allow for additional participants at later dates. Some below market-rate loans may become unattractive with changes in the market or for owners unable to take on additional loans.

As a result, governments should periodically review existing incentives and options for new or revised incentives since conditions change with time and the economy as well as changes in local, state, and federal laws.