



Fact Sheet: AB 84

Welfare Property Tax Exemption for Affordable Housing

PROPOSED BILL

Assembly Bill (AB) 84 improves access to the welfare property tax exemption for affordable housing, which is critical to the acquisition and development of additional affordable homes.

Specifically, the bill:

- Provides parity to developments financed with 501(c)(3) bonds.
- Allows an owner of a non-Low Income Housing Tax Credit development to continue receiving the welfare exemption when a low-income household's income increases, up to 100% of the area median income.

BACKGROUND

Pursuant to the state constitution, affordable rental housing owned-by a nonprofit entity is considered a "charitable" use and exempt from basic property taxes. This is known as the "welfare exemption." Two issues have arisen that unnecessarily inhibit non-profit affordable housing developer's access to the exemption.

The current welfare exemption law essentially requires the participation of a public entity in the development to monitor compliance with affordability terms and building maintenance requirements. The statute specifically refers to the use of tax-exempt mortgage revenue bonds and general obligation bonds as allowable financing sources. Just like a mortgage revenue bond, 501(c)(3) bonds are tax-exempt bonds issued by public entities but entirely the obligation of the development. The public bond issuers monitor both in the same way. The only

distinction is the federal tax code section they are issued under. As a result, there is public participation in both cases.

In addition, tenants who enter affordable housing must meet specified income limits but are not required to move out when their income subsequently increases. Moreover, owners generally are not allowed to evict tenants due to such income increases. For all affordable housing programs except the welfare exemption, a unit is still considered affordable as long as the tenant income at initial occupancy was within the limit. For the last few years, welfare exemption law has acknowledged this reality and maintains the exemption as long as the tenant's income does not exceed 140% of AMI. However, this provision only applies to developments that receive Low-Income Housing Tax Credits, such that many non-tax-credit developments lose the exemption through no fault of their own.

SOLUTION

In order to ensure affordable housers' access to the welfare exemption, AB 84 defines 501(c)(3) bonds as an allowable public financing source and allows non-tax credit developments to continue receiving the exemption when a tenant's income increases, up to 100% of the area median income.

SUPPORT

California Housing Partnership Corporation
Sponsor)
California State Controller (Sponsor)
All Home
Association of Bay Area Governments

California Apartment Association
California Coalition for Rural Housing
California Council for Affordable Housing
California Housing Consortium
Community Corporation of Santa Monica
Community Housing Improvement Program
Community HousingWorks
Danco Communities
EAH Housing
East Bay Asian Local Development
Corporation
Eden Housing
Enterprise Community Partners
Housing Authority of the City of Santa
Barbara
Housing California
Many Mansions
Mercy Housing California
Merritt Community Capital Corporation
Metropolitan Transportation Commission
MidPen Housing Corporation
Resources for Community Development
San Diego Housing Federation
San Francisco Bay Area Planning and Urban
Research Association
San Francisco Housing Accelerator Fund
San Joaquin Valley Housing Collaborative
Self Help Enterprises
Wakeland Housing and Development
Corporation

OPPOSITION

League of California Cities
Santa Clara County Assessor

FOR MORE INFORMATION

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