



### **Fact Sheet: AB 2353**

#### **Improving Implementation of the Welfare Property Tax Exemption for Affordable Housing**

#### **PROPOSED BILL**

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Assembly Bill (AB) 2353 would ensure non-profit affordable rental housing developers can access the existing welfare property tax exemption without floating unnecessary tax payments while their application is under review, reducing the cost of constructing affordable housing.

#### **BACKGROUND**

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Pursuant to the State Constitution, affordable rental housing owned by a non-profit entity is considered a “charitable” use and is exempt from basic property taxes. This is known as a “welfare exemption.”<sup>1</sup>

Although most affordable housing developers have been approved for welfare exemptions numerous times, and the use of a particular site as affordable housing (including the percentage of affordable units on that site) is set in recorded affordability restrictions, developers must nonetheless pay property taxes up front and seek reimbursement after both the Board of Equalization (BOE) and the county assessor have approved a development’s exemption.

As a result, affordable housing developers float hundreds of thousands of dollars in unnecessary tax payments, for as much as three years, only to get the money back (albeit without interest) once their application is approved.

However, developers must borrow money to pay for property taxes, on which they pay

interest. Thus, affordable housing developers lose crucial and extremely limited affordable housing dollars by paying for property taxes up front, and incurring interest, further increasing development costs.

#### **SOLUTION**

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AB 2353 would reduce the cost of developing affordable housing by allowing non-profit affordable housing developers to withhold relevant tax payments, without penalty, while their welfare exemption applications are under review. To be eligible, a property must be subject to a recorded affordability covenant and the developer must have received a clearance certificate from the BOE, indicating they are eligible for the exemption.

#### **SUPPORT**

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California Housing Partnership (Sponsor)

#### **OPPOSITION**

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None at this time.

#### **FOR MORE INFORMATION**

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Contact: Silverio Rizo Llamas  
Phone: (916) 319-2078  
Email: [Silverio.RizoLlamas@asm.ca.gov](mailto:Silverio.RizoLlamas@asm.ca.gov)

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<sup>1</sup> State Board of Equalization. (2019, December). Property Tax Welfare Exemption. <https://www.boe.ca.gov/proptaxes/pdf/pub149.pdf>