



Fact Sheet: AB 2353

Improving Implementation of the Welfare Property Tax Exemption for Affordable Housing

PROPOSED BILL

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

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.”¹

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 once their application is approved.

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 both for property taxes up front, and incurring interest, further increasing development costs.

SOLUTION

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 have received a reservation of credits from the Tax Credit Allocation Committee (TCAC) or an award of funds from the Department of Housing and Community Development (HCD) and demonstrate that construction has begun.

SUPPORT

California Housing Partnership (Sponsor)
California State Controller Malia M. Cohen (Sponsor)
Association of Bay Area Governments
California CLT Action
California Community Land Trust Network
California State Board of Equalization
City and County of San Francisco
East Bay Housing Organizations
Eden Housing
Housing Authority of the City of San Buenaventura
Housing California
Inner City Law Center
LeadingAge CA
Many Mansions

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

Merritt Community Capital Corporation
Metropolitan Transportation Commission
Non-Profit Housing Association of Northern
California
Resources for Community Development
San Diego Housing Federation
Southern California Association of Non-
Profit Housing
Supportive Housing Alliance
The Unity Council

OPPOSITION

None at this time.

FOR MORE INFORMATION

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