



MALIA M. COHEN

CHAIR  
STATE BOARD OF EQUALIZATION

February 23, 2022

TO: Members of the Board of Equalization

FROM: Malia M. Cohen, Chair  
Antonio Vazquez, Board Member, Third District

RE: Board of Equalization Board Meeting, February 23, 2022, L.1.a  
Assembly Bill 1206: Housing Justice Tax Equity Act

**Board discussion and possible action related to the Board of Equalization officially supporting Assembly Bill 1206 which raises the property tax exemption threshold for Community Land Trust Properties to match the federal requirement of 140 percent average median income.**

The purpose of this agenda item is to provide the Board an opportunity to discuss and officially support Assembly Bill (AB) 1206 authored by Assemblymember Steve Bennett. The Executive Director is also prepared to answer any questions Board Members may have regarding the substance and impact of AB 1206.

### **Background**

[Assembly Bill 1206](#), known as the Housing Justice Tax Equity Act, raises the property tax welfare exemption for Community Land Trusts (CLT) from generally 80% area-median income (AMI) to match the federal requirement of 140% AMI. This bill also provides for a five-year sunset.

AB 1206 ensures that CLTs avoid sudden and unexpected increases in their property tax bill when one or more residents experience a modest increase in income because the welfare exemption has strict income limits. By doing so, this change will allow CLT properties that already have a property tax welfare exemption to keep their exemption intact if a resident's income rises to 140% of the AMI.

Revenue and Taxation Code Section 402.1 defines a CLT as a nonprofit corporation organized under Internal Revenue Code Section 501(c)(3) that satisfies all the following conditions:

- Has as its primary purposes the creation and maintenance of permanently affordable single-family or multifamily residences.
- All dwellings and units located on the land owned by the nonprofit corporation are sold to a qualified owner to be occupied as the qualified owner's primary residence or rented to persons and families of low or moderate income.
- The land owned by the nonprofit corporation, on which a dwelling or unit sold to a qualified owner is situated, is leased by the nonprofit corporation to the qualified owner for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years.

As of 2019, there are approximately 25 CLTs operating in California. The CLT affordability housing model uses ground leases to retain ownership of land upon which housing is constructed and the affordability restrictions are generally permanent. The CLT can sell an affordable home to an income-qualified household because the homeowner is only buying the building and leasing the land underneath. If the homeowner decides to sell, CLTs require the homeowner to sell to another income-qualified household and limits the owner's appreciation value.

California is facing an affordable housing crisis that threatens the state's long-term growth and prosperity. Extraordinarily high housing costs are a significant driver of [inequality in the state](#) of California. According to a [September 2021 report](#) from the United States Census Bureau, California remains the state with the highest level of poverty. Moreover, a [2020 report](#) by the U.S. Department of Housing and Urban Development shows California with a 6.8% increase in homelessness between 2019 and 2020. Unfortunately, these numbers have likely increased due to the economic insecurity incited by the ongoing COVID-19 pandemic. CLTs present one viable option to address this affordable housing crisis facing California.

Comparable income flexible provisions have become law in 2017 with [Assembly Bill 1193](#) (Gloria). AB 1193 raised the property tax exemption threshold for Low-Income Housing Tax Credit (LIHTC) developments to match the federal requirement of 140% AMI.

AB 1206 successfully passed out of the California State Assembly with a 75-0-1 vote on January 31, 2022 with bi-partisan support and currently is in the California State Senate awaiting committee referral.

## **Conclusion**

Acknowledging all of the above, we respectfully request that the Board support AB 1206 and direct the Executive Director to issue a letter of support on our behalf to the California Legislature.

The Executive Director is also available to answer any questions the Board may have regarding Assembly Bill 1206.