



ANTONIO VAZQUEZ
CHAIRMAN
CALIFORNIA STATE BOARD OF EQUALIZATION

MEMORANDUM

Date: February 10, 2023

To: Sally Lieber, Vice Chair
Ted Gaines, Board Member, First District
Mike Schaefer, Board Member, Fourth District
Malia M. Cohen, State Controller

From: Antonio Vazquez, Chairman

Re: **February 22-23, 2023, Board Meeting Item L.2.c. – Proposal to Continue Property Tax Abatement Work Group on Affordable Housing.**

Purpose/Issue.

Pursuant to the Board's authority to administer and oversee the Welfare Exemption in Revenue & Taxation Code (RTC) Section 214 and to promulgate and enforce Property Tax Rules such as 137 and 140 et. seq., we are fully engaged in the interpretation, processing, and availability of property tax exemptions for the development and operation of affordable housing. The single most important action the Board can take at this time to incentivize and increase affordable housing statewide is to streamline our property tax exemption processes, both state and local, so that exemptions are available to qualified claimants without bottlenecks, confusion, and delays, as the former Mayor of the City of Los Angeles, Eric Garcetti, testified in our Work Group hearing on September 28, 2022. Other government leaders, like new Los Angeles Mayor, Karen Bass, have aggressively stepped forward to streamline their development approval processes. Her recent declaration mandates the City's departments to complete all reviews within 60 days.¹ I am proposing that we schedule a Property Tax Abatement Work Group to drill down with county assessors, city and county housing agencies, and all stakeholders to identify possible gaps that exist in our current exemption state and local processes and to develop recommendations for

¹ Los Angeles Mayor Karen Bass issued a directive on December 12, 2022, <https://mayor.lacity.gov/news/mayor-bass-signs-executive-directive-dramatically-accelerate-and-lower-cost-affordable-housing>, to accelerate and lower the cost of building affordable housing and temporary housing, by requiring city departments to cease procedures creating bottlenecks to affordable housing and shelters. The directive applies to all housing/development projects that are 100% dedicated to affordable housing and instructs the departments responsible for processing to complete all reviews within 60 days. City officials indicated that there are 31 projects currently in the review process that would receive relief under this directive. The Los Angeles County Board of Supervisors voted on Tuesday, December 20 to partner with the City, making this a joint effort.

practical ways to streamline and enhance these processes as a means of accelerating critically needed affordable housing.

Background.

The Property Tax Abatement Work Group was initiated in 2021 by Member Malia Cohen (now State Controller) and formed to “consider property tax abatements from the lens of incentivizing development and expanding the resources available to government when addressing the unprecedented affordable housing crisis in California.” In her Memo to the Board dated June 28, 2022, she stated that the Property Tax Abatement Workgroup would hear presentations on “how California could use property tax abatements and exemptions to address the current housing crisis” in a series of comprehensive public policy hearings on July 27, August 31, and September 28 of 2022. [062822-L2a-PT-Abatement \(ca.gov\)](#). Government leaders throughout California and even other states, investors, developers and nonprofits were invited to provide their input and expertise on possible options and solutions as to the feasibility of using targeted property tax abatements and exemptions to spur housing development for low-income and moderate-income persons. A report will be prepared and issued to the Board and participants summarizing the testimony heard and highlighting policy recommendations. The items concerning which critical testimony and data was received included:

- The Nature of the Current Housing Crisis & Development Challenges
- The “Color of Housing”: Systemic Racism, Equity, & Access to Capital and Financing
- Property Tax Abatement Strategies: “Highlighting Initiatives Across the Country – Exploring Their Successes, Challenges, & Lessons Learned”
- California’s Experience in Local Government’s Use of Joint Powers Authorities, the Welfare Exemption, and Other Strategies
- A Summary of Current Property Tax Incentives in California
- The Impact of Abatements to Incentivize the Development of Housing in California: “Why They Matter?”
- Exploring a Statewide Solution: “What Makes Sense for California?”
- The Financial Impact of Implementing Property Tax Abatements: “Exploring the Backfill Options for Local Government and Schools”
- Examining Constitutional, Statutory, and Regulatory Implications: “What’s Required?”
- The Future of Property Tax Abatements in California: “Where Do We Go from Here?”

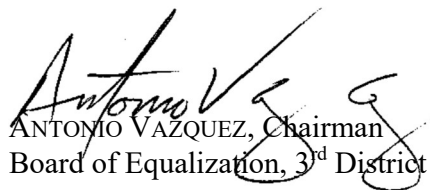
Current Proposal and Next Steps.

I propose that the Members remain proactive and continue the Property Tax Abatement Work Group hearings, tentatively starting on April 26, 2023, to invite speakers and receive testimony primarily on streamlining the state and local welfare exemption processes, as well as any additional matters that the Controller, Members, assessors, or stakeholders may wish to raise.

The following list of items is suggested:

- Drill down with local housing agencies and authorities on specific needs for the exemption or abatements, including immediate and long term cost/benefit issues;
- Explore and recommend ways to shorten/streamline the BOE and County Assessor processing times for the welfare exemption;
- Identify possible “gaps” in the law that may cause or contribute to delays in the application of the exemption to low-income housing projects;
- Explore and recommend opportunities for educating and assisting low-income housing developers, property owners, and nonprofit organizations on the documents needed to facilitate welfare exemption processing at the state and local levels;
- Request data and information from nonprofit organizations on the unique challenges facing them as owners of low income and affordable housing properties, and explore/recommend practical solutions;
- Discuss and consider currently proposed legislation and/or additional legislative changes that may facilitate the benefits of the welfare exemption, reduce the costs of administration, and further incentivize low income and affordable housing;
- Review and comment on the Work Group Report (if available).

The role of the BOE and the county assessors, as the officials responsible for processing and determining the application of the property tax exemption to housing projects such as these, is critical. As we have heard from testimony at every level, the welfare exemption is the key factor that makes these projects financially feasible. I believe that it is incumbent on our Board to ensure that unnecessary processing hurdles are removed and that our state and local systems are able to function with maximum efficiencies, not only in this instance, but throughout the state.


ANTONIO VAZQUEZ, Chairman
Board of Equalization, 3rd District

cc: Ms. Deborah Bautista-Zavala, Chief Deputy, Office of Chairman Antonio Vazquez
Mr. Gary Gartner, Chief Deputy, Office of Vice Chair Sally Lieber
Mr. Matt Cox, Chief Deputy, Office of Member Ted Gaines
Mr. Cody Petterson, Chief Deputy, Office of Member Mike Schaefer
Mr. Hasib Emran, Deputy State Controller
Ms. Yvette Stowers, Executive Director
Mr. Henry Nanjo, Chief Counsel