

Memorandum

To: Ms. Yvette M. Stowers
Executive Director

Date: April 26, 2023

From: David Yeung, Deputy Director
Property Tax Department

Subject: ***Welfare Exemption Process Improvement Report***

At the July 27, 2021, Board of Equalization (BOE) public meeting, staff presented a report on the Welfare Exemption Program as it relates to affordable housing and property tax relief. After the presentation, at the direction of the Board, the executive director was tasked to conduct a comprehensive review of the Program to streamline the application, review, and approval process for low-income rental housing.

From September 2021 through May 2022, staff reported monthly project updates to the Board during public meetings. At the June 28, 2022, public meeting, staff reported to the Board that the project was completed. The purpose of this memorandum is to summarize each key element identified during the comprehensive review of the process and the improvements implemented for each. The memorandum will also provide measurements of efficiency since implementation.

Background

All property in California is taxable unless specifically exempt. The Welfare Exemption from local property tax is available to property of organizations formed and operated exclusively for qualifying purposes (religious, scientific, hospital or charitable), which use their property exclusively for those purposes. The BOE determines whether the organization is eligible to receive the Welfare Exemption; and if eligible, issues an Organizational Clearance Certificate for the claimant to provide with claim forms filed in any of the 58 counties. The County Assessor determines whether the use of the property is eligible for the exemption. Both the organizational and property use requirements must be met for the exemption to be granted.

An entity seeking to exempt low-income housing from property taxation must obtain an Organizational Clearance Certificate (OCC) and in addition a Supplemental Clearance Certificate (SCC) that is specific to a low-income housing development. The comprehensive review focused on the SCC process, but the findings and improvements can be applied to the welfare exemption in general.

Findings

During the review, staff identified the following key elements of the SCC process to examine and to look for means to optimize the process, focusing on simplification, modernization, and improving productivity:

1. The SCC application process.
2. The internal claims review process.
3. The claims approval process.
4. Other opportunities to provide additional guidance to claimants.

1. SCC APPLICATION PROCESS

Staff began the project with a review of the SCC application process for entities seeking to exempt low-income housing from property taxation. Staff collected data over a 5-year period and discovered the Welfare Exemption Unit received 1,460 SCC applications in that period. Of the 1,460 applications, 772 were incomplete when initially filed by the claimant. Incomplete filings led to additional time delays to process the applications.

The large number of incomplete applications prompted staff to consider the common reasons for an incomplete filing that could delay processing and approval. Staff incorporated discussions with claimants and examined the format and content of the application and checklist for clarity, missing or unnecessary elements, and general user-friendliness. Related statutes, regulations, and policies involved in this process were concurrently reviewed.

Results

The following improvements were implemented for the SCC application process:

- A revised application form with a checklist of required documents, BOE-277- L1 *Claim for Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property-Welfare Exemption*, was posted to the BOE website in January 2022
- Electronic capabilities were expanded to allow claimants to complete a fillable application online prior to printing and submitting to the BOE

Measurements of Efficiency

Staff compared a random sample of SCC applications received from July through December 2021 using the old version of the application to applications received from January through July 2022 using the revised version of the application.

Staff discovered claims submitted with the required information to process upon the initial filing increased on average by 17% for claimants using the revised application.

Measurement	Revised Application	Old Application	Difference
Application fields filled out completely with initial claim	82%	64%	Increase of 18%
Required documents submitted with initial claim	67%	55%	Increase of 12%
Correct signatures provided with initial claim	85%	64%	Increase of 21%

2. INTERNAL CLAIMS REVIEW PROCESS

Staff examined the internal claims review process with the goal to simplify, improve, and modernize procedures and to increase efficiency. The process was divided into three phases.

- Phase one, staff thoroughly mapped each step required in the claims review process to grant an SCC.
- Phase two of the process was the plan and design phase. Staff analyzed the internal procedures for outdated processes and examined ways to update and streamline those areas.
- Phase three of the process was the execution phase where staff implemented solutions to the outdated procedures identified in phase two.

Results

The following improvements were implemented for the internal claims review process:

- Modernized the internal application processing and review to an electronic format
- Created internal process maps to outline individual steps within the SCC process, identifying task owners and detailing expected timelines

Measurements of Efficiency

Staff has seen a significant decline in the backlog of claims to review. Prior to implementation of the improvements, it took three to five months to complete the internal review of a claim. After implementation, claims are typically reviewed within a month of receipt.

3. CLAIMS APPROVAL PROCESS

Staff analyzed each step of the claims approval process that is required to grant an SCC and examined procedures to identify necessary improvements. Staff continues to work on additional solutions identified during the review of this process. Additional solutions will be discussed below in the Other Opportunities section.

Results

The following improvements were implemented for the claim approval process:

- Expanded the use of electronic requests for missing documents by creating an email account for claimants to submit supplemental documents electronically
- Instituted an internal concurrent review of findings versus a serial review to expedite claim decisions

Measurements of Efficiency

Prior to implementation of the email account for claimants to submit supplemental documents electronically, it took an average of 10 days for the BOE to receive the requested information by regular mail. With the implementation of the email account, supplemental documentation is either submitted by the claimant to the BOE immediately or within two days after the request.

Concurrent review has reduced the time needed for final approval as senior staff, supervisor, and manager spend less time waiting for the application to work its way serially through the process.

Using the same dataset provided in the SCC application process, positive measurable advancements have been made since implementation of the improvements to the claim approval process, and reflected in the table below.

Measurement	Revised Application	Old Application	Difference
For incomplete filings, average number of days between claimant providing additional documents and approval	37	69	32 days faster
Average number of days between initial filing and approval	111	204	93 days faster
Overall SCC claims processed	212	178	Increase of 19%

4. OTHER OPPORTUNITIES

In addition to the process improvements implemented above, staff continues to analyze available resources for taxpayers and continues to look for other opportunities, taking into consideration direct feedback and suggestions received from taxpayers, to aid in the SCC process.

To date the following process improvements are in progress:

- **Providing claimants the ability to submit applications electronically to the BOE.**
 - At this time, the BOE still requires an initial application to be submitted by hard copy in the mail with wet signatures.
 - Staff is currently working with their internal technologies services department to post all Welfare Exemption applications, filed with the BOE, in a format that allows for electronic submission. Prior to submission, the claimant will be alerted to any required form field on the application that is left blank. The claimant will not be given the option to submit the application until all required fields are completed. The electronic application will also allow for digital signatures.

- **Review of and revisions to the Welfare Exemptions webpage on the BOE website.**
 - The existing Welfare Exemptions webpage provides general information on the filing requirements for both OCCs and SCCs, links to various types of applications to be filed with the BOE, and samples of applications to file with the County Assessor. In addition, the website provides frequently asked questions (FAQ) on the Welfare Exemption. However, the FAQ are more general in nature and not specific to the application process for SCCs.
 - Staff is currently working on updates to the webpage to include additional information on the SCC application process and filing requirements and is analyzing ways to expand current FAQ to provide more questions and answers specifically related to SCCs.

CONCLUSION

The process improvement project is a continuous effort in identifying issues, developing solutions, and implementing and monitoring outcomes. The goal is to improve the process and ease the burden to the stakeholder while maintaining the necessary high levels of compliance associated with exempting property from taxation.