



ANTONIO VAZQUEZ
MEMBER, THIRD DISTRICT
CALIFORNIA STATE BOARD OF EQUALIZATION

MEMORANDUM

Date: October 8, 2025

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

From: Antonio Vazquez, Board Member, Third District

Re: October 21, 2025, Board Meeting Item – Report on Informational Hearing on the Property Tax Welfare Exemption and Affordable Housing Financing and Streamlining Options.

The Board convened the Informational Hearing on the Property Tax Welfare Exemption and Affordable Housing Financing and Streamlining Options on August 20, 2025. The goal was to receive testimony and recommendations from policy experts on how the Board of Equalization, with its direct role in co-administering the welfare exemption and its oversight role over county assessors, can contribute to the improvement and streamlining of California's affordable housing financing process.

The invited speakers presented significant testimony on the challenges and opportunities associated with the property tax welfare exemption as currently constituted, including describing procedural hang-ups in approving welfare exemption applications, discussing where the expansion of welfare exemption eligibility may be warranted, and highlighting regional housing authorities that successfully used the welfare exemption in their development projects. The speakers presented recommendations regarding procedural and substantive reforms that could make the welfare exemption an even more powerful tool in the state's toolbox as the Governor and Legislature seek to increase the availability and affordability of housing statewide.

As a result, the attached draft report summarizing the testimony and discussion at the informational hearing is submitted for your review. I will seek Board acceptance of the report at the upcoming October 21, 2025, Board Meeting, after your review is complete. Acceptance of the report does not imply that the Board expresses complete agreement with the recommendations provided, but by accepting the report, the Board can have a formal and comprehensive summary of the hearing which can be shared with the participants and made available to the public.

Thank you for your collaboration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Antonio Vazquez", with a stylized flourish at the end.

ANTONIO VAZQUEZ, Member
Board of Equalization, 3rd District

Mr. Alexander Fay, Staff Counsel, Office of Member Antonio Vazquez
Mr. Matt Cox, Chief Deputy, Office of Chairman Ted Gaines
Mr. Douglas Winslow, Chief Deputy, Office of Vice Chair Sally J. Lieber
Mr. Cody Petterson, Chief Deputy, Office of Member Mike Schaefer
Mr. Hasib Emran, Deputy State Controller
Ms. Yvette Stowers, Executive Director

REPORT ON THE AUGUST 20, 2025, STATE BOARD OF EQUALIZATION INFORMATIONAL HEARING ON THE PROPERTY TAX WELFARE EXEMPTION AND AFFORDABLE HOUSING FINANCING AND STREAMLINING OPTIONS

1. Introductory Remarks on Informational Hearing..... Mr. Vazquez

Mr. Vazquez provided a brief introduction to the issue of how the property tax welfare exemption can more effectively incentivize the development of affordable housing. He highlighted current efforts to re-structure the affordable housing financing system, including the Governor’s Reorganization Plan, which would consolidate state housing programs into a new California Housing and Homelessness Agency and establish the Housing Development and Finance Committee to oversee the financing process.

2. The Welfare Exemption and Affordable Housing Financing: Challenges and Opportunities..... Mr. Vazquez

Sarah Karlinsky, Director of Research and Policy, Turner Center for Housing Innovation, University of California, Berkeley

Ms. Karlinsky provided an overview of the affordable housing financing process in California, highlighting projects where the welfare exemption was successfully used to incentivize housing developments, including through the California Municipal Finance Agency (CMFA), the Bay Area Housing Finance Agency (BAHFA), and the Housing Authority of the City of Los Angeles (HACLA). She described property tax exemption and abatement programs from other states and raised several challenges with California’s exemption as currently constituted. These challenges include administrative issues with initial and ongoing tenant income verification and additional requirements for public funding that offset the welfare exemption benefits.

Ms. Karlinsky then provided recommendations for reforming the welfare exemption to increase its effectiveness, including:

1. Develop guardrails to ensure that the exemption is utilized to achieve public benefit goals;
2. Expand the welfare exemption to support multifamily infill projects with affordability requirements for projects eligible for streamlining under SB 423 and/or the state’s density bonus law;
3. Expand the role of regional governments in providing nominal government financing and regulatory agreements;
4. Streamline the income verification process through self-certification by tenants or through third party verification (such as, tenant qualification for CalFresh or other entitlement program)
5. Provide greater flexibility on the income levels served; and
6. Make procedural changes to speed up the processing of applications, such as a “shot clock” to provide processing deadlines for assessors to meet.

Justin Llata, Associate Director, Housing Finance, California Housing Partnership

Mr. Llata explained that the California Housing Partnership (CHPC) was formed by the Legislature to support nonprofits and public partners in the development, creation, and preservation of affordable housing. He expressed that CHPC had several recommendations on how the welfare exemption qualification process can be improved, including the following:

1. Establish under BOE oversight a *welfare exemption liaison* at the county level who could be a consistent and long-term point of contact for developers;
2. Support the increase of the income level eligibility for the welfare exemption to 140% AMI;
3. BOE should provide standardized and/or additional education at the state level for developers to ensure that applications include all critical information needed;
4. Strengthen, clarify, and make user-friendly formal guidance in Assessors' Handbook 267, such as through the provision of Frequently Asked Questions or "tip sheets" with concrete lessons learned from examples of past projects; and
5. Through its surveys, BOE should enhance its oversight responsibilities, including collecting exemption data, conducting performance measurements, tracking average processing times, and identifying and addressing problem areas.

**3. Board Discussion and Closing Remarks..... Mr. Vazquez/Mr. Schaefer/Mr. Emran/
Mr. Gaines/Ms. Lieber**

Mr. Vazquez thanked the Board Members and speakers for their participation in the hearing. He summarized the testimony received and expressed the importance of pursuing avenues for the Board to contribute to statewide efforts to expedite and increase the availability of affordable housing.

Mr. Schaefer expressed interest in the possibility of legislation that would establish a partial welfare exemption for middle-income housing and agreed with Member Vazquez that the critical issue to be addressed is affordability of housing throughout the state.

Mr. Emran thanked Mr. Vazquez and expressed the importance of both the coordination with the county assessors and the centralization of information in the application process for affordable housing financing.

Mr. Gaines expressed gratitude to the presenters and emphasized the importance of engaging the California Assessors' Association on the concepts discussed during the hearing.

Ms. Lieber expressed gratitude to the presenters and described how the Board could play a useful role as a clearinghouse for technical information on the welfare exemption for local communities. She highlighted that the Board may be able to coordinate with the Assessors' Association about discussing this issue at one of their upcoming conferences or meetings.

Mr. Vazquez adjourned the Informational Hearing at approximately 2:47 p.m.