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Assessor

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*Valuing People
and Property*

January 28, 2015

Ms. Patricia Lumsden, Supervising Property Appraiser
State Board of Equalization
Property and Special Taxes Department
P.O. Box 942879
Sacramento, California 94279-0064

Dear Ms. Lumsden:

**LETTER TO ASSESSOR (LTA) 2014/070
WELFARE EXEMPTION LOW-INCOME HOUSING PROPERTY
PARTIAL EXEMPTIONS**

As requested, our county has reviewed the draft of the proposed Letter to Assessor (LTA) 2014/070 that briefly describes the amendments, provides procedures to use when applying the welfare exemption to a low-income housing property, and provides multiple examples to illustrate the partial exemption calculation. After review, we have the following comments for your consideration.

Comments:

“We suggest clarifying the description of the ‘value of the rental housing,’ and including language on how to specifically derive the ‘value of the rental housing.’ We suggest the following approach in deriving this value: the sum of the fair market value of restricted units (recognizing rent restrictions), plus the fair market value of the market units. The fair market value of the restricted units will then be subject to exemption. This is a practice we currently utilize.”

--- Major Real Property Division, Special Commercial Properties

“We suggest clarifying the phrase ‘value of the rental housing.’ Is the assessor to apply market parameters to the low-income housing for the purposes of allocating value between exempt and non-exempt property? Or is the assessor to value the low-income housing by recognizing the restrictions on rent, and then apply the ratio of restricted: market rate units to the total property value (after removing non-exempt commercial property, if any)?”

--- Major Real Property Division, Special Commercial Properties

Suggested Revision:

page 2, lines 25-26.

3. Determine the percentage of residential units value eligible for exemption by dividing the market rent number of the units serving lower income households by the total number of market rent for all residential units.

Explanation: We suggest using the percentage of the restricted units' market rent as it relates to the total property market rent. For example:

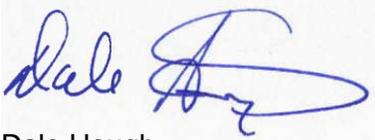
Units	Number	Market Rent	Total
Restricted Units	40	\$1,000	\$40,000
Market Units	<u>10</u>	\$1,500	<u>\$15,000</u>
Total	50		\$55,000

In the above example, the percentage of value of the restricted units is \$40,000/\$55,000 (or 73%). If using an income approach, this calculation accurately reflects the exempt portion's value.

--- Major Real Property Division, Special Commercial Properties

If you have any questions, please contact Matthew Herrera at 213.974.1594 or MHerrera@assessor.lacounty.gov.

Sincerely,



Dale Hough
Chief Appraiser
Assessment Services Division

DH:CA:ca

Enclosure

c: Sharon Moller, Chief Deputy Assessor
File - Appraisal Standards Section