STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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(916) 445-4982

July 7, 1988

TO COUNTY ASSESSORS:

No. 88/51

WELFARE EXEMPTION -- LOWER-INCOME HOUSING

Chapter 1469 of the Statutes of 1987 (Assembly Bill 2144) added a new subdivision (g) to Section 214 of the Revenue and Taxation Code. This new law expands the Welfare Exemption to include rental housing and related facilities serving lower-income households, provided specified criteria are met. A partial exemption, equal to that percentage of the value of the property which the portion of the property serving lower-income households is of the total property, is also available.

Although the new law became effective January 1, 1988, Section 3 of the bill specifically provides the amendment shall be operative for the 1988-89 fiscal year and each fiscal year thereafter. Therefore, no exemption from 1987-88 assessments is available, whether for property acquired after March 1, 1987 lien date or for supplemental assessment.

To qualify for the Welfare Exemption, the property, or portion thereof, must be used exclusively for rental housing and related facilities serving "lower-income households" and must be owned and operated by a religious, hospital, scientific, or charitable fund, foundation, or corporation, including a limited partnership in which the managing general partner is an eligible nonprofit corporation, meeting all the requirements of Section 214.

The term "lower-income households" is defined by Section 50079.5 of the Health and Safety Code. A list of the income limits, based on the number of persons in the household, for each of the 58 counties is attached.

Article III, Section 3.5 of the California Constitution requires us to administer the law as enacted until such time as an appellate court determines if the law is constitutional or unconstitutional.

This new legislation also requires that at least one of the following criteria is complied with:

"(1) Twenty percent or more of the occupants of the property are lower-income households whose rent does not exceed that prescribed by Section 50053 of the Health and Safety Code.

"(2) The acquisition, rehabilitation, development, or operation of the property, or any combination of these factors, is financed with tax exempt mortgage revenue bonds or general obligation bonds, or is financed by local, state, or federal loans or grants and the rents of the occupants who are lower-income households do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance.

"(3) The owner of the property is eligible for and receives low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as added by Public Law 99-514.

Finally, in order to be eligible for the exemption provided by this subdivision, the owner of the property shall do both of the following:

"(A) Certify and ensure that there is a deed restriction, agreement, or other legal document which restricts the project's usage and which provides that the units designated for use by lower income households are continuously available to or occupied by lower-income households at rents that do not exceed those prescribed by Section 50053 of the Health and Safety Code, or, to the extent that the terms of federal, state, or local financing or financial assistance conflicts with Section 50053, rents do not exceed those prescribed by the terms of the financing or financial assistance.

"(B) Certify that the funds which would have been necessary to pay property taxes are used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower-income households."

Enclosed are the following forms and procedures to be used in the administration of the income requirements for rental housing for lower-income households:

1. The Supplemental Affidavit, Housing - Lower-Income Households, SBE-ASD AH 267L, Income 1988.

This affidavit must be filed by the claimant, in duplicate, at the same time that its duplicate claims for the welfare exemption are filed with the county assessor. The affidavit must include the lower-income household income limits based upon number of persons in the household, to be specifically used for households occupying properties owned by claimants in your county. The set of eight income limits is different for each county. Your affidavit must not be used for filing in another county.

You must provide a copy of the affidavit to each facility for lower-income households, or other facility occupied by such households where the organization files for the welfare exemption. The organization will not be allowed the exemption unless the proper information in a completed affidavit, in duplicate, is provided to the assessor, who will forward a copy of the affidavit, along with a copy of the welfare exemption claim, to the Assessment Standards Division, State Board of Equalization, for review under the provisions of Section 254.5, Revenue and Taxation Code.

NOTE: The low-income exemption calculation under 214(g) is the value of low-income households to the total area of the property, unlike 214(f) which is the number of low- and moderate-income elderly and handicapped families occupying the property to the total number of families occupying the property.

2. A copy of the Lower-Income Household Income Limits for 1987 showing the limits based upon number of persons in the household for each of the 58 counties.

3. A suggested form that you should provide to organizations so that the organization can provide the forms to each household occupying a portion of its property in order to determine if the household income exceeds the specified limit for the household. The suggested form is titled, "Statement of Family·Household Income." The eight income limits, based upon number of persons in families, for your county must be included on each form.

   Please note that the form does not ask for the amount of household income, only that the form be signed if the household income does not exceed a stated amount.

The assessor should determine that an officer or manager of the organization verified that:

1. The income limits used on each statement provided to each occupant were correct.

2. The correct number of names of household members is entered on each statement completed by an occupant, and that the same number of persons and corresponding income limit is entered on the claimant's affidavit.

If you have any questions concerning these procedures, please contact our Exemption Unit at (916) 445-4982.

Sincerely,

Verne Walton

Verne Walton, Chief
Assessment Standards Division

VW:wpc
Enclosures
AF-03B-2539A