



SALLY J. LIEBER

CHAIR
CALIFORNIA STATE BOARD OF EQUALIZATION

MEMORANDUM

Date: May 13, 2026

To: Ted Gaines, Vice-Chair, Board Member, First District
Antonio Vazquez, Board Member, Third District
Mike Schaefer, Board Member, Fourth District
Malia M. Cohen, State Controller

From: Sally J. Lieber, Chair, Board Member, Second District

Re: Proposal to Schedule an Informational Hearing on Affordable Housing and Issues relating to the Welfare Exemption.

I am writing to request the scheduling of an Informational Hearing on "Affordable Housing and Issues relating to the Welfare Exemption" to focus on opportunities to increase the use of the Welfare Exemption to promote the development of affordable housing. I am requesting that the Board reserve two hours for this initial Informational Hearing, with the flexibility of scheduling a follow-up hearing on July 22, 2026.

Revenue and Taxation Code section 214, subdivision (g), provides that the welfare exemption is available to property owned and operated by qualifying organizations and used exclusively for low-income rental housing. Property Tax Rule 140, subdivision (b), clarifies that there are three types of qualified claimants under the welfare exemption for this type of property: eligible non-profit corporations which meet the requirements of section 214; eligible limited liability companies which meet the requirements of section 214; and limited partnerships in which the managing general partner is an eligible nonprofit corporation or an eligible limited liability company.

The Welfare Exemption, under Revenue and Taxation Code section 214, is co-administered by the county assessors and the BOE. An important part of the BOE's tax administration responsibilities is issuing Organizational Clearance Certificates. Nonprofit corporations, or eligible limited liability companies functioning as the managing general partner of a limited partnership that owns and operates low-income rental housing, are also required to file a claim for a Supplemental Clearance Certificate (BOE-277-L1, Claim for Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property—Welfare Exemption). County assessors determine whether an organization's specific property qualifies for the exemption based on the property's use.

In March 2022, the California Department of Housing and Community Development published an ambitious report, "A Home for Every Californian" that boldly called for the construction of 2.5 million homes by 2023, with no less than one million of those homes meeting the needs of lower-income households.¹

Unfortunately, in recent years, new housing permits in California have averaged little over 100,000. The U.S. Census Bureau's preliminary data for 2023 show that only 104,606 new housing permits were issued in California in that year. Of these new housing permits, only 47,811 were for multi-unit housing.²

It is against the backdrop of these challenges, that non-profit housing developers in California are struggling to build new affordable housing. In addition to non-profit housing corporations and eligible limited liability companies, limited equity housing cooperatives (LEHCs) are joining with community land trusts (CLTs) to explore ways to expand affordable housing opportunities by converting existing housing to affordable units.

As California's property tax administrators, the Board of Equalization must review whether we are pursuing an all-of-government approach to the development of affordable housing, and to examine – in an open and transparent fashion – the utility of the Welfare Exemption in addressing the housing production crisis. This examination and review is an opportunity to receive testimony from those who are on the front lines of affordable housing production, and to learn whether administrative, regulatory, or statutory clarifications or revisions of the Welfare Exemption are required to increase or speed-up affordable housing production.

Issues to be examined could include:

- Delays in the processing of Welfare Exemptions for affordable housing projects.
- Possible discrepancies among County Assessors' offices in the application of the Welfare Exemption.

¹ See: A Home for Every Californian, linked at: <https://statewide-housing-plan-cahcd.hub.arcgis.com/>

² See U.S. Census Bureau, Permits by State 2023 (preliminary), linked at: <https://www.census.gov/construction/bps/statemonthly.html>

- Lack of clarity in the application of AB 2353 (Ward 2024) to withhold property tax payments without penalty for affordable housing properties.³
- Non-compliance of third parties (lenders and title companies) regarding AB 2352.
- Improving the use of forms for applications of the Welfare Exemption, such as placing all forms on-line and allowing electronic signatures.
- Security for information regarding tenant income certification.
- Revocation of the Welfare Exemption for temporarily vacant properties.
- Community Land Trusts (CLTs) and Limited Equity Housing Cooperatives (LEHCs) and their efforts to implement Revenue and Taxation Code section 402.1 regarding conversions of LEHCs on CLT land.
- Creating a pathway for tenants of apartment buildings and other multifamily properties to purchase their building and become homeowners by excluding a transfer of a property to a tenant-controlled nonprofit or cooperative or to a Community Land Trust⁴, from reassessment of the property value for tax purposes.⁵

The purpose of the Informational Hearing would be to have an open, transparent discussion of barriers preventing a rapid uptake of affordable housing under the Welfare Exemption and whether possible administrative, regulatory, or statutory solutions could address these barriers.

Sincerely,



Sally J. Lieber, Chair

cc:

Matt Cox, Chief Deputy, Office of Vice-Chair Ted Gaines
Douglas Winslow, Chief Deputy, Office of Chair Sally J. Lieber
Juan Carlos Flores, Chief Deputy, Office of Member Antonio Vazquez
Cody Petterson, Chief Deputy, Office of Member Mike Schaefer
Hasib Emran, Deputy State Controller
Yvette M. Stowers, Executive Director

³ A discussion of AB 2353 from the California Council for Affordable Housing in linked here: <https://californiacouncil.org/news/did-you-know-about-ab-2353-ward-2024>

⁴ In 2019, the Legislature provided that property owned by a Community Land Trust qualifies for the welfare exemption for a five-year period if the property is being developed, will be developed, or is rehabilitated as low-income housing (SB 196, Beall).

⁵ SB 592 (Smallwood-Cuevas) was introduced in 2025 to provide a path to shield tenants from reassessment under purchases via a tenant-controlled nonprofit or cooperative or to a Community Land Trust.