



STATE BOARD OF EQUALIZATION
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January 14, 2005

TO INTERESTED PARTIES:

MEETING TO DISCUSS
PROPOSED WELFARE EXEMPTION RULES

Letter To Assessors 2004/052, dated September 17, 2004, announced the welfare exemption rule project. The Board initiated this rule-making project for the purpose of adopting four new Property Tax Rules to implement statutory law pertaining to the welfare exemption. The proposed rules are as follows:

- Proposed Rule 140, *Managing General Partner as a Qualifying Organization for the Welfare Exemption*,
- Proposed Rule 141, *Welfare Exemption Requirements for the Lower Income Housing Properties of Limited Partnerships with a Nonprofit Organization as a Managing General Partner*,
- Proposed Rule 142, *Welfare Exemption Requirements for Low-Income Housing Properties*, and
- Proposed Rule 143, *Irrevocable Dedication Clause and Dissolution Clause Requirements for the Welfare Exemption*.

Several key issues need to be addressed before the rule drafting process can proceed. An interested parties meeting will be held to provide an opportunity for persons in the low-income housing industry, assessors and other interested parties to discuss the key issues. The meeting will be held at the Board of Equalization's Headquarters, 450 N Street, Room 122, in Sacramento on March 16, 2005 starting at 9:30 a.m. The issues that will be discussed at the meeting include the following:

Issue 1: Whether properties without government financing that are awarded federal low-income housing tax credits and operating under regulatory agreements that restrict a portion of the property for rental to lower income housing continue to be eligible for exemption after the period in which the property received tax credits has expired.

Issue 2: Whether lower income housing properties without tax credits that previously had government loans continue to be eligible for exemption after the loans have been refinanced or paid in full when all or a portion of the property continues to be restricted for rental to lower-income households under a regulatory agreement.

Issue 3: Whether federally-insured or federally-guaranteed mortgage loans on lower income housing properties constitute government financing under section 214, subd. (g)(1)(A).

Issue 4: Whether the exemption on low-income housing properties should be limited to the stated percentage specified in the regulatory agreement(s) that the owner is legally required to restrict for rental to lower income households.

Issue 5: Whether multiple regulatory agreements for a single lower-income housing project may be combined to determine the total number of dwelling units eligible for exemption.

Issue 6: Whether Section 8 HUD (tenant vouchers or project-based) rental assistance constitutes government financing under section 214, subd. (g)(1)(A).

Issue 7: Whether the requirements with respect to the management authority and duties of a managing general partner should be strengthened beyond those currently required on BOE-267-L1, *Welfare Exemption Supplemental Affidavit, Housing-Lower-Income Households (Limited Partnership)*, or BOE-277-L1, *Claim for Supplemental Clearance Certificate for Managing General Partner*. These form are posted on the Board's Web site at

- <http://www.boe.ca.gov/proptaxes/pdf/boe26711.pdf>, and
- <http://www.boe.ca.gov/proptaxes/pdf/boe27711.pdf>.

Issue 8: Whether Section 214, subd. (g)(2)(B) requires owners to charge lower-rents than those prescribed by statute (Health and Safety Code) or the regulatory agreement for the property.

Interested parties may submit written comments prior to the meeting to Mrs. Ladeena Ford at ladeena.ford@boe.ca.gov concerning the issues identified in this letter as well as any other comments/issues that you would like to discuss. Please provide those comments by March 4, 2005. Those planning to attend the interested parties meeting are requested to register in advance due to space limitations. Please contact Mrs. Ford no later than March 4, 2005 if you plan to attend the meeting.

Prior to the March 16 interested parties meeting, an agenda will be posted to the Board's Web site. Following the interested parties meeting, staff will issue a matrix identifying issues and the respective positions of interested parties. Interested parties will have an opportunity to submit comments regarding issues and information supporting the respective positions. Any unresolved issues will be presented to the Property Tax Committee for resolution.

This letter and all documents regarding this project will be posted on the Board's Web site (www.boe.ca.gov) and can be accessed by selecting Property Taxes and then Property Tax Committee Work Plans. If you have any questions regarding this project, you may contact Ladeena Ford at (916) 324-5839.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee, Chief
Assessment Policy and Standards Division

DRK:lf