



# Bay Area Housing Finance Authority Welfare Tax Exemption Preservation Program

BAHFA Assistance to Prevent  
Displacement and Preserve  
Affordable Housing

# California's Welfare Exemption Rules for Affordable Housing

- California law\* provides an exemption from property tax payments for rental apartments that:
  - Are owned by a charitable organization;
  - Occupied by a lower-income household;
  - Have a recorded deed restriction from a public agency restricting occupancy to lower-income tenants; and
  - Have received a public sector financial investment

\* Revenue & Taxation Code Section 214(g)

# Welfare Exemption Benefits

- Reduced building operating costs = lower rents (<80% area median income)
- Affordable rents continue for the life of the deed restriction (55 years)
- Affordable rents can prevent displacement that often accompanies building sales to market-rate buyers

# BAHFA Welfare Exemption Preservation Program Terms

- Eligible Applicants:
  - Developers/Owners with a successful track record of owning and operating comparable affordable projects
- Eligible Projects
  - Existing rental buildings with 4 or more units
  - Proposed restricted rents must be at least 10% below market
- Restriction Term: 55 years

# BAHFA Welfare Exemption Preservation Program Terms, cont'd

- Displacement is prohibited
- Rent Control and Just Cause Eviction ordinances must continue
- Annual rent increases where rent controls don't apply are capped at the lesser of the increase in area median income (AMI) or 4%

# BAHFA Welfare Exemption Preservation Program: Enforcement

- The State Board of Equalization and county assessor's office monitor and enforce property tax exemptions
- Failure to comply means owners must pay property taxes
- Owners must annually report on their tax exemption status to BAHFA

# BAHFA Welfare Exemption Preservation Program: No Bad Deals!

- BAHFA's restrictions don't diminish existing tenant protections
- Welfare-exempt rents must be below market
- Displacement is prohibited
- Regulatory term is 55 years
- New tenant rents set at no more than 30% of 80% of area median income

# Thank You.

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ASSOCIATION OF BAY AREA GOVERNMENTS  
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