



Bay Area Housing Finance Authority Welfare Tax Exemption Preservation Program

BAHFA Assistance to Prevent
Displacement and Preserve
Affordable Housing



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

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.

For more information contact:

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