

# Welfare Tax Exemption Program Expansion and Revision

**BAHFA Oversight Committee and ABAG Housing  
Committee**

May 13, 2026



ASSOCIATION OF BAY AREA GOVERNMENTS  
METROPOLITAN TRANSPORTATION COMMISSION



# Grounding the Program in BAHFA's Strategic Plan



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# BAHFA Strategic Planning Overview

## North Star:

BAHFA was created to raise transformative revenue to meet regional affordable housing needs at scale

## Purpose:

Articulate the vision and plan to sustain BAHFA until capitalized at scale

## Process:

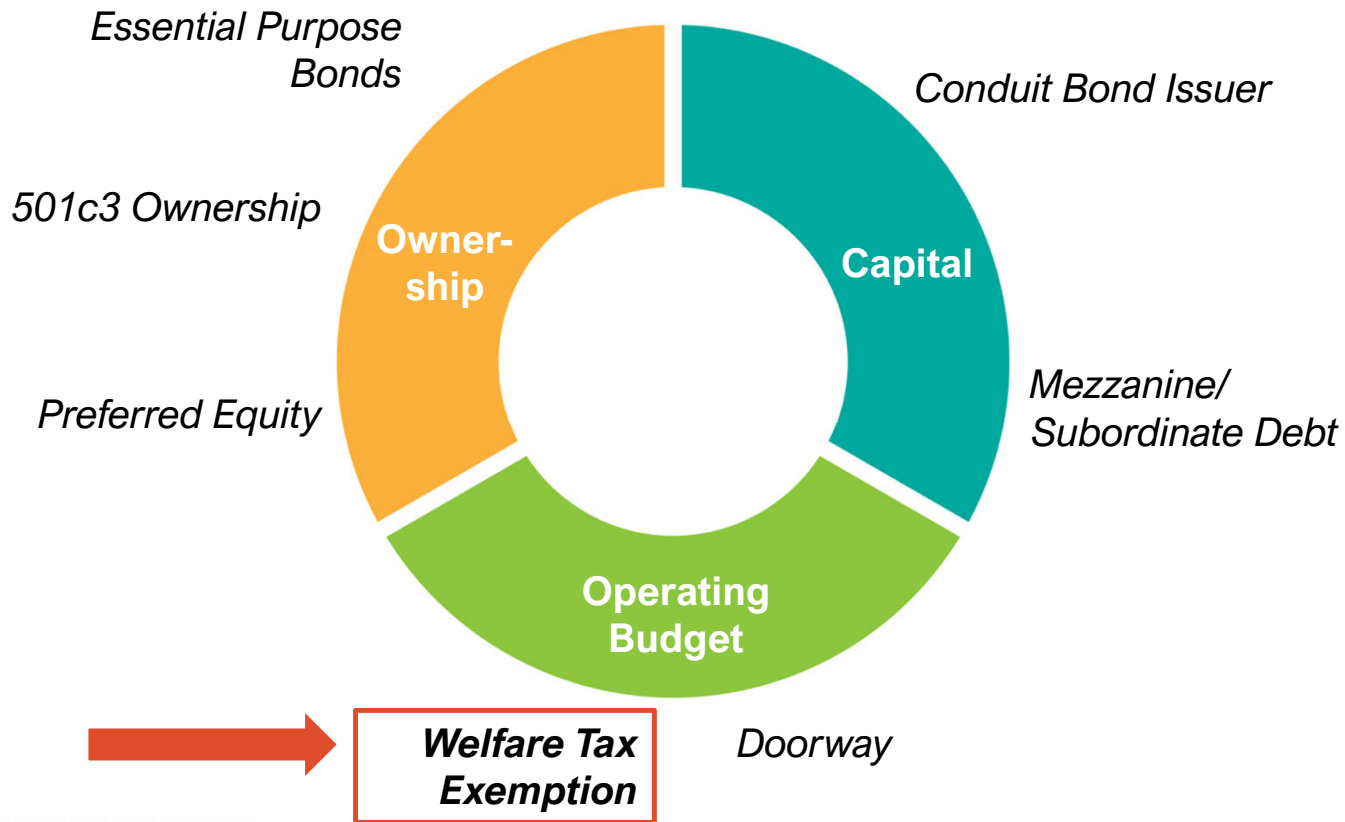
An inclusive process is necessary to maintain, strengthen, and expand coalition of BAHFA supporters



## Four Modules:

1. Regional Revenue Measure: Reflections & Framework for Future Ballot Measure
2. Funding Strategy and Financial Sustainability Plan
- 3. New Regional Financing Products & Approaches**
4. Regional Housing Programs

# Real Estate Financing Roles



# Module 3 (New Mixed-Income Program)

**Goal:** develop a new regional financing program to demonstrate BAHFA's potential and create a stable revenue stream

- **Established Program Principles**
- **Defined Real Estate Financing Roles**
  - Public financing
  - Public ownership
  - Operating support
- **Designed Program: a “kit-of-parts” that can be easily layered to multiply impact**
  - Initial focus on middle or mixed-income, acquisition-rehab projects
  - Incorporate existing Welfare Tax Exemption Program and expand to new construction
- **Multiple rounds of feedback with Committees, Technical Advisory Group and other stakeholders**
- **Due diligence, case studies, modeling and budgeting**

# How the Welfare Tax Exemption Works



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# California's Welfare Tax Exemption Rules

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

\*Revenue & Taxation Code Section 214(g)

# Welfare Tax 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

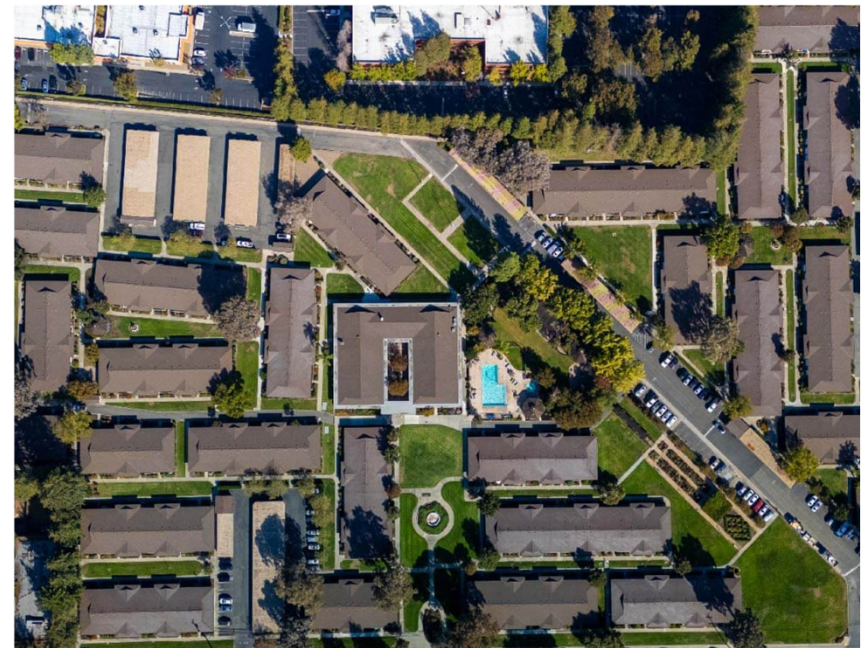
# BAHFA's Existing Program



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# Overview

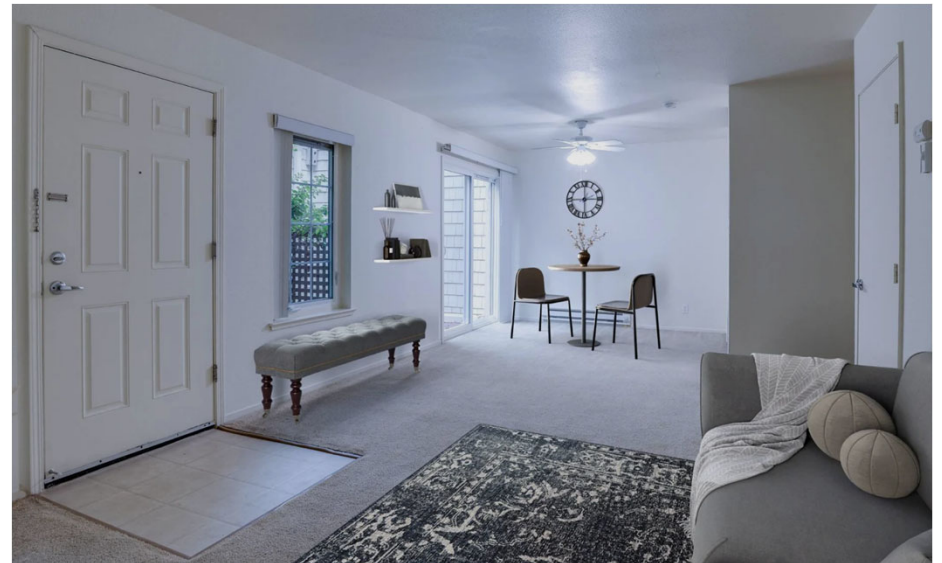
- Program launched in 2022 in response to a need identified by local jurisdiction and development partners
- Provides public agency support that owners need to qualify for the Welfare Tax Exemption
  - Recorded Deed Restriction
  - \$5,000 Grant Agreement



*81 Mayhew Way, Ethos Real Estate*

# Eligibility

- 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
  - Occupied and unrestricted
- BAHFA Restriction:
  - All or percentage of units restricted at 80% AMI for 55 years



*500 King Drive, BRIDGE Housing*

# Tenant Protection Measures

- Proposed restricted rents must be at least 10% below market
- Displacement is prohibited, regardless of income
- Existing local Rent Control and Just Cause Eviction ordinances must continue
- Annual rent increases where rent controls do not apply capped at the increase in area median income (AMI) or 4%, whichever is less
- Rents for rent-burdened tenants should be reduced over time, as financially feasible

# Coordination and Enforcement

- BAHFA staff consults with local jurisdiction housing staff prior to project approval
- The State Board of Equalization and county assessor's office approve and monitor property tax exemptions
- Failure to comply means owners must pay property taxes
- Owners must annually report on compliance with regulatory agreement and tax exemption status to BAHFA

# Projects To Date

| Project / Developer                                | Jurisdiction           | County            | Funding         | Affordable Units                                | Total Units  |
|--|------------------------|-------------------|-----------------|---|--------------|
| 16455 E. 14th St. /<br>Eden Housing                | Ashland                | Alameda           | \$5,000         | 23  | 24           |
| 482 40th St. /<br>Urban Core Preservation          | Oakland                | Alameda           | \$5,000         | 5 (minimum)                                     | 24           |
| 1848 25th St. /<br>Urban Core Preservation         | Oakland                | Alameda           | \$5,000         | 5 (minimum)                                     | 24           |
| 763 Blossom Way /<br>Urban Core Preservation       | Hayward                | Alameda           | \$5,000         | 12 (minimum)                                    | 58           |
| 500 King Drive /<br>BRIDGE Housing                 | Daly City              | San Mateo         | \$5,000         | 99 (minimum)                                    | 195          |
| 1919 Fruitdale Avenue /<br>Jonathan Rose Companies | San Jose               | Santa Clara       | \$5,000         | 330   | 331          |
| 81 Mayhew Way / Ethos                              | Walnut Creek           | Contra Costa      | \$5,000         | 313 (minimum)                                   | 418          |
| 400 Canal Street /<br>Tesseract Capital Group      | San Rafael             | Marin             | \$5,000         | 94 (w/additional units to<br>convert over time) | 99           |
| <b>Totals</b>                                      | <b>7 Jurisdictions</b> | <b>5 Counties</b> | <b>\$40,000</b> | <b>881</b>                                      | <b>1,173</b> |



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# Lessons Learned

- Low-cost, high-impact program:
  - \$40,000 investment has preserved at least 881 units across 8 projects over 4 years
  - Module 4 Program Evaluation:
    - 47% of units located in Equity Priority Communities
    - 43% of funding to BIPOC-led developers
- Diversity of building sizes and geographies achieved, but not all prospective projects meet eligibility requirements
  - Building sizes range from 24 units to 418 units
  - 5 counties
- Financial feasibility supported by:
  - Minimal rehabilitation needs
  - Existing rents between 60-80% AMI to support conventional debt
  - Applicants have access to private equity

# Lessons Learned (continued)

- Tenant protection measures have ensured mission-alignment of projects/applicants
- Importance of coordination with local jurisdictions to confirm sufficient public benefit
- Importance of coordination with local county assessor to ensure ultimate approval of the welfare tax exemption



*400 Canal Street, Tesseract Capital Group*

# Proposed Revisions to BAHFA's Program



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# Expansion to Include New Construction

- Eligible projects under the current program are limited to preservation of existing, occupied buildings
- Since program launch, several developers have expressed interest in using the welfare tax exemption as a financing tool for new construction of affordable housing
- Staff propose revisions to terms to:
  - Include new construction as an eligible project
  - Refine regulatory and submission requirements to account for minor distinctions between preservation and new construction projects
  - Corresponding change of the program name to **Welfare Tax Exemption Preservation Program** or “WTEP”

# Overview of Proposed Revisions

| Goal                            | Topic Area                        | Applicable Revision to Term Sheet  |
|---------------------------------|-----------------------------------|--|
| <b>Expansion</b>                | New Construction                  | Revise definition of eligible projects to include new construction   |
|                                 | Small Projects                    | Eliminate 4-unit minimum   |
|                                 | Mixed-Use Projects                | Eliminate minimum residential square footage   |
|                                 | Substantial Rehab Projects        | Increase allowable temporary relocation from 90 days to 180 days   |
| <b>Clarification</b>            | Adding Affordable Units Over Time | Add that affordable units may be added upon income-certification of existing occupant  |
|                                 | Relief of Severe Rent Burden      | Clarify that owner must propose a program to reduce rents for low-income residents spending 50% of income or more on rent                          |
|                                 | 10% Discount to Market            | Clarify that initial rents for each protected household must start at 10% below market, including upon turnover or when a unit is newly restricted |
| <b>Financial Sustainability</b> | Introduction of Fee Schedule      | Add the fees will be charged according to program's adopted fee schedule   |

# BAHFA Advisory Committee Feedback

The BAHFA Advisory Committee received this program update on April 23, 2026. Feedback included:

- Unanimous Recommendation: Adopt term sheet and program name revisions
- Enthusiasm for both original intent of the program and expansion under proposed revisions
- Allows projects to move forward without traditional affordable housing financing
- Cautioned staff to monitor capacity to take on new projects if program expansion results in higher volume of applications
- Encouraged staff to continue building out annual compliance monitoring process as well as coordination with local jurisdiction staff and county assessors
- Requested collection of demographic data at the tenant level to complete equity analysis for the program

# **BAHFA Oversight Committee Action:** Recommend that BAHFA adopt Resolution 16, Revised to update the Welfare Tax Exemption Program terms and name

# Thank you



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