

MEMO

To: CDBG Committee

From: Pam Rood, Grants Administrator

Date: July 16, 2009

Subject: Property Tax Exemption

Attached you will find legislative language from 2009 Assembly Bill 75 describing the property tax exemption rules related to Benevolent Low-Income Housing.

To remain tax-exempt a low-income housing project:

- Must be owned by a nonprofit entity that is a benevolent association and used as low-income housing.
- The property used for a low income housing project under common control may not exceed 30 acres necessary for the location and convenience of building or 10 contiguous acres.

A low-income housing project is defined as having:

- At least 75 percent of the residential units occupied by low-income or very low-income persons.
- At least one of the following applies:
 - At least 20 percent of the residential units are rented to persons who are very low-income persons.
 - At least 40 percent of the residential units are rented to persons whose income does not exceed 120 percent of the very low-income limit.

HUD income limits will be used to define low-income and very low-income families under the National Housing Act of 1937. There are as follows:

- Low income = 80% of median income
- Very low income = 50% of median income
- Extremely low income = 30% of median income

Annual Reporting Requirements

Annually each person who owns a low-income housing project shall file with the assessor a statement that specifies which units were occupied on January 1 of that year by persons whose income satisfied the income limit requirements. The income limit requirements include third party verifications for all tenants.

Outstanding Issues

Per Tim Radelet, Attorney at Foley and Lardner, there were many positive changes to the law however it is not perfect. The following outstanding issues remain:

- Lease Purchase programs with non-very low income tenants/buyers will be required to pay taxes.
- Mixed income projects with market rate units will be required to pay taxes on the market rate units.
- Condominiums on multiple or separate parcels.
- Non-profits renting to other non-profits will be required to pay taxes.