Welfare Tax Exemption Program

Expansion and Revision

BAHFA Oversight Committee and ABAG Housing Committee

May 13, 2026

Bay Area Housing Finance Authority

ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

Grounding the Program in BAHFA's Strategic Plan

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

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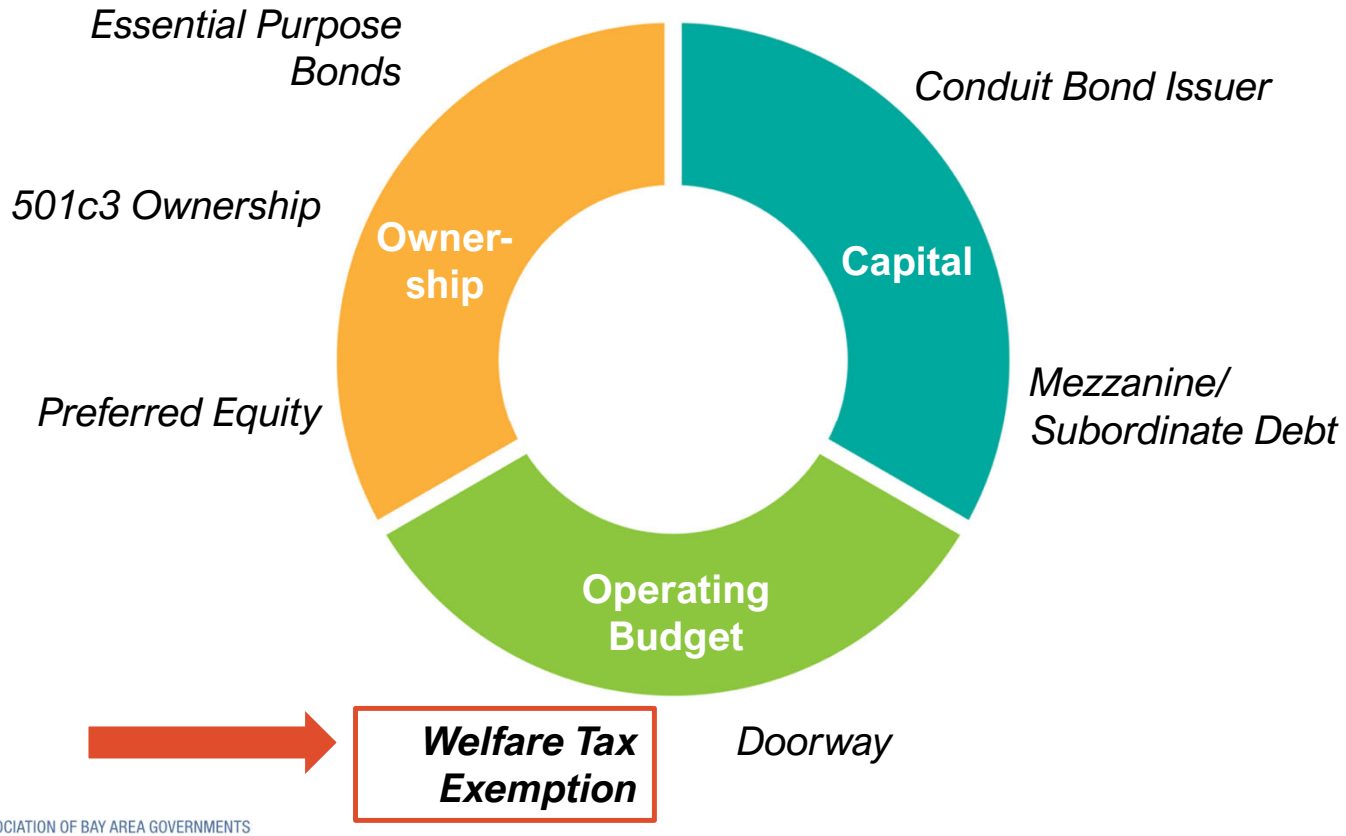
Real Estate Financing Roles



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

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)

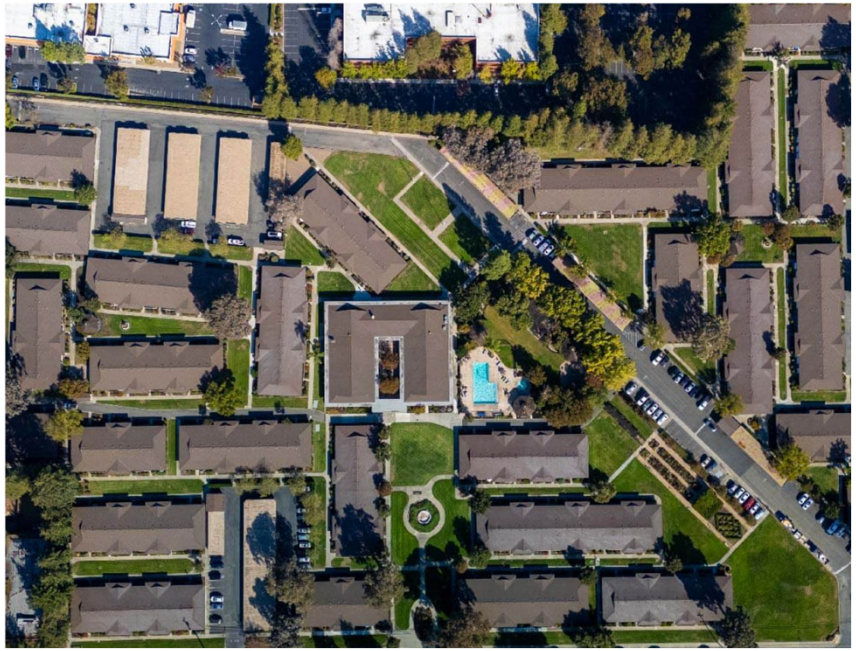
Welfare Tax Exemption Benefits

- 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

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. / Eden Housing	Ashland	Alameda	$5,000	23	24
482 40th St. / Urban Core Preservation	Oakland	Alameda	$5,000	5 (minimum)	24
1848 25th St. / Urban Core Preservation	Oakland	Alameda	$5,000	5 (minimum)	24
763 Blossom Way / Urban Core Preservation	Hayward	Alameda	$5,000	12 (minimum)	58
500 King Drive / BRIDGE Housing	Daly City	San Mateo	$5,000	99 (minimum)	195
1919 Fruitdale Avenue / 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 / Tesseract Capital Group	San Rafael	Marin	$5,000	94 (w/additional units to convert over time)	99
Totals	**7 Jurisdictions**	**5 Counties**	**$40,000**	**881**	**1,173**

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

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
Expansion	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
Clarification	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
Financial Sustainability	Introduction of Fee Schedule	Add the fees will be charged according to program's adopted fee schedule

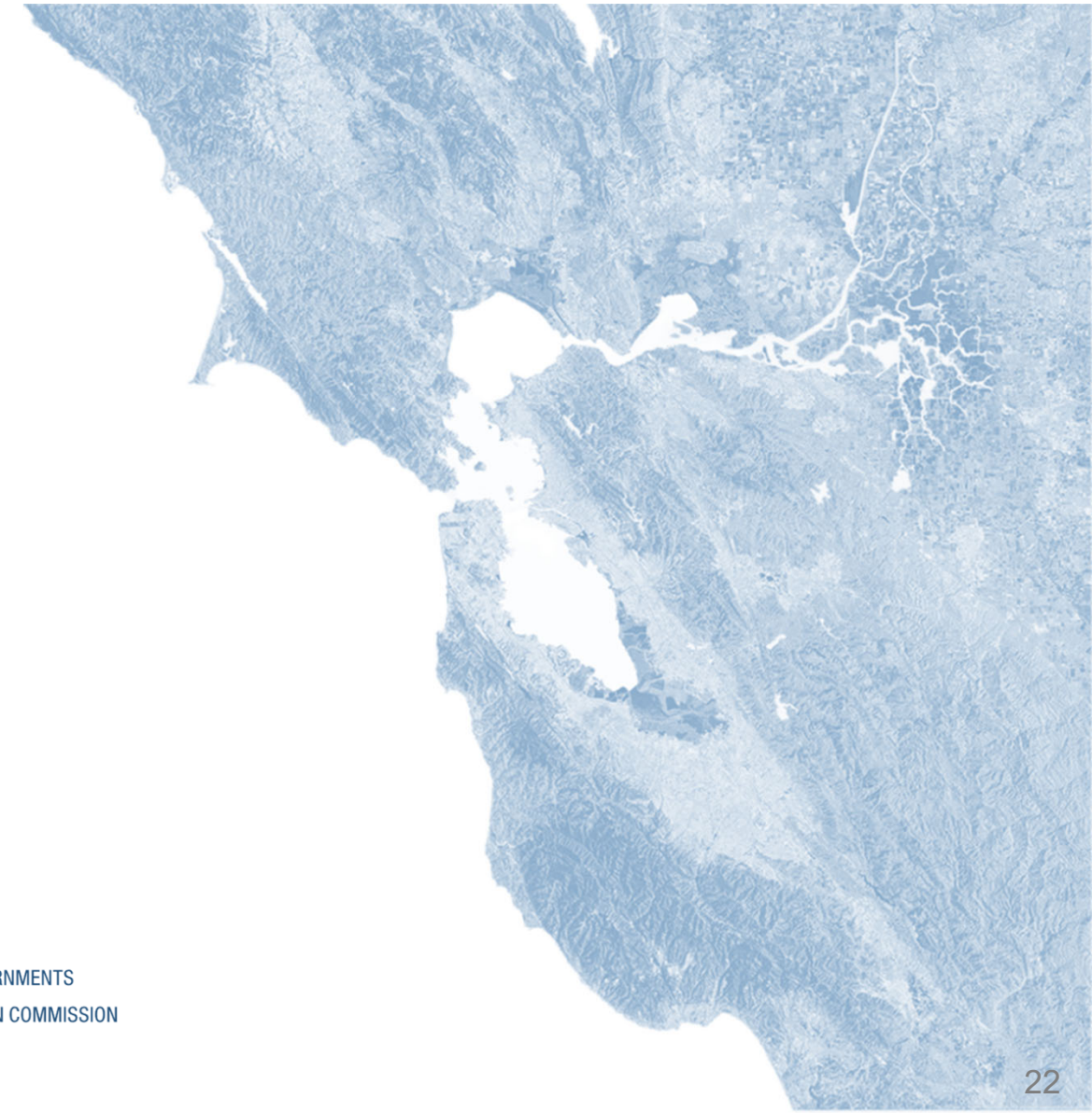
BAHFA Advisory Committee Feedback

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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