

Assembly Bill 723
Low-Income Housing Incentives
Assemblymember Buffy Wicks (AD-15)

THIS BILL

In an effort to avoid tenant displacement and accelerate the creation of affordable housing, AB 723 would provide property owners an opportunity to convert existing buildings to affordable housing and charge sufficiently low rents in return for a lower overall property tax liability.

THE ISSUE

Unsheltered homelessness in Oakland and across the state has increased dramatically from 2015 to present. Housing is the answer to homelessness, but unfortunately it can take many years to build new units.

In a dense, urban city such as Oakland with limited infill sites, one viable option to providing affordable housing quickly is the conversion of existing unrestricted housing currently occupied by tenants paying below-market rents to restricted affordable units. This type of conversion increases affordable housing stock, is less expensive than constructing new units and protects existing tenants from displacement.

SOLUTION

Existing law provides a property tax exemption for properties leased and operated by a non-profit organization and occupied by low-income households.

AB 723 proposes changes to build on this law by enabling properties, purchased on the open market, to be leased to a non-profit organization for affordable housing, all without direct government funding. If an owner enters into a long-term lease with a non-profit to keep the housing affordable, then they will receive an incentive payment based on city and county portion of the property tax paid on the property.

Under existing law, the tax exemption only applies to housing occupied by low-income households, based upon the verification of each household's income.

This is problematic for two reasons: (a) In a City such as Oakland, existing tenants may be reluctant to provide income information to a new owner seeking the tax exemption and (b) even if a building is predominantly occupied by low-income households, it does not qualify if one or more households are not low-income.

AB 723 will provide an incentive payment for properties leased to, and operated by, a non-profit organization based on:

1. Rent (not income) at initial application for incentive payment-

When a new owner acquires a property and applies for the incentive payment, the building would qualify under AB 723 if the rents charged do not exceed rent limits for low-income households.

2. Household income for new tenants –

When an owner leases a unit to a new tenant after the initial incentive payment is granted, the tenant must provide income information to verify the household is low-income. For subsequent lease renewals, income verification will no longer be required and rent levels will be restricted to low-income levels.

SUPPORT

Oakland Mayor Libby Schaaf (Sponsor)
California Apartment Association
Habitat for Humanity

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