



OFFICE OF THE GOVERNOR

OCT 12 2019

To the Members of the California State Senate:

I am returning Senate Bill 294 without my signature.

This bill would revise the current property tax welfare exemption for nonprofits that own and operate non-publicly financed affordable housing developments by increasing the current exemption for nonprofits from \$20 million to \$100 million and reducing the current low-income tenancy threshold from 90 percent to 50 percent for ten years. The bill would also allow outstanding unpaid property tax bills to be reduced or potentially forgiven on qualified properties.

While well intended, and specific to certain nonprofit entities that provide affordable housing, this bill makes changes to the property tax welfare exemption that could have significant long-term General Fund costs and reduced local revenue. In addition to tax exemptions under current law, properties that are in need of assistance to maintain long-term affordability have access to a range of state and local preservation financing programs.

Sustaining affordable housing in fiscally responsible manner for the long-term is a goal I share with the Legislature. Although this bill is not the solution, I am committed to working with the Legislature on bolstering existing programs and tailoring them to produce and preserve the State's much needed affordable housing stock.

Sincerely,

Gavin Newsom

