



OFFICE OF THE GOVERNOR

SEP 29 2026

To the Members of the California State Assembly:

I am signing Assembly Bill 1294.

This bill establishes a pilot program in Alameda, Sacramento, and San Francisco counties that extends the property tax welfare exemption to qualifying newly constructed rental housing or commercial to residential conversions serving moderate-income households. Eligible properties must maintain affordability requirements for at least 55 years, while the exemption is limited to 15 years.

Expanding housing opportunities for moderate-income Californians is an important goal, particularly in communities where these households increasingly struggle to afford rent. At the same time, rents deemed affordable to moderate-income households may, in some communities, be at or near market rents. Because property tax exemptions represent a significant public investment, the value of the exemption should be reasonably balanced against the affordability benefit delivered to residents.

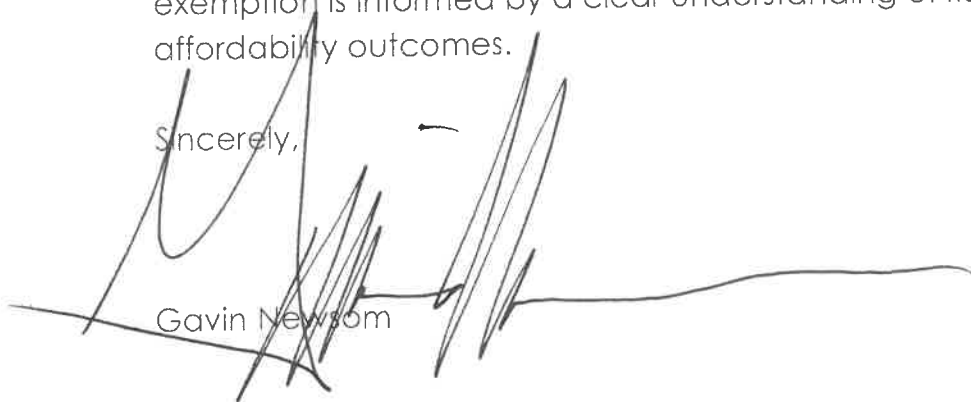
The bill requires the State Board of Equalization to report the number of participating properties and the assessed value exempted. But the collection of additional information on exempt units, rents, and property tax savings could support a broader evaluation of whether the pilot reduced rents, enabled projects that otherwise would not have proceeded, generated taxable value from nonexempt portions of participating developments, and increased moderate-income housing production.

I encourage the Legislature, the State Board of Equalization, participating counties, and housing providers to identify ways to strengthen data collection



throughout the pilot period. Consideration also should be given to whether further clarification of what constitutes newly constructed housing would support clear and consistent administration by participating county assessors. These efforts will help ensure that any consideration of extending or expanding the exemption is informed by a clear understanding of its fiscal, administrative, and affordability outcomes.

Sincerely,



Gavin Newsom