

The New CA Law That Could Generate Loads of Affordable Housing

SB 196 provides a property tax exemption to affordable housing developers during construction.

By **Kelsi Maree Borland** | October 16, 2019 at 02:00 PM



Last week, Gavin Newsom signed a SB 196 into law, creating new opportunities for affordable housing throughout the state. The new law provides a property tax exemption for developers of affordable housing during the construction phase—the first three to five years after purchasing raw land. The legislation is expected to go a long way in fueling more affordable housing development.

Organizations like the **Irvine Community Land Trust** have been advocating for like legislation for years. “We have been looking at legislation to support community land trusts for many years,” **Mark Asturias**, executive director of the ICLT, tells GlobeSt.com. “Our land trust was looking at the welfare exemption specifically because of the high property tax carry cost here in Orange County. Many people understand that the cost of land and housing is very expensive in Orange County, and in our world, we can’t carry the cost of market-rate land. Because most of our land is developed through a public partnership, we hoped to get this in place to use money to pay for the construction of new projects.”

Asturias anticipates that the legislation will be successful in generating more affordable housing, which the state of California desperately needs. "This is a wonderful opportunity for us. We are now going to be able to develop properties without paying taxes on the property at market rate while we are trying to get our entitlements in place," Asturias. "In California, it takes three to five years to get through the process from the day you buy the property to the day you can actually finish the construction of the house."

The legislation does come with a caveat. Developers must start and complete their project on time, or they must pay back the taxes. "We talked with many people in the community land trust about how long we would need to develop vacant land. It is usually three to five years," Asturias says. "We didn't want to represent to anyone as we were getting this bill put forward that we were land banking, meaning that we were going to hold vacant land and not develop it. That isn't the mission of a community land trust, and we felt that was reasonable to put a limit on the amount of time that the exemption could be in place. That was a fair trade-off in our view."

The state and Governor's office is on a mission to combat the housing crisis, and this is only the latest piece of legislation. "We want to demonstrate that we can offer a variety of tools, and we believe that the Governor recognized that," says Asturias. "With all of the legislation that he is passing, we believe that he is demonstrating an effort to address the entire housing spectrum."