



Eastern Gardens Co-op

3045 Eastern Avenue * Sacramento, CA 95821 * (916) 489-1604 * Fax (916) 489-1627

www.easterngardenscoop.org

January 14, 2014

To: Eastern Gardens Cooperative Shareholders/Members

RE: Follow-up to the Property Tax Exemption for Cooperative Housing (Form BOE-266)

Dear Shareholder/Member:

In response to a few concerns from members and to help clarify any confusion concerning the recent dissemination of the California State Board of Equalization (BOE-266), "Homeowners Property Tax Exemption Form", as per the Sacramento County Tax Assessors' office. I thought it best, as a follow-up, to help provide you with some additional information.

As part of your management team, one of the many unseen operational duties, is each year in order for Eastern Gardens to claim property tax exemption and exclusion from property reassessment (*each time a member moves out/in*), management files and completes the necessary property tax exemption/exclusion forms on behalf of Eastern Gardens Corporation. In doing so, it does the following:

It entitles Eastern Gardens to receive property tax exemptions and exclusions for doing business as a cooperative housing corporation. Which for the membership translates lower and fewer carrying charge increases each year. As shareholders, your help and support for your cooperative housing corporation (*Eastern Gardens*) is anticipated if we are to obtain 100% property tax exemption/reassessment. We currently are only at 32% (*36 claim forms returned*). For the members/shareholders and those receiving housing assistance not to take advantage of this opportunity is imprudent.

Property Tax Form (Generic)

The property tax form that is used by the county assessor's office is a (generic) mandated form that is published by the California State Board of Equalization. This is to say, the term used on the claim form (BOE-266) "Homeowners" is not to be taken literally by Eastern Gardens (EG) membership, specifically, members don't own their individual apartment units. Members of Eastern Gardens receive 1(one) share, a right of exclusive occupancy in a portion of the real property, which the title (*i.e. deed of trust*) is held by Eastern Gardens Cooperative, Incorporated. Member/shareholders interest in the cooperative corporation (*Eastern Gardens*), is evidenced (*i.e. document held*) by a "Certificate of Membership", is deemed to be an interest (*i.e. stock or share*) in a common interest development, (*i.e. Association*).

(OVER)

Background and reason as to homeowners/shareholders property tax claim form, (Form BOE-266-E).

Recently the BOE conducted an audit on the Sacramento County Tax Assessor's office and discovered that they were not in compliant with the latest legislative laws concerning cooperative housing. Back in January 1, 2008, Assembly Bill 402 (Ch 450, Stats 2007) added section 408.8 to the Revenue and Taxation Code to require shareholders/owners of cooperative housing projects with common areas or ownership to file annual reports, upon request of the county assessor. This requirement applies only to residential real estate projects with cooperative forms of ownership that do not use deeds (such as *Eastern Gardens*) to transfer the share or certificate of occupancy of the individual units. The ownership report, (*which is completed by your management team, FPI*), includes the following information:

- Full name and mailing address of each shareholder, or owner an ownership interest and a copy of the stock certificate or other documents that evidences an interest in the unit.
- Site address including the number of each unit.
- The date the ownership interest was acquired (*moved in*) and its acquisition (*Stock/share*) price.

When must the Ownership Report be filed for Eastern Gardens

The ownership report, as described above, must be filed no later than February 1, 2014 and each February 1st thereafter. For purposes of administering the "Homeowners' Property Tax Exemption for each of our (*EG*) co-op share, the BOE and the Sacramento County Tax Assessor is requesting information related to whether the shareholder or member resided in the designated dwelling unit on the lien date (January 1, 2014). In addition, when transferring the stock/share a "Verification of Qualification for Exclusion from Reassessment" is required. That is, the transfer of stock/share in a cooperative housing corporation is a change in ownership, unless the corporation meets certain financing criteria and the stock is transferred to the corporation or person(s) who qualify for housing cost assistance (Section 8) based on income. In order to qualify for this exclusion, the transfer must meet all of the following conditions, as per the Revenue & Tax Code Section 62(i):

- The cooperative was financed under a single mortgage, and that mortgage was insured under or the cooperative was purchased, financed, or assisted by funds from certain National Housing Acts or was financed by a direct loan from the California Housing Finance Agency.
- The applicable government insurer or lender approved the regulatory and occupancy agreement; and
- The transfer is to a person or family that qualifies for the purchase by reason of limited income.

Again, this information is collected and filled out by your management staff.

The only requirement of the membership is to complete claim form (BOE-266) and return it to the business office for managements continued action, all of which, will be sent to the Sacramento County Assessors' office no later than February 1, 2014.

If you have any additional questions, please contact me at (916) 489-1604 or you may contact the Sacramento County Office of the Assessor at, (916) 875-0710.

Thank you,
Theresa Williams, FPI
Eastern Gardens Community Mgr./Director