BEFORE THE CALIFORNIA STATE BOARD OF EQUALIZATION

450 N STREET

SACRAMENTO, CALIFORNIA

STATE BOARD OF EQUALIZATION

BOARD WORK GROUP MEETING

BOARD WORK GROUP

ON PROPERTY TAX ABATEMENT

REPORTER'S TRANSCRIPT

JULY 27, 2022

REPORTED BY: Jillian M. Sumner

CSR NO. 13619

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Honorable Mike Schaefer
Vice Chair

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First District

Honorable Antonio Vazquez
Third District

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(per Government Code Section 7.9)

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Senior Housing Advisor
Governor Gavin Newsom

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Secretary
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Senator
Chair
California Senate Housing Committee
(Appearing remotely)

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APPEARANCES CONTINUED

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	Noerena Limon Executive Vice President Public Policy and Industry Relations National Association of Hispanic Real Estate Professionals (Appearing remotely)
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APPEARANCES CONTINUED

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STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO
JULY 27, 2022
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MS. COHEN: Good morning, ladies and gentlemen.

We're a little bit behind. But we have a packed agenda today. And I want to welcome everyone to today's meeting.

This is the regularly-scheduled California Board of Equalization Meeting. We have a special agenda prepared for everyone. This is the Board Work Group we are convening.

I want to just open with a few opening remarks. But, first, I will check in with Ms. Cichetti to see if we need to take the roll.

MS. CICHETTI: Not for the Board Work Group. No roll for the Board Work Group.

MS. COHEN: All right.

MS. CICHETTI: But I do have our business announcement on public safety.

MS. COHEN: Okay.

MS. CICHETTI: If I could.

Good morning, Madam Chair and Members.

I'd like to remind the audience to silence your cell phones and any other wireless devices.

The current COVID-19 guidelines and procedures for the Board of Equalization require that all BOE employees must wear a mask while inside the BOE facility or while attending the BOE event.

You may remove the mask when you're presenting before the Board as a speaker while sitting at the table.

Masks and hand sanitizer are available to all, and can be found in the back of the auditorium.

To speak before the Board in person please complete and submit to the clerk a public comment appearance sheet located at the entrance of the auditorium.

If you wish to speak before the Board by telephone, please dial the phone number and access code provided by the Public Agenda Notice, and follow the instructions of the AT&T moderator.

We are having some technical difficulties with the closed captioner at this time. If you need that service, the service of closed-captioning interpretation, please use the closed-captioning service of the YouTube.

Thank you.

MS. COHEN: All right. Thank you, Ms. Cichetti.

All right. Are you guys ready? Excited to get started?

This is a great time -- thank you, Mr. Elliott.

MR. ELLIOTT: You're welcome, Madam Chair.

MS. COHEN: Appreciate your enthusiasm.

So good morning again.

My name is Malia Cohen. I'm Chair of the Board of Equalization.

And on behalf of the Board of Equalization, thank you for joining us today for the first meeting of the Board of Equalization's Property Tax Abatement Work Group.

I'm pleased to be joined by Board Member Vazquez, Antonio Vazquez, my fellow Board Member and colleague on this Board Work Group.

And today is the first of at least three meetings that we will have scheduled that will come before this Work Group.

Our next meeting will occur on August 31st, and our third meeting is scheduled for September 28th.

And the purpose of the Work Group is to

examine how property tax abatements could be used as a tool to incentivize and support the development of new housing.

This is a particularly important topic for the so-called missing middle. Many of you are familiar with that term, that "missing middle" term. And these are the individuals who don't qualify for affordable housing because of their income, or they're not wealthy enough to easily enter into the marketplace as new homeowners.

So we are all aware that this is often a very difficult and -- area to develop new housing. Often restrictive zoning doesn't allow for housing density. And the process for planning for the development of housing is also tenuous.

Local governments impose development fees as part of the approval process. And we know that these fees are important. But they do, in turn, reduce the margin of profit necessary for developers to proceed.

In April of this year, the National Association of Home Builders reported that building material costs had risen eight percent since January.

Also, building material costs had risen over 20 percent year to year, and had risen 33 percent since the start of the pandemic.

So what I am aiming to do is to address the property tax abatement -- property tax abatements as a way of determining how and if property tax abatements could even be used as an incentive to reduce the cost of producing housing.

So in doing our analysis, what we plan to do is to listen carefully about how revenue backfills could be created to address any reduction in property tax revenues that could impact our schools and our local governments.

We will also carefully examine the importance of ensuring equity in development of housing, and how the use of property tax abatements could be an important tool to advance an equity agenda.

As the administrator of California's $85 billion property tax system, it's our collective goal to be proactive, and to exercise the Board's unique constitutional and statutory power to explore how the property tax system could be used to produce an important public good, more affordable housing, particularly for the missing middle.

And I think at the conclusion of our meetings, and after hearing presentations from distinguished experts and stakeholders, we will issue a report on the work of the Work Group.

I'd like to take an opportunity to acknowledge our policy partners. The Bay Area Council has been incredibly supportive. As has the Bay Area Council on Economic Institute.

I'd like to also recognize my staff, as well as the staff from Mr. Vazquez's office. Everyone has been collectively important to bringing us to where we are today.

The BOE staff also deserves accommodation.

So they have -- everyone has been extremely helpful in providing guidance and advice. And they have significantly contributed to the research of this body of work.

Jim Wunderman, I just want to call you out by name. He's the CEO of the Bay Area Council.

And also Jeff Bellisario, the Executive Director of the Bay Area Council Economic Institute, thank you.

I believe with us today, we have Louis Mirante, the Vice President of Housing Policy.

Mr. Mirante, could you just stand up or wave your hand so we can see who you are?

Thank you. I appreciate your -- your contributions as well.

And please extend our appreciation to Mr. Wunderman and to Mr. Bellisario for their partnership.

As you can see from the agenda, ladies and gentlemen, we've got a lot to get through today. We've got some tight timelines that we're going to try to stick to.

We have some of California's premiere policy experts and distinguished individuals with real-world experience in developing housing here with us.

So with -- it is with great anticipation that we begin this journey.

I'd like to turn to my colleague, Mr. Vazquez, for comments.

And follow my -- my fellow colleagues, we will hear from the Executive Director, Ms. Yvette Stowers.

One more point, I just want to recognize my colleagues.

We've got retired Senator Steve Gaines.

We've got Member Mike Schaefer.

And all the way to my far right is Mr. Epolite. He is representing Controller Betty Yee's Office.

So, with that, I turn the mic over to you, Mr. Vazquez.

MR. VAZQUEZ: Thank you, Madam Chair.

And good morning to all.

And welcome, not only our Board Members, but many of our guests that we have here today.

We are honored that you have agreed to join us today to address ways to spur the development of affordable housing, which is no doubt the most pressing challenge our state is facing right now.

While the Board's jurisdiction covers the property tax aspects of housing, we believe that property tax exemptions and other reduced assessment -- assessment val -- options can be extremely significant and worthwhile cost-saving incentives, not only for spurring more development, but also for protecting the financial stability of existing affordable housing stock.

I would like to thank each of you for your time and effort. Because your presentation today is absolutely critical to help all of us understand what the needs are, and how the property tax aspect can be the most effectively used.

We appreciate your very busy schedule, and truly value all your expertise. And are willing to share with us with your -- and the public that's viewing today.

I'm hoping that we can come up with some creative ideas and ways, not only on the abatement side, but also on the tax credit side.

For example, I know in Santa Monica, one of the challenges, which I believe is the same challenge, especially up in the Bay Area, is land cost is just so high, that I'm just appalled to find out that some of the nonprofits, especially in my area, who I thought were doing a real good -- well, they're doing a good job, but the cost per unit is up, you know, anywhere from 6-to-700,000 a unit. Which is just out of reach for many folks.

And as a result of that, it's really -- really been a challenge to develop what I consider true affordable housing.

And I'm hoping that with your expertise, for many of the speakers that are here today, and not only in the nonprofit world, but then folks that work for housing within the state of California.

Because I think we maybe need to do a better job, too, at the state level in terms of trying to streamline the process and minimizing some of these overhead in fees that we -- that we impose really on these developers. And I think those are some of the challenges.

And I know with the leadership of our Chair and many of you today, we're hoping we come up with some creative ways, and hopefully a whole new paradigm shift in figuring out this system.

Because, you know, we hear from the Governor, it's like the major problem in the state of California. And there's -- every year the demand only gets even worse. We're not even making headway in terms of developing more affordable units in the state of California.

So we need to come up with some -- a better road map to hopefully start chipping away at that -- the supply that doesn't exist.

Thank you.

And thank you all for the --

MS. COHEN: Of course. Thank you very much.

So with that, I'm going to pivot to Ms. Stowers. And then we'll begin.

MS. STOWERS: Good morning, Chair Cohen.

MS. COHEN: I think you need to make sure to turn your mic up.

MS. STOWERS: Good morning. Good morning, Chair Cohen and Honorable Members.

I would like to first start by thanking the

Board for their leadership in exploring ways that the property tax system could be utilized to incentivize affordable housing in California.

Thank you.

Today's Work Group on property tax abatement will provide a valuable forum for public discussion with taxpayers, stakeholders, and state and local officials on this very complex issue.

This is also a great opportunity for anyone to provide input and propose possible solutions and other ways we can work together to spur housing.

As the BOE has oversight over our property tax system and coadministers the Welfare Exemption, we have a critical role in addressing this housing crisis.

Finally, I'd also like to thank our esteemed group of presenters for taking the time out of your busy schedule to participate today.

I am very much looking forward to today's discussion.

Thank you very much.

MS. COHEN: All right. Thank you very much.

All right. What I'd like to do now, Ms. Cichetti, if you could call the next item. I appreciate it.

MR. GAINES: Excuse me.

Could I make some opening remarks?

MS. COHEN: Of course. Great.

Senator Gaines.

MR. GAINES: Great. Thank you.

I want to thank all of you for addressing California's needs for increased affordable housing.

As you likely know, when adjusted for the cost of living, California has the highest poverty rate in the nation.

Our green energy plans and high taxes made electricity and gasoline wildly expensive compared to the rest of the country.

We have the highest state sales tax, the highest personal income tax in the Nation. And our corporate income tax is the highest in the Western States. I can't think of an area where our state is a bargain.

But housing prices are the main driver of our poverty. We need more affordable housing. We need to build vastly more housing, period.

We need to expand supply, possibly by millions of units in our state to get price growth under control.

Besides the issues we will address here today about affordable housing, California must reform CEQA, so it can't be abused and turned into a project killer.

In the 12 years that I served in the State Legislature, even though there were many calls for reform of CEQA, it never happened.

We need to look into capping or limiting building fees, so that they reflect actual mitigation costs that are not merely ways to shake down developers or make projects more expensive.

We should also look to simplify and speed up project approvals, and eliminate downsizing of project approvals.

Housing is not immune to supply and demand. And explosion of home building is the only viable long-term solution to our housing affordable crisis.

Depending on who you speak to, we are short one-to-two million housing units in the state of California.

Our homebuilders play such a vital role in our state. And they can do even more in a collaborative effort with government.

Thank you for coming forward today. I'm really looking forward to what you're going to present, the ideas that we can collaborate on, and hopefully make housing more affordable to that -- really to all elements of the housing segment.

But to Chair Cohen's point, that that middle that is getting squeezed. And there doesn't seem to be any benefits available for them.

And I had the opportunity to speak to Ms. Castro Ramirez in reference to this homeless issue too, and how critical that is.

I'm hopeful with the Governor's plans, and the case project where there's a different offered opportunity, a different pathway for the homeless, where they can get the support services and the housing.

And they don't have a family, right? So how do you get support -- a support system around a homeless individual that can't care for themselves, and maybe is not even cognizant of making the right decisions in life?

So thank you so much. I appreciate it.

MS. COHEN: Thank you. And that is -- that is Ted Gaines. Not Steve Gaines.

My apologies.

MR. GAINES: That's all right.

MS. COHEN: Retired Senator Ted Gaines,

thank you for your remarks.

Colleagues, do any of you others have any remarks?

If not -- all right.

Let's go ahead and -- Ms. Cichetti.

ITEM II

MS. CICHETTI: The next item on today's Board Work Group agenda is Item No. II: Overview of Current Crisis and Development Challenges of Building Market Rate, "Missing Middle," and Affordable Housing in California (State, Education and Thinktank, Developers, Funers and Housing Advocates Perspectives.)

Speakers for the State Perspectives:

Jason Elliott, Senior Housing Advisor, Governor Gavin Newsom; Lourdes M. Castro Ramirez, Secretary, California Business, Consumer Services and Housing Agency; Tiena Johnson, Executive Director, California Housing Finance Agency.

We also will have items from the Honorable Fiona Ma, Treasurer, State of California; the Honorable Scott Wiener, Senator, Chair, State Senate Housing Committee; and the Honorable

Buffy Wicks, Assemblymember, Chair of the California Assembly Housing and Community Development Committee, represented by Lisa Engel, Chief Consultant, California Assembly Housing and Community Development Committee.

MS. COHEN: Thank you.

MS. CICHETTI: Please come forward.

I think they all --

MS. COHEN: I think everyone is here.

I don't see -- is Lisa Engel here?

All right. She's not here just yet.

So, Jason, Mr. Elliot, what I'd like to do is we'll start with you. And then when you finish, we're going to pivot and bring in Senator Wiener.

MR. ELLIOTT: Okay.

MS. COHEN: And then we will -- Ms. Ramirez, then we'll go with you.

And then we'll go with you, Ms. Johnson.

All right. The floor is yours.

MR. ELLIOTT: Thank you, Chair Cohen.

My name is Jason Elliott. I am Senior Counselor to Governor Gavin Newsom.

And as was stated, housing is one of the issues that I spend most of my time on, and, relatedly, homelessness as well.

I really appreciate this convening, Madam Chair. I appreciate your leadership, commend your leadership for having this important discussion.

I'm really excited to see the results of this work in a couple month's time. Because tax, the tax system, as a potential boon to housing, is, I think, an under-explored area of policy.

And so I'm very much looking forward to hearing the dialogue, and, most importantly, reading whatever report and results come from this process.

So thank you for doing this. It's really important work.

I'm not going to belabor the causes of the housing crisis. I think by virtue of us all being here in this room this morning, we're aware of how we got here, or the fact that we are here.

Underproduction over decades and decades. Underproduction, bad decision after bad decision in the state and in local governments, all of which accrue to the negative -- the negative result of having simply not enough housing in this state.

And my friend and colleague, Secretary Castro Ramirez, will talk a bit about what we believe the state's need is over the next eight years, two-and-a-half million units, and how we arrive at that eye-poppingly large number.

But let's also not -- before we start talking about solutions, let's not set aside the fact that there has been exclusionary policies that have been at work in this state for many, many decades that have systematically limited the homeownership and upward mobility opportunities of Black, Latino, and other Californians of color.

We have to start from an understanding that that is where we have been, but it doesn't mean that's where we have to go.

But it is simply -- it is simply part of the story of while California's housing market is so unaffordable right now.

And, you know, if it's any solace -- I don't know if it is -- but if it's any solace, this is not a California problem. This is a National problem. Perhaps most acutely experienced here in California.

I was reading an article this morning about how people in Mexico City are tired of Americans moving there and taking their affordable housing.

The same is true in Vancouver. So this is a National plague. We are suffering it perhaps more acutely than other places, but we are not alone in this.

So I don't want to dwell too much on sort of a history lesson about where we are -- or where we are. We're all -- we've all sort of come to that place and understood that that's a problem.

So where do we go?

Governor Newsom's approach on these issues -- I'll touch on homelessness briefly. Because I think homelessness is the manifestation of acute housing crisis.

Most people who fall into homelessness do so because of economic conditions. There are definitely underlying drug issues, definitely underlying mental health issues. But the difference between someone who is wealthy and mentally ill, and someone who is destitute and mentally ill, is the difference between housed and homeless. So let's also sort of acknowledge that.

The homelessness agenda, which I won't dwell on too long here, it's a lot of money. It's $15 billion.

But perhaps more important than the money are the streamlinings that come along with this.

And, Mr. Gaines, to speak to some of the comments you made in our opening remarks, a lot of our homelessness agenda is predicated on CEQA exemptions and land-use streamlining, and other sorts of streamlining.

Getting things up quickly, removing local land-use barriers, and executing, executing, executing.

That's a core component of the agenda. The money without the streamlinings, I don't think would be as successful as we've been.

Fifty-five thousand Californians, just since the beginning of the pandemic, brought off the streets and placed into shelter or housing.

And I think those streamlinings are the secret ingredient in that success.

So looking to replicate those and expand those certainly to your comment, sir.

On housing, which is the point of this convening and this task force, I would say that the core, the core principle of the Newsom administration is production through accountability. More production, more production, more production.

Let's not divide the pine a different way. Let's not argue about who deserves more than someone else.

We have to grow -- bless you -- we have to grow the pie. Production, production, production.

As I said, my friend and colleague, Secretary Castro Ramirez, will talk a little bit about where we actually think we need to go in hard numbers.

Total units, it's two-and-a-half million. That's a number that's been reported publicly. I just want to put two-and-a-half million in perspective. Because I think it frames up the challenge that we're all facing here.

Depending on how you want to count it, there's about 15 million housing units, dwelling units in California. Maybe it's a little higher, because there are some that are illegal, or not known to local government. But let's say it's 15 million. Let's say it's 16 million.

If we're two-and-a-half million units short over the next eight years, that means that one out of every six Californians who want to find a place to live over the next eight years aren't going to be able to find one. That's what we're talking about.

We're talking about being 17, 16, 15, 18 percent below where we need to be. That is catastrophic, right?

That means that -- well, there's five Members of the Board. If there was an additional

Member, that means one out of the six of your families wouldn't have a place to live in eight years. That's what we're talking about.

So just to put that into perspective, production, production, production. Everything we're doing on preservation of naturally occurring and subsidized affordable housing is critical, but it's not enough.

Tenant protection is critical. And we're proud of the administration's record on tenant protection, but it's not enough.

We also have to focus on production at all levels of income.

And so as you embark on this work, I wasn't asked my perspective on tax abatement, so I won't share it. But one thing I will say is we all have to think about what the most cost-effective investments may be. Because there are a lot of very good ideas.

Carol, who I was talking to before, has got about 50 of them in her head.

There are a lot of really good ideas about how to spur production in California.

And the question is, with limited resources and limited political time and energy, what can we get accomplished?

And the question that I'm eager to hear the Board and the task force answer is: How does the tax structure measure up against other ways that we can incentivize production?

We can build affordable housing units at 700 grand a pop with pure state general fund. I don't think anybody thinks that's a good idea. But it's a way -- it's a thing we can do. It's a choice we can make. And then you can stack all the other choices against each other.

And that's what I'm really eager to see, is how these -- how these things all measure up against each other.

So I really, again, appreciate the -- the invitation to engage with the Board on this question. The fact that the question is being raised at all. And eager to continue to support the work over the next few months as you continue.

So I was told to hand it to the secretary. But I'm not handing it to the secretary.

Madam Chair, I believe I'm handing it back to you for Senator Wiener; is that right?

MS. COHEN: Yeah. Let me see if he's --

MR. ELLIOTT: Okay.

MS. COHEN: Let's go with -- we're going to go with the second --

MR. ELLIOTT: Well, then, my friend and colleague, Secretary Lourdes Castro Ramirez.

Thank you very much for your time.

MS. COHEN: Real quick, one question for you.

MR. ELLIOTT: Of course.

MS. COHEN: You mentioned 2.5 million units needed. Is that in the next five years, the next ten years, annually?

MR. ELLIOT: And I know the secretary is -- is going to speak to this.

It's over the sixth cycle of the Regional Housing Needs allocation.

MS. COHEN: Thank you.

MR. ELLIOTT: So eight years is a shorthand.

MS. COHEN: Got it.

MS. CASTRO RAMIREZ: So about 2030.

MS. COHEN: Got it. 2030.

MS. CASTRO RAMIREZ: All right.

MS. COHEN: Welcome.

MS. CASTRO RAMIREZ: Thank you.

Thank you, Chair. Thank you for the invitation.

Thank you to the Board for having this very important conversation.

And I think Jason summarized at a very high level where the administration is at when it comes to ensuring that we're addressing housing and security, housing affordability.

They're only creating more resilient communities. Because at the end of the day, I think housing is about the platform that everyone needs to be able to -- to thrive.

And housing, of course, that is well integrated into a community, housing that is well connected to jobs, to education, to the amenities that families need to thrive is critically important.

And so I start there. Because I want to ensure that, as we have the conversation about housing, right, that we not forget that this is about families and people and communities.

And so, again, thank you, Chair, for the invitation to present today.

I'm Lourdes Castro Ramirez. And I'm not with the California Housing Community Development Department. Although it is one of the departments under our agency. I serve as the Secretary of the Business, Consumer Services and Housing Agency.

The agency oversees financial consumer protections, guards California civil rights, licenses over four million professionals and businesses throughout the state.

And we're also very focused on coordinating efforts to create quality affordable homes for all.

A home is a necessary foundation for a stable and thriving future. This is why we're strengthening the housing finance ecosystem, coordinating across state government with a focus on health and housing to prevent and end homelessness.

We're also focused on removing development barriers to expand affordable and market-rate housing.

We're also building public, private and philanthropic partnerships, and deploying funds very quickly to accelerate rental and homeownership opportunities.

As Jason mentioned, Governor Newsom and his administration has been laser-focused on tackling the significant housing and homelessness challenges facing our state.

The high cost of housing is at the heart of the issue. Rents are rising faster than incomes. Which puts more people at risk of homelessness.

Renters need to earn almost three times the state minimum wage to afford the average asking rent in the state. This is an increase of 11 percent over last year.

Production of affordable and market-rate homes has also not kept up with demand, as Jason mentioned. And the recently released Statewide Housing Plan, which was released through HCD, provides insight into the need and what we must do as we move forward.

As Jason mentioned, the decades of underinvestment and undersupply has resulted in really the state falling behind in terms of unit production.

In order for us to catch up, we must plan for 2.5 million new units over the course of the next eight years. So essentially by 2030.

At least one million of these homes must be affordable to lower-income households or families. And lower income is defined as households that are 80 percent of AMI or below.

As an example, in L.A. County, a family of four with an annual household income of about $95,000 would qualify for affordable housing.

In San Francisco, a family of four would qualify with a household income of about $149,000 or less.

We also know that both renters and homeowners are experiencing high cost-burden. Cost-burden households spend 30 percent or more of their income on rent and utilities, leaving very little for other expense like food, health care, education, and, of course, emergencies.

Black, indigenous, and people of color are more likely to be cost-burdened by high rent prices.

For example, nearly two-thirds of Black households are cost-burdened, compared to under half of White households.

And, finally, federal rental assistance in the form of housing voucher is reaching less than one in every five eligible low-income households in need.

Again, the Statewide Housing Plan provides more data to help us understand that magnitude of the issue. It also lays the path for how we're meeting this challenge.

Decades of underinvestment, decades of undersupply has created, you know, this situation that we're in.

But I'm pleased to share, as Jason mentioned, that under the leadership of

Governor Newsom and this administration, we have stepped up with a number of policies, innovative programs, and funding to match the scale of the challenge.

And critical to the success has been the support and the leadership of the Legislature.

This year the Governor, the Legislature committed 10.2 billion to affordable housing development.

This investment will bring us closer to meeting the statewide demand for affordable housing, but much more is needed.

Just about a month ago President Biden released the Housing Supply Action Plan, which also at the federal level calls attention to more production.

I couldn't agree more with Jason. It's also ensuring that as we produce more units, and we're producing more units that are affordable to some of the lowest income households across our state.

Beyond that, we're working to make sure that every city and county is accelerating and removing barriers to housing production.

At the Department of Housing and Community Development, we stood up the Housing Accountability

Unit to provide technical assistance to jurisdictions when needed, but also to lead enforcement actions to support the implementation of state housing laws.

Let me now just provide a quick overview of some of the strategies and the comprehensive approach that the state is taking to ensure that we're addressing housing stability, housing supply, and building resilient, inclusive communities.

We know that it is more cost effective, pragmatic and proactive to prevent someone from losing their home and plunging into homelessness.

To that end, we stood up the Nation's largest emergency rental relief program, along with the strongest eviction protections, delivering support and relief to the state's most vulnerable renter households.

We partnered with landlords and engaged other 120 community-based organizations to increase awareness, access, and assistance.

The program has thus far provided $4.1 billion in rent and utility assistance to prevent the eviction and to keep about 344,000 families housed.

And I also will mention that of the 344,000 families that have been kept housed, about 85 percent are low-income families making below 50 percent of AMI.

We're also working with homeowners and lenders to prevent foreclosures by covering missed mortgage payments and property tax debt through the California Mortgage Relief Program, with funds from U.S. Treasury.

So far, CalHFA, under the leadership of Tiena Johnson Hall, has distributed over $100 million to about 32,000 homeowners in our state.

And on homelessness, we're taking action to target this crisis, and with a sense of urgency, a sense of compassion, and a sense of care. Our goal is to end homelessness by making homelessness episodes rare, brief, and nonrecurring, and by also implementing -- implementing innovative solutions.

Programs like Homekey, the Governor's signature program that has earned National recognition as the best practice.

Homekey provides funding to local communities to purchase and to convert hotels, office space, commercial buildings into affordable housing units for people experiencing or at risk of homelessness.

In less than two years we have funded 10,000

Homekey units. 10,000 in less than two years.

And these are units that are in every region of the state, with strong partnership between the state and local government.

And I'm really proud of the level of capacity that has been built at the local level. Because I agree with Jason, it's not just about dollars, and the sort of regulatory expediency that is necessary to get these dollars to use. But it's also about building capacity at the local level to ensure that those dollars are being leveraged and being put to good use.

Homekey is one strategy in a more comprehensive effort. After four years of state interagency work to respond to homelessness, we also have evolved the state system this past January with the introduction of the California Interagency Council on Homelessness.

The council brings together nearly 20 state departments and agencies under a health and housing framework to address homelessness.

I'm pleased to co-chair this council, along with my colleague, Secretary Ghaly, who heads up the Health and Human Services Agency.

The council oversees California's first ever statewide action plan to prevent and end homelessness, which also embeds equity and shared accountability across state departments with local partners and tracks progress.

The council requires cities, counties and continuums to care -- continuums of care to submit local homelessness action plans, to measure and to create stronger regional coordination.

Because as we know, homelessness does not stop at city boundaries. Our work to end homelessness and our effort to create housing are closely linked.

And then, finally, just to kind of wrap up in terms of our overall approach, the administration has established guiding principles to better align the affordable housing finance system.

These principles include creating deeply affordable housing, while continuing to emphasize cost efficiency, aligning policy and funding cycles across state agencies, reducing barriers for new and historically-excluded developers, and promoting fair housing.

I want to just take an opportunity to thank Treasurer Ma and Controller Betty Yee for their leadership and partnership.

Together, we have been working to develop a more predictable set of regulations to enable developers to have a level of certainty when they're developing.

And we've also worked together to create greater access and increase housing in high-resource areas closer to amenities like schools, green spaces, and jobs to improve the quality of life for all Californians, and also to address, of course, climate change.

Last week Governor Newsom called for a bold, new target of three million climate-ready homes by 2030.

This will help Californians live in safe, stable housing, while helping us to achieve our climate goals through new construction, and also by retrofitting existing homes.

I'm also very excited about the investments that we're making to repurpose underutilized buildings, and also publicly-owned property, and converting that into affordable housing.

And we're continuing to work with our team across HCD, CalHFA, and other departments to identify opportunities to streamline efforts.

Specifically, this year, HCD combined four different funding programs into one super notice of funding availability with about $650 million.

After receiving input from developers, we created this streamline, one-stop application to speed up the construction of housing units.

And we've also established a set aside for emerging and community-based developers to build capacity within the real estate development industry.

In closing, we're focused on affordable housing. We're focused on building strong communities. And we're focused on continuing to remove barriers to the overall production of housing.

And that includes market-rate housing, affordable housing, and also creative programs like the investment that we're making to expand the ADU, Accessory Dwelling Unit, initiative.

I've, you know, provided a very quick snapshot of the holistic approach that we're taking to address these housing challenges across the state.

I look forward to continuing to stay in dialogue with this Board. Very much appreciate the fact that you're looking at how to leverage the property tax system to support the work that we're doing.

And now I'll turn it back over to you,

Chair.

Thank you.

MS. COHEN: Thank you very much. I appreciate your presentation.

Very thoughtful and very thorough.

Do you have any parting thoughts about tax abatement, about what we're trying -- the discussion that we're having today as it relates to your understanding of housing across the entire state of California?

Is this a real thing, or are we chasing a pipe dream?

MS. CASTRO RAMIREZ: Chair, I think it is important to look at what the state is doing and what's working, and to ensure that changes or incentives or programs that are being contemplated align to the areas of priority.

And -- and so that would be my, sort of, recommendation. Just to ensure that we're continuing to stay sort of in alignment as we address -- you know -- from the state's perspective, it is about ensuring that we're keeping families in their homes, but that we're also producing more housing, and producing more housing that gets, you know, to increasing the supply of extremely low and very low-income units.

MS. COHEN: So would you agree that this is a step in the right direction, when you say making sure we're talking to each other?

MS. CASTRO RAMIREZ: Yes, definitely.

MS. COHEN: All right. Thank you very much.

Mr. Vazquez has a quick question, and then we'll move on.

MR. VAZQUEZ: You know, thank you, first, for your presentation.

I know it was kind of an overview and kind of a snapshot of the state of California.

But I was wondering, basically, I'm kind of -- I'm looking at you as the secretary of HUD for California, basically, on housing, right?

What can we do at the state level to minimize some of the obstacles that some of these nonprofits are going through?

Because I'm hearing from nonprofits that, you know, the state's not doing such a good job, putting them through so much in terms of fees and commissions for approvals, that, in many cases, they just walk away from it.

MS. CASTRO RAMIREZ: Yeah.

You know -- thank you.

I -- I completely agree that when -- when you have -- when you have not made something a priority, and you shift to making it a priority, all the systems and the structures need to align to ensuring that, you know, we're all rowing in that direction.

And I will assure you that we're very focused on making sure that, within the programs that we administer, that we're looking at ways to consolidate. We're looking at ways to be more transparent. We're looking at ways to align the various funding cycles.

Because it is unfair for a developer who is looking to create 100 units, 150 units of affordable housing to have to go through five, six, seven different application processees. And that's -- and we're focused on that.

The Super NOFA that was released this year was one step in that direction, consolidating four programs.

I will also say that we're also making ourselves at leadership, myself, the director, the team, we're going out into the community and having conversations with the affordable housing development community, particularly with emerging and smaller developers.

I was in Compton two months ago with about 30 different smaller community-based developers that are doing two units, four units. And they're really working on their capacity.

So we're very committed to also creating greater access and a stronger relationship with a very diverse group of developers.

MR. ELLIOTT: May I add something onto what the secretary said, if that's okay, Mr. Vazquez?

MR. VAZQUEZ: Sure.

MR. ELLIOTT: We could -- everything Lourdes said is, of course, spot on. We could develop the perfect funding program in California at the state. We could perfect every mechanism. We could perfect every NOFA. We could administer every fund perfectly, and it wouldn't solve our problem. Because most of housing decisions are made locally in this state.

So while the secretary is absolutely right, we need to do a lot better job about getting our ducks in a row across TCAC, CDLAC, the administration, all the various fundings, streams and sources. We do.

Perhaps more importantly -- I guess that can be argued. Perhaps more importantly, local governments need to step up and fulfill their legal responsibility to build housing.

Because whether it's an affordable housing funding stream coming out of HCD, or whether it's a tax abatement program that is in California's future, at the end of the day, what I mentioned in my remarks earlier is that there's a history of exclusionary zoning and anti-affordable housing in a lot of places in this state.

We have hundreds of jurisdictions in California that are out of compliance with a variety of housing laws.

So, as I said, if we design a perfect -- if we perfect all of our programs that exist now, or we design a perfect program, that still won't solve the housing crisis until we unlock the NIMBY problem that we have in this state.

And that's a huge part of the Newsom administration's approach to meeting our housing goals, not only the two-and-a-half million goal overall, but most importantly perhaps the million affordable units within that.

There's a whole other conversation we can have about the Housing Accountability Unit, which the secretary mentioned some of the lawsuits that have been filed, our partnership with Attorney General Bonta, which is tremendous and strong and a breath of fresh air.

There's a whole lot that can be said about that. And I don't want to go off agenda too much. But I just want to make the point that the nonprofits and the local developers that you're hearing from, sir, we hear from them, too.

And our response is: Even if we did it perfectly, which we are not. But even if we did it perfectly, that's not the whole ballgame.

There's a local accountability layer that needs to be considered very seriously as well.

MR. VAZQUEZ: I agree with you.

You know, as a former mayor of a city in Santa Monica, you know, it was really heart-wrenching to see some of these other beach cities that weren't doing half of what we were doing, and yet they were actually making things worse every year for us, because the housing crisis just grew.

But, you know, along those lines, when you talk about NIMBYism, what can we do as a state --

MR. ELLIOTT: Yeah.

MR. VAZQUEZ: -- like the Governor.

You know, I think, I don't know what relationship he has on the federal level, but --

MR. ELLIOTT: Mm-hm.

MR. VAZQUEZ: -- there's a lot of federal properties --

MR. ELLIOTT: Yup.

MR. VAZQUEZ: -- that are underutilized.

Like the VA properties. For example, you talked about NIMBYism, we need to be -- we need to do a better example ourselves as government.

Because there's a VA property in Westwood that's surrounded by some very high-end real estate.

MR. ELLIOTT: I have visited that Westwood property with the Governor of California twice.

MR. VAZQUEZ: And it's very underutilized, right?

MR. ELLIOTT: It is. You're right.

MR. VAZQUEZ: Very underutilized.

And we need -- we need to set a better example.

MR. ELLIOTT: Mm-hm.

MR. VAZQUEZ: And we're not.

MR. ELLIOTT: I agree.

I will add that it's not only federal

property, it's state property. It's not only state property, it's local and school district property.

MR. VAZQUEZ: And you're right, not one of them is going to solve the problem. But I think all of these, collectively, could make a huge dent in the shortage.

MR. ELLIOTT: And at the end of the day, holding local governments legally accountable when they don't fulfill their legal requirements.

MR. VAZQUEZ: I agree with you.

MS. COHEN: All right. Just in the --

MR. ELLIOTT: Yes, ma'am.

MR. VAZQUEZ: I know, we gotta keep --

MR. ELLIOTT: I yield. Yes, ma'am.

I'm sorry, Madam Clerk.

MS. COHEN: But this is great. I love the spirit.

Senator Gaines has a question. And then once he makes his question, we'll end.

Ms. Johnson, we're going to bring in Senator Wiener, and then we'll pivot to your presentation. Okay?

All right.

MR. GAINES: Great. Wonderful.

Yeah. To Secretary Castro Ramirez, also to you, Jason Elliott. I would just like your thoughts on ownership.

Because I -- in a democratic republic like we -- we have here in America, I think the ability to create wealth is really -- I think the easiest way is through homeownership.

So if we can provide the right product that's at the right price point, where people can get in, that's how I see us -- I mean, a lot of people can advance from poverty to the middle class through homeownership.

And so is that -- I'm just wondering if -- do you share that philosophy in terms of homeownership and the importance, I think, for our society, it's important too.

MS. RAMIREZ CASTRO: I mean, definitely.

Just my own sort of personal story, right?

But we are, you know, very focused also on increasing the homeownership rate.

You know, homeownership is more than just having a home. It's having a sense of stability, a sense of belonging. And it's also an opportunity to build wealth --

MR. GAINES: Yes. Yeah.

MS. RAMIREZ CASTRO: -- for your family.

And for, you know, to pass on, right, to your family.

Executive Director Tiena Johnson Hall will probably touch upon this with a little more detail.

The Governor and the Legislature just approved through this budget $500 million to be able to implement the dream for all homeownership program.

But beyond that, we have a number of homeownership programs that are designed to assist potential homeowners with financial literacy, and preparing to be homeowners. But also funding for down-payment assistance and overall sort of support.

Because we want to ensure that once a family becomes a homeowner, that they're able to stay homeowners for life.

But Executive Director Tiena Johnson Hall can go into more detail.

MR. GAINES: Wonderful.

MS. COHEN: Yes. Thank you.

MR. ELLIOTT: I'm going to be fast, I promise. I'm going to be a broken record here, Senator.

But if -- to stipulate and agree to your point that homeownership is a path out of poverty, then we have to provide opportunities for homeownership.

And in California, I have to check my statistics, but I think Black wealth is 60 percent of White wealth.

We are not producing enough units that people can buy, that then they can have that path. And it just comes back to the place of production, production, production to increase supply.

MR. GAINES: Right.

MR. ELLIOTT: Because, I agree completely, and the Governor agrees completely with homeownership as a path out of poverty.

MR. GAINES: Right. Right.

MR. ELLIOTT: But then that's our responsibility --

MR. GAINES: Yes.

MR. ELLIOTT: -- collectively to create those homes.

MR. GAINES: Yeah.

MR. ELLIOTT: And we have not done that over the last --

MR. GAINES: If you look at --

MR. ELLIOTT: -- years.

MR. GAINES: -- the numbers for Black ownership of homes through the Great Recession that declined, I think, about eight or ten points. Which is dramatic. And so how do you get that back?

And I think you're -- you know, we're -- we're addressing a lot of those issues. And I'm sure Tiena Johnson will tell us more.

MS. COHEN: All right.

With that said, let's go ahead and bring in another leader in this space, in this discussion.

We've got Senator Scott Wiener that's going to be joining us via the Teams platform.

To my IT team, could we bring him in?

Senator Wiener, good to see you.

Good morning. Thank you for joining us today.

MR. Wiener: Good morning, Madam Chair.

MS. COHEN: All right. I'm giving you the platform. The mic is yours.

MR. WIENER: Madam Chair, it's good to be here.

MS. COHEN: Can we turn up the -- real quick, could we turn up the volume so we can hear in this chamber?

Okay. As we work through the volume, Senator Wiener, please continue.

MR. WIENER: Are you able to hear me?

MS. COHEN: Yes, it's a little bit better.

Just please continue.

MR. WIENER: Do you want to wait to fix that or --

MS. COHEN: It's fixing as you speak.

All right. I'm getting a thumbs up. They can hear you.

MR. WIENER: Okay. Now you can hear me?

MS. COHEN: Yes.

MR. WIENER: Okay. Wonderful.

Thank you, Madam Chair.

And for those that don't know, the Chair and I were sworn into the San Francisco Board of Supervisors on the same day of January 2011. So it's been a long journey.

And, Mr. Gaines, good to see you. Again, my former colleague.

So thank you for having me today. And thank you for tackling this incredibly important topic.

And tax policy, of course, is important. And I'm glad that there are discussions happening around tax abatements. Because that can be a powerful policy tool if it's implemented in a thoughtful and targeted way.

Of course there are other tax policies. People don't like to talk about it, but Prop. 13 was one of the most destructive things that could happen for housing.

Because it gave cities a massive incentive to favor commercial development over residential, because of the drastic cap on all property taxes. And so cities now have a huge incentive to favor a development that's going to create sales tax, or hotel tax, or parking tax or whatever. So tax policy is important.

But I do just want to say, I fully agree with Mr. Elliott that even with strong tax incentives and strong funding around affordable housing, those are all really important, but if you can't -- if you're not zoning for and approving housing in an expeditious way, it's inherently limited.

And even with all the change, we've had a lot over the last six, seven years in the Legislature, we've had some real strides around housing, strength -- strengthening the Housing Accountability Act, strengthening the state housing, Density Bonus, strengthening our ADU requirements, and passing various housing streamlining bills, starting on the road zoning our reform with SB-9 and 10. There's a lot more work to do legislatively.

But I really do agree with Mr. Elliott, that we have to also aggressively, consistently and proactively enforce the laws that we have.

Because although there are cities that are in good faith working to comply with state housing law, even if they disagree with those laws, they're doing their job and complying with the law.

So I'm not in any way broad-brushing about cities. There are cities that are working very hard to comply.

Unfortunately, there are other cities that are not. And sort of shrug their shoulders and don't seem to care.

And some of those, we -- you know, are known examples of cities that have engaged in bad faith behavior.

The city of Cupertino is one of them, around the Vallco Shopping Center Redevelopment. A completely dead mall that's going to be converted into 2,400 units of housing, half of which will be affordable for lower-income residents. And the city of Cupertino just, I think, probably spends about 12 hours a day figuring out ways to put gum in the works for that project.

Or we've seen the city of Woodside that tried to declare itself a mountain-lion protected habitat in order to exempt itself from state law, as if a duplex was more harmful to a mountain lion than a single-family home.

The city of Pasadena that was making moves to declare the entire city a historic district.

And for both Woodside and Pasadena, I want to thank the Attorney General for quickly warning them that they were violating the law, and they did back down.

But there are also bigger cities that -- that engage in this behavior, including my own city of San Francisco, which is, I think, in my view, brazenly violating the law, and should be sued by the state.

We've seen the Board of Supervisors illegally reject projects, like the Stevenson Street Project. Which is proposing 500 units, 20 percent affordable, on a parking lot a block from a BART station. And the Board of Supervisors illegally rejected it.

The board has illegally rejected other projects as well. And HCD did send a letter to San Francisco saying we think that these violated the law. And, by the way, your entire system of how you approve housing is designed to sabotage housing and

And there were some deficiencies that are being corrected. But I want to really commend the city of Los Angeles for trying, as the largest city in the state, with incredibly complicated politics, but they really, really are working hard to try to do what they need to do to zone for, prepare for enough housing.

And I think when we talk about housing, we always have to -- we talk a lot about housing elements, density bonuses, and CEQA, and all this technical talk. And we have to boil it down to the actual human costs.

When we allow NIMBYs to control what's happening in your cities, you know, because they're worried about the, quote/unquote, "character" of their neighborhood changing, or parking might be a little harder, or there might be a building that's a few stories taller than the other buildings, and they think it's out of place, or there might be more kids in their child's classroom. What they're doing is pushing people into poverty and homelessness.

When people -- when we -- you know, for 50 years California has had a de facto policy of deprioritizing housing. We used to build hundreds of thousands of units a year in the 50s and 60s to keep up with growth. And then we stopped, starting in the 1970s. And now we have a multimillion home shortage. We rank 49 out of 50 states and homes per capita.

And what that means is that so many Californians are living in poverty because of the cost of housing. That in order to have housing, they have to pay 50 or 70 percent of their income to housing.

Or they're living in overcrowded housing conditions, which means it makes it harder for their kids to do homework. Even if they're not, if they're learning remotely, makes it impossible when you have so many people crowded together.

Of course it's not healthy, as we learned during COVID, for people to be living packed together in overcrowded housing.

And we have people who are living far away from where they work, and have to do long commutes, which undermines our climate goals.

So, you know, the good news is that we know what we need to do. The Legislature has been moving in that direction. Although I think we need to do more and move faster.

And we have more and more cities that are trying to do the right thing. And we have more and more local-elected officials, city council members and mayors who are running on a prohousing platform and winning. And some cities with a bad history now have a majority prohousing city council.

So I'm optimistic. But there's a lot more work to do politically.

The one thing I want to close with is the cost of building housing has really skyrocketed, which is its own problem. Part of that is a process, when it takes, on average, four or five years to get housing approved that is zoned for.

So if someone comes forward and says, okay, you zone for five stories at this density with these set-backs. And I want to build a project that complies with all your rules, and it still takes four years to get that project approved, that is a huge cost.

And I look at, you know, even 100 percent affordable housing in San Francisco. There's a great project in the Sunset, which has almost no affordable housing. That is a wonderful project that's being jacked up, and it's taking longer to get approved than it should be. And so that costs money and makes everything more expensive.

In addition, the materials have increased.

Their cost has increased dramatically. And that was true before the pandemic, and it's really true now. And so that is an ongoing issue. And anything we can do to reduce the cost of building housing is going to be very beneficial.

So, again, thank you for having me today.

And thank you for taking up this important topic.

MS. COHEN: Perfect.

Senator Wiener, I just wanted to acknowledge that we've got Jason Elliott from the Governor's office with us. We've got Secretary Lourdes Castro Ramirez, and we also have Tiena Johnson Hall from the California --

MR. WIENER: And I will just say, I want to thank the administration and the Attorney General for really prioritizing enforcement.

Because once -- as you know, once we pass a law, it's only step one. We have to enforce it. And I think the creation of the Accountability Unit, HCD, as well as the Attorney General's work has been really helpful.

I will say I just want to encourage the administration and the Attorney General to -- not that you are letting things drop, but not to let things drop, and to file lawsuits.

I mentioned suing San Francisco, which I think is overdue. But I think, unfortunately, lawsuits are sometimes the only way to have true accountability.

MS. COHEN: Powerful words.

MR. ELLIOTT: We appreciate Senator Wiener always reminding us of that on a regular basis as well.

Thank you, sir.

MR. WIENER: Including my own city. I always hold my own city --

MS. COHEN: Absolutely. I love -- that's powerful words coming from the Senator that represents San Francisco.

Thank you, Mr. Elliott. We appreciate your time.

MR. ELLIOTT: Thank you very much, Madam Chair and Members.

MS. COHEN: Of course.

Senator Wiener, I'm really grateful for you making time during your recess to come and join and share some of this wisdom with us. It's been invaluable.

Let me see if my colleagues have any

questions for you.

Do you have anything for the Senator?

MR. GAINES: I -- I just --

MS. COHEN: This is Senator Gaines.

MR. GAINES: Yeah.

I wanted to thank Senator Wiener.

Because you were -- I mean, you were an advocate years ago when I was in the Senate with you. And you have just continued down that path.

So appreciate the efforts that you're making so that people can get housing, can hopefully buy a home and create wealth for their family long term.

So thank you.

MR. WIENER: Thank you.

MS. COHEN: Perfect.

Also, the work that you're doing also, I wanted to just echo what Senator Gaines said, and not only you're an advocate for housing, but also paying intricate detail to the different layers, right?

You think about the aging LGBTQ community. You think about transitional-aged youth housing. You think about the African American, Latino housing folks that have historically been out, and have had been locked out, or have had challenges to getting access to capital.

So you've been definitely consistent -- a consistent champion on all of those fronts.

Senator -- Mr. Schaefer has something he'd like to add.

MR. SCHAEFER: I just want to thank you.

Mike Schaefer here.

I've run into you a number of times. You've been down to San Diego.

I am a big fan of the work you've been doing in the Legislature. And I'm happy to have this chance to hear you today. You had some very important points.

MR. WIENER: Thank you.

MS. COHEN: All right.

We've got Mr. Vazquez.

MR. VAZQUEZ: Yes.

First of all, thank you, Senator, for your thoughts and your ideas, and actually your leadership on this issue.

And, you know, like you mentioned, you -- you represent San Francisco. I also represent Santa Monica, which are the two cities that I think have been doing a great job over the years.

But sometimes you get, you know, a change in leadership. And you get some of these crazy ideas where people are trying to stop the housing production. So I agree with you on that.

And I was just wondering, moving forward, you kind of hit on something. And I don't know if it's something that we can do through maybe your leadership on the Housing Committee, like that would come up with some kind of maybe constitutional amendment that would maybe give it a little bit more teeth. So when we have some of these cities that in the past have been very active and very aggressive on housing, don't waiver and start -- you know, because of the change in leadership, all the sudden try to take us backwards.

MR. WIENER: Well, I think, actually -- you know, and I appreciate that. And I think that right now the state actually does have teeth that are -- our ability to have state laws with teeth we have.

As you -- as you may know, there are people who are trying to qualify a constitutional amendment to kick the state out of housing entirely, and to eliminate all state housing authority. Which would be a disaster in terms of just housing overall, and climate policy, and fair housing, and so forth. And we'll see if that qualifies for the ballot.

But right now the court rulings have been very solid in terms of the state having the authority to take -- to set strong state standards.

So I -- I think right now we need the Legislature to continue to take bold action. And -- but I also -- you know, one thing I've learned over time is that, you know, it's always going to be the cities that are implementing these laws.

And you can have cities that -- we have, you know, with SB-35, which was the first bill I ever introduced, that streamlines housing approvals. There are cities, even cities -- there are times when someone will violate an SB-35 application in a city with a history of NIMBYism, and they'll just say, "Great. We don't have to, you know -- we accept your application. Go forth and build." And cities that just really, you know, really, really accept that law.

There are other cities that do everything in their power to sabotage it.

And so we work very hard to close loopholes in laws. Some of these cities are ingenious at finding loopholes. And so for our ADU laws, we've probably passed 10 ADU bills in the last five years to close loopholes. We've passed multiple SB-35 loophole closure bills.

And that's okay. We can do that. But, boy, it makes it a lot easier when you have city staff and city councils that say, "Okay, we may or may not agree with this law, but that's the law, and we're going to apply it."

And so that's why organizing at the local level is so important.

MS. COHEN: All right.

Thank you, Senator Wiener. We appreciate your time.

We're going to continue moving forward with our next presenter, Ms. Tiena Johnson Hall.

Thank you.

MS. HALL: Thank you very much, Chair Cohen, and to the other Members of the Board, for --

MS. COHEN: I think you need to make sure your mic is on or speak into it.

MS. HALL: Okay. I'll try.

MS. COHEN: Is your green light on?

MS. HALL: No.

MS. COHEN: Okay.

MS. CICHETTI: Could you speak --

MS. HALL: I can speak louder.

MS. CICHETTI: Yeah.

MS. COHEN: Okay.

MS. HALL: All right.

So, thank you, Chair Cohen, for the invitation today.

And thank you to Secretary Lourdes for including me as part of her wonderful housing team.

I'm going to hopefully share as a -- we're practitioners. That's what we do at CalHFA. So for those of -- by way of background, CalHFA was established in 1975.

And we were charted very specifically as the state's affordable housing lender with two distinct divisions; single family and multifamily.

Our programs are designed to serve both low and moderate-income folks. And, in general, our AMI -- our AMI targets can range at low levels, all the way up to 150 percent of AMI, depending upon the program.

For the most part, our operations are self-supported. We raise funds through bond issuance, capital funds and fees generated from our lending products.

However, in the past four years, we -- and thanks to the Governor's leadership, as well as support of the Legislature, we have received a tremendous amount of both federal and local state funds that we administer on behalf of the state of California, which has helped us to evolve our programs even further through social -- through a social equity lens, that we believe not only helps us to better house vulnerable populations, but spur opportunities to create generational wealth, and at the same time create fiscal, sustainable options where we can put money back into the state, and, therefore, back into the hands of vulnerable populations and developers who do this work.

We were asked to -- Senator Gaines brought up the area of homeownership. So I'm going to focus on homeownership.

CalHFA currently runs a very successful down payment and closing cost assistance program called MyHome, which serves first-time homebuyers that make up to 150 percent of area median income.

We have one of the largest programs in the country. We have one of the most diverse programs in the country. And we're able to hit populations in ways that not even our -- my former conventional brethren can do. They're very jealous of us, and I like that.

So through this program, just last year, we were able to help over 5,600 Californians buy their first home. That's very good, I would say.

And then last year, CalHFA got a funding allocation through the state budget to create a program that provides even greater assistance for lower-income homebuyers. This program is called the Forgivable Equity Builder Loan program. I call it "the game changer."

So, effectively, what this does is it provides low-income housing homebuyer assistance up to ten percent of the purchase price. And it's a grant. And so, effectively, it is forgiven after five years.

That's the generational wealth that you're talking about. But we're going to take it even further this year.

So this program not only created the general wealth, but it also served to change some of the historical disadvantage challenges in real estate that Californians have experienced for over 100 years. Just that one program.

But we're now the next level. The next level, some of you may have heard about the California Dream for All.

And Secretary Lourdes mentioned, this is a $500 million investment that the Legislature and the administration put into the most recent state budget.

Now, what this does, and what we will be doing, we will be tasked with designing a new homebuyer assistance program where we're going to push out funds to potential new homebuyers, and we're going to provide 20 percent down to purchase a first home.

Now, the difference in this particular program is that it has a shared appreciation function that has not been done in the state of California at the scale that we're doing it. It just hasn't been done.

And what will happen is when those homebuyers sell those homes -- sell their homes, we'll take a portion of that back, and put it into a fund. And then those funds will be recycled for future homebuyers.

Now, this speaks to solutions and how, as practitioners, we're going to change the challenges of housing in the state of California.

New products. That's what I'm talking about. Innovation, recycling old things and making them brand new, collaboration, which is what we've all been talking about, and most importantly, flexibility, talking to each other, and talking outside our states. Erasing the silos, so that we can build a better product for the people who need us most.

And not only have we decided, and with the Secretary Lourdes' express permission and guidance, we're not just leaving it for us to decide. We're going and talking to other California HFAs and seeing what works best for them, and trying to bring that back.

That is a marketable change that I think will open us up to new and innovative ideas, which can really go to addressing some of the challenges that we mentioned.

And the challenges are real. We mentioned some of them today. We mentioned the cost. We mentioned land supply. We mentioned entitlements and the process for building here in California.

But by expanding the circle of folks that we work with, and kudos to you, Chair Cohen, as well as the other Members of the Board of Equalization.

So that we're opening up ourselves up to doing it differently, building a better mouse trap with the innovative tools that we all have.

So I'm delighted to be here. I've been in the industry for now over 25 years. I've seen all the different real estate cycles that you can think of. And I'm probably more optimistic now than I have ever been.

The funding makes it possible. The collaboration makes it probable.

Thank you.

MS. COHEN: Thank you.

That's a -- what a powerful note to finish on.

Thank you for that breath of fresh air.

Quickly going to check with my colleagues.

Any follow-up questions?

No?

On this side?

Okay. Senator Gaines has some for you.

MR. GAINES: I just want to thank you.

That was exactly what I was looking for. So I appreciate -- I mean, those are real, real numbers in terms of your progress.

And this program with the 20 percent down payment, proportional ownership, I'm familiar with it. Because the city of Roseville has been using that. So to see that go statewide, though, is very encouraging.

So thank you.

MS. HALL: You're welcome.
MS. COHEN: Thank you very much.
I appreciate your expertise. And that does -- actually does bring a little bit of comfort.
So we are moving down -- we are having the appropriate conversation at the appropriate time.
Thank you.
We have a video that the Honorable Fiona Ma, our State Treasurer, has contributed to this discussion.
She wasn't able to be here today, but she's got a five-minute clip that I'd like to play at this time.
And then -- are you heading out?
MS. RAMIREZ CASTRO: Yes.
MS. COHEN: Thank you, Madam Secretary. I appreciate your time.
MS. RAMIREZ CASTRO: Thank you so much.
MS. COHEN: Thank you.
We'll follow up with you directly.
Ms. Johnson Hall, too, if you need to pass.
Thank you.
All right. Please play the video from the Treasurer.
(Whereupon the following video was played.)

MS. MA: Good morning, everyone.

This is California State Treasurer, Fiona Ma.

And I'm happy to join California State Board of Equalization's Work Group Event on Property Tax Abatement and Affordable Housing.

Apologies for missing you live. When you see this recording, I will likely be touring a recycled paperboard mill in Quebec, Canada, with the California Foundation for the Environment and the Economy.

Special thanks to Board Member Malia Cohen for inviting me to speak to you today.

I am thrilled to see that the BOE and Malia Cohen are thinking about innovative and exciting strategies to produce and finance affordable housing, like through property tax abatement.

If we're going to be successful at ending our housing crisis, we need to be utilizing, or at least discussing and debating, innovative approaches like this.

So thanks again to the BOE for hosting such a critically important event, and to my co-speakers during this portion, California State Senator Scott Wiener, California Assemblymember Buffy Wicks, Jason Elliott from the Governor's Office.

Many folks I encounter outside government and the housing world do not realize that the State Treasurer plays an important role in affordable housing.

I chair 16 boards, commissions, authorities that finance a wide array of projects. But two in particular are involved in the affordable housing finance process.

The first, The California Tax Credit Allocation Committee, TCAC, that awards hundreds of millions of dollars in state and federal low-income housing tax credits for affordable housing; and, two, the California Debt Limit Allocation Committee, or CDLAC, which also finances affordable housing through the award of tax exempt private activity bonds.

Through TCAC and CDLAC, we work tirelessly at the Treasurer's Office to provide the financial resources to support the construction, rehabilitation, and preservation of affordable multifamily construction.

But we must do more than just building and maintaining affordable housing if we want to move the needle for Californians.

For example, in addition to a housing supply problem, we also base the homeownership problem with incomes that failed to keep up with the cost of housing.

With housing costs that have increased almost 40 percent in the past four years, homeownership doesn't seem like an achievable part of the California dream for too many in our Golden State.

The unfortunate reality is that the rate of appreciation of home prices is outpacing the rate at which younger families and the first-time buyers can accumulate a down payment.

So just like the spirit of this Work Group, I'd like to share with you how the State Treasurer's office is also thinking outside the box to come up with innovative solutions to this aspect of our housing crisis.

You may have recently heard about a new homeownership program called California Dream for All. This program uses a shared appreciation model to make homeownership and the creation of generational wealth possible for thousands of Californians.

Over the last few months, California Forward, in consultation with our office and key stakeholders, spearheaded the design and development of the California Dream for All program framework.

We recently tendered our report to the Legislative leadership, and are so thrilled to report that CalHFA has received an allocation of $500 million to operate this program.

To be clear, the program is not another housing subsidy program, but rather a way for the state to invest in a revolving investment fund that supports down payment assistance products for homebuyers.

Unlike the unwise lending practices that led up to the bursting of the housing bubble in 2007, this program reinforces sound lending practices through the state's sharing of equity in the consumer's home purchase, rather than resorting to financial gimmickry to promote homeownership.

Even better, the value created through appreciation will help future new homeowners in California for decades to come.

The California Dream for All program will also create an equity-focused, scalable model for the rest of the country.

As we frequently do, California is continuing to lead the country with progressive and creative policy solutions to society's most vexing problems. And I'm so proud to have played an important role in this process.

As you participate in today's conversations, I hope that participants bring the same approach we utilized in developing California Dream for All to the working group.

Please think creatively about how to solve our housing challenges.

Property tax abatement tools represent an interesting approach that I hope participants can debate in earnest.

Thank you again to Board Member Malia Cohen and the entire California State Board of Equalization for inviting me to this important workshop, and best wishes for a successful Work Group.

(Whereupon the video concluded.)

MS. COHEN: Thank you very much, Treasurer Ma.

We appreciate those remarks.

Before we go on to our next panel, is Tiena -- Lisa Engel here? Did she make it? No?

Not a problem.

All right. We are going to keep moving. It is 11:30.

Our next group of speakers are going to be speaking about education and speaking from the Education and Thinktank Perspective.

Ms. Cichetti, could you please announce them.

MS. CICHETTI: Yes.

The speakers for the Education and Thinktank Perspective are Ms. Carol Galante, Founder and Advisor, Terner Center for Housing and Innovation, University of California Berkeley and the Housing Lab; and Dr. Jason Ward, Ph.D., Associate Director, RAND Center on Housing and Homelessness in Los Angeles.

Please come forward.

MS. COHEN: All right. Thank you.

Ms. Galante, thank you for joining us.

And, Dr. Ward, I appreciate your time as well.

I'll turn the mics over to you.

MS. GALANTE: Great.

Thank you very much, Chair Cohen and Members of the Board.

I really appreciate the opportunity to be here and to speak to this important issue.

I have a few slides, but I'm going to hold them. Because a number of the things that I have addressed on the slide have been addressed already, and I really want to drill down on a couple of important points. And I may just ask for one or two as I go along here.

But you heard Jason Elliott speak about, you know, the housing affordability crisis isn't new. It's been around for decades.

I would say, however, you know that old Oldsmobile commercial, we are not in our father's or grandfather's housing crisis. We are in a new form of a housing crisis that, frankly, has not really been the same level of problem that we had in the -- the 1970s or the 1980s.

It has grown in an entirely different way, that I want to talk about what's happened in the 70s that made what was, you know, some level of housing affordability a challenge, even more of a challenge going forward, and why the kind of tools that you're talking about are particularly important, given the state of the housing crisis in California.

And I also want to echo something that Jason said at the very beginning, and not lose track of this, that advancing equity and climate change goals, while we're solving the housing problem. Like, they're totally intertwined.

Because, you know, part of our father and grandfather's housing crisis is still with us. And that is really the equity agenda where, you know, Black and Latino and other families were left out of the wealth building in homeownership through actions of the federal government, state government and local governments.

And we need to rectify that. And I know the state is very focused on that.

So I want to just mention three issues, and drill down on two of them.

So the first, clearly, is the housing supply and demand problem that you all have talked about. We simply have not kept up our housing supply with our population growth.

Our population in 1950 for the state of California was about 10 million people. It's now 40 million people, give or take. We've lost a few in the past pandemic years here.

But that -- but, you know, the housing supply, at its height, we were producing somewhere around 200,000 homes a year. We haven't come close in decades. Decades of, you know, building 200,000 homes a year.

We reached probably the height, you know, big bursts, then some recessions. Probably the big height in the 70s, including in multifamily. And then a lot of things changed, which I can talk about.

So that's issue No. 1, supply, demand, more people, more jobs, not enough housing. What happens is people who have more money outbid the people who don't have as much money for the available housing stock. And that's -- that about sums it up.

But then we get to the cost of -- what we build, and the cost of what we build.

And here I do want to show the second slide in my deck there, if you can bring that up.

What we built in 1947 -- if you go to the next slide.

What we built in 1947 as a home, basically, was a 1,500 square foot, three-bedroom, one-bath house, maybe a garage.

Okay. Go to the next one. There we go.

Okay. So that entry-level home that was built in 1947 was probably purchased by someone who lived on the Peninsula for $25,000. Okay.

If you were in Akron, Ohio, it might have been $10,000. So, yeah, it was a little bit more in California, but it was not appreciably more.

It was what we built -- that home today, we would have sold for $185,000 in today's dollars.

So a home that we're building today costs over a million dollars, single-family home. Now what's in that home?

It's probably two or three-car garage, if it's a single family home, and it's been built in the past number of years.

It's got all kinds of additional features. It's bigger. It's got a bonus room. It's got three bathrooms, blah, blah, blah.

So we have to think about what we're building and where we're building, and what the cost of that is.

If we want to keep some entry-level homes, we have to build like they're entry-level homes. And we haven't been doing that.

There's also all new building codes. Some of which, like health and safety codes, you know, earthquake codes, obviously we need to have that. But we have to then think about what the cost of adding some of these things are, and who should be paying for that.

Should I -- I think we do need to get climate to zero, you know, net zero emissions from homes. But maybe we need a tax credit to make -- to pay for those costs. Not just -- you know, we've had solar tax credits. But how do we incentivize those good things that we want without passing the cost on to the consumer, right?

That's -- that's really the struggle that we have with some of the new codes and requirements that we put on -- on homes.

The -- the last thing around the cost of homes that I want to talk about is we do have, as a result of our housing crisis and other issues, we have a lack of labor, a lack of skilled and trained labor to produce the homes that we need.

During the recession of, you know, 2008, most of the, you know, construction workforce was laid off. They moved, you know, to Las Vegas, to Phoenix, you know, wherever, for less expensive lifestyles, change of careers.

We have a, you know, age issue. If you're a construction worker, you're kind of done by 50.

So this is a real problem for California. We've stopped immigration, which was not California's issue. But we've stopped immigration, which was replenishing the construction workforce during that period of time, too.

So we don't -- you know, the labor is a problem. So we need to think about -- I love Tiena Johnson Hall's comment about being innovative and flexible.

We need innovative ways to build more cost effectively through manufacturing, panelization and factories using a workforce that can work inside a factory, but not, you know, doesn't have the skills to work on site and do more modular construction. More panelized construction at a much reduced cost.

We really need to think about the ways, from the codes to the actual construction, of how we incentivize -- and I think, you know, tax system is one area where we could really do that, to actually produce more cost effectively than we are doing today.

And then the last thing, and I think probably the most important for the ideas around taxes that you've talked about, property tax abatement and other forms of property tax incentives, I think we really need to talk about who paid for the cost of infrastructure for these homes.

Back in the -- the last time we had a major building boom was post-World War II. You know, my father came home from the Navy, bought a -- you know, because he was White, could buy a, you know, a little home. One percent down on a VA loan.

But who built that home? Private sector built the home, but all the infrastructure was paid for by the federal government. Okay.

Federal highway system built the roads out to Levittown. The developer didn't pay for those. The homeowner didn't pay for those. General property -- general taxes paid -- paid for those. So infrastructure, water and sewer grants.

You know, cities all over the -- communities all over the country got water and sewer grants to build out their infrastructure, electrification. All that infrastructure was built by government dollars.

Now -- and I've heard you -- a number of you talk about fees, right? Now the developer has to pay for all of the infrastructure in very -- not very transparent ways, although Assemblymember Grayson has worked hard on trying to make, you know, the fee structures more transparent and understandable.

But you've got developers paying for all those fees. And then who, you know, the cost is getting passed on into the cost of the home, or the cost of the renting that home.

And, you know, I just heard recently, and I know my colleague, David Garcia, from Terner Center will speak later. But, you know, he's done work on impact fees. He's done work on the cost of building.

And on the impact fees, they're very varied by location. The -- you know, whether they actually get used for the infrastructure cost that the homebuilder is being charged for is not always the case of where the money actually goes once -- once the developer pays the fees.

So I think we really do need to think about how do we use -- I'm just going to use a word that Governor Brown would just, you know, have a heart attack about. But, you know, redevelopment funding uses property taxes upfront to pay for these kinds of costs, whether it's toxic clean up on a site to make it usable, whether it's infrastructure needs on an infill site.

And I think we really need to bring back some type of use of property tax to pay for these infrastructure costs, to then lower the cost of the consumer on an ongoing basis.

So that's one idea.

I also know the Legislature has talked about a property tax, some type of abatement exemption for more middle income. Not just for the extremely low income. Not just for affordable housing production, but for that middle -- middle income.

And I do think almost everything you heard the legislators and the administration talk about, great, great work that's been done in California over the past couple of years. Very, very little of it has focused on this income level that is above, say, 80 percent of the median income.

And I think until we address that level, we're going to keep on spending more and more money on homelessness and on affordable housing. Because we're going to keep stiffening people into poverty by not providing housing for -- for everyone.

And what I mean by that is, you know, it's like musical chairs. And so the lower-income people are going to keep getting outbid by middle-income people. And middle-income people are not going to be able to save to buy a home.

So, you know, you just -- it's a vicious cycle. So we have to keep taking care of the unhoused. And we want to use our deep public subsidies to take care of the very lowest incomes and the unhoused.

But I think we need to use our regulatory system and our tax system to ensure that the market is enabled to work for people with a median income in California. Because that's, you know, we're not going to get deep targeted subsidy from the federal government to do that. That's got to be our responsibility as -- as a state.

So I will stop there.

MS. COHEN: Oh, no, please go on.

I appreciate that. Your presentation was -- oh, it was fantastic.

Just real quick about --

MS. GALANTE: Sure.

MS. COHEN: -- tax abatement.

The Board of Equalization -- historically, the Board of Equalization, we -- we are in charge of and managing the property tax system.

And so it doesn't feel like a new conversation to consider tax abatement as a vehicle to spur on housing. However, new in the sense that -- kind of like sticking with your "grandfather and father" example, it hasn't really been recently used, not part of the discussions and -- and the financing schemes, and just the overall thought.

So what we're trying to do is force our way into the conversation, and then establish ourselves in the lane.

I wanted to check in with you to see if you had any thoughts around our discussion today, this Work Group Property Tax Abatement.

We are really here to receive information from a whole battery of experts, and then figure out our next steps.

Do you have advice on our next steps? Are we moving down the right way? Are we going to be facing challenges? What are other people or other municipalities doing as well?

It's a lot of questions. You have one minute to answer all of them.

MS. GALANTE: Well, I do know you're going to have some speakers from other -- other states.

MS. COHEN: Mm-hm. That's right.

MS. GALANTE: And I do think some of the work that they've done in New York and other places around abatements, not just for -- so, you know, we have the Welfare Exemption for under 80 percent of the median income.

It's complicated. It has to include, you know, a nonprofit involved in the development. It also means that that individual in that apartment has to stay, has to be certified as under 80 percent of the median income, otherwise that property exemption is lost.

MS. COHEN: Right.

MS. GALANTE: And so I think thinking about abatements, not just for that class of properties, but for, let's call them -- not luxury -- people talk about luxury apartments. The only reason "luxury apartments," quote/unquote, get built is because that's what it -- you have to charge a luxurious rent in order to, you know, make your numbers pencil as a developer.

If we can provide some property tax abatements to developers, as long as they are providing, you know, a portion of their funds, an abatement to create affordability, maybe just for a period of time, maybe it goes up over time.

But it's -- it's one way of getting the price point lower. And I think you -- you can do that, along with lowering the cost of the actual construction. You can do that, along with upzoning property. So that when you, you know, have more units on a piece of property, then your land cost gets divided.

I mean, there are ways I think to leverage the property tax abatement for other cost savings in the -- in the process as well.

MS. COHEN: So you are the founder and adviser of Terner Center for Housing and Innovation at UC Berkeley and the Housing Lab.

MS. GALANTE: Yes.

MS. COHEN: What made you come up with the idea? Or what led to the idea that you needed to found -- to establish such a -- such an institution?

MS. GALANTE: Well, because it was clear to me that -- this was in 2015, when we were really seeing huge spikes in rents.

And, you know, I had just come back from the Obama administration. And it's like, yeah, I'm really interested in teaching and such, but we need innovation in our policies and in our practice. And you've got to tie those together.

So we are all about, at the Terner Center, researching, you know, what are the issues, understanding and making some recommendations for better policy. And then how you actually implement that in practice.

And I think you need that virtuous cycle, as opposed to a vicious cycle of, you know, continuing to go down the path that we're on, particularly in California.

MS. COHEN: All right. Thank you.

Let me see. Colleagues, any questions?
Yes. Please.
MR. GAINES: That's great.
Thank you for your presentation. Very illuminating. A lot of -- a lot of great ideas.
Can you tell me, do you have a handle on what the cost is when you add up the fees and all the costs that the developer has to pay to build the housing unit? Do you have a number of what, like, an average number for the state, or a range of what that costs?
MS. GALANTE: So the entire process certainly varies significantly geographically.
MR. GAINES: Right.
MS. GALANTE: Labor costs versus -- much more expensive in the Bay Area than in Southern California, and more expensive, in kind, of Los Angeles area than it is in Central Valley.
Now, again, part of that is what you're building. It's a lot cheaper to build a one-story, single-family home on a square-foot basis.
It's more expensive to build a multifamily building, that, you know, you've got structural issues, etc.
But you're building smaller, so, you know,

the total cost of the apartment is going to be less than a large house, if that makes -- if that makes sense.

But I would say, for an apartment, on average, you know, the Bay Area is $700,000 or more. You know, I've heard a million in San Francisco. I haven't seen the numbers on that.

And then, you know, it's less, as you do less density, say, in the Sacramento area. But it's still getting up to 5-$600,000.

MR. GAINES: Yeah.

MS. GALANTE: And fees in -- just an example, fees in the city of Fremont for an apartment are $150,000 a unit before you put a stick in the ground.

MR. GAINES: Wow. Yeah.

MS. GALANTE: And if you're paying, on average, $100,000 a unit for land, you spent $250,000, and you haven't built anything yet.

MR. GAINES: Yeah. So what is the remedy?

I mean, you mentioned subsidies. Maybe there should be subsidies for certain aspects of --

MS. GALANTE: So -- so, again, I think you want to try to avoid deep public subsidies. But I do think using incentives, tax incentives, which is a form of a subsidy, and tax abatements, and incentives to get the cost lower, so, you know, if you build under X number of square feet for your single-family house, you maybe get a tax incentive.

You build -- you know, if you want to require building net zero, I think the state needs to pay for it.

MR. GAINES: Mm-hm.

MS. COHEN: Thank you.

We're going to move on down here to Mr. Epolite.

MR. GAINES: Thank you.

Just one --

MS. COHEN: Oh, I'm sorry.

MR. GAINES: Just a final comment.

I just love this example that you've given us on the entry-level home. Because if we can incentivize developers to build a smaller unit, because it is a starter home, right?

So even, you know, three bedroom, one bath; two bedroom, one bath, so that someone can afford to at least get into it.

And then, of course, we've got to look at all the cost drivers, too, and try to resolve all those issues.

But I love your ideas, so thank you.

MR. GALANTE: Thank you.

MS. COHEN: Thank you for the question.

Mr. Epolite.

MR. EPOLITE: First, thank you for your presentation.

Going forward, how do we address this labor shortage issue?

MS. GALANTE: Well, I think one of the big ways we need to address it is by building differently than we do today.

So I'm a big proponent -- and a full disclosure, I'm on the Advisory Board of Factory_OS on Mare Island in Vallejo. It's building a lot of affordable housing.

It's using second-chance workers, people coming out of prison. They offer, you know, GED education, they offer incredible training.

But you're taking people who were waitresses, you know. You're opening up the workforce. When you're doing a more ergonomically easy job of construction, you're opening up the work force.

You're still paying a good wage. In this case, it's their -- they're represented by the

Carpenters Union. So it's a unionized factory. So they have benefits.

Do they make, you know -- I don't know what the wage rate for a carpenter, you know, journeyman carpenter is. But, no, they don't make the same amount as a really skilled carpenter. But they don't need those skills inside the factory. And they have good, middle-class jobs and security.

So I think you need to change how we think about -- this goes back to innovation. You change -- think about how we built. Because I don't think there are enough skilled workers, you know, without changing immigration system, this is not an industry that, you know, young people are moving into naturally.

MS. COHEN: Thank you.

Mr. Vazquez has a question.

MR. VAZQUEZ: Just a quick question.

When you talked about how to reduce the cost, have you experienced or worked with anybody that's done like prefab homes?

Because I know we did it in some of the schools, and it seemed to save quite a bit of money.

MS. GALANTE: Yes.

MS. COHEN: That's what she just was

describing.

MR. VAZQUEZ: Oh, I'm sorry. That's --

MS. GALANTE: No, I was talking about modular panelization, which is a form of --

MR. VAZQUEZ: A form of it, yeah.

But they have them full-blown now.

MS. GALANTE: Yeah. Yeah. Building --

MR. VAZQUEZ: Some are just walls, but, I mean, you can buy the whole kit.

MS. GALANTE: Yes. Yes.

And this factory that I talked about in Northern California is doing that. It's built 1,500 units, so 75 percent are affordable or supportive housing units.

They come to the site, and they have everything but the skin and the roof, down to the toilet-paper holders inside.

MS. COHEN: Thank you for your presentation.

I've actually had a chance to go to Factory_OS several years ago when I was still on the Board of Supervisors in San Francisco.

It's a phenomenal operation. And kudos to the carpenters for having that vision to get in there.

So we're going to pivot now, and hear from

Dr. -- oh, yes.

MR. SCHAEFER: Ms. Galante, I come from San Diego area. We built Harbor Island, Shelter Island. We built some land, you know, off the other land.

I don't know if that's cost effective or not, but that's something that might be evaluated to create some housing land that doesn't -- is really just a fill-in.

It's worked for 50 years. I've been watching it in San Diego.

MS. GALANTE: Yeah. That's a great point.

We like to say you can't manufacture your land, but maybe you can.

MS. COHEN: All right. We're going to hear from Dr. Ward now.

Thank you.

DR. WARD: Thanks, Chair Cohen.

Thanks, Chair Cohen and the distinguished Members of the Board.

My name is Jason Ward. I'm an economist with the RAND Corporation in Santa Monica.

One key aspect of my research is exploring the role of incentives in housing policy, and, relatedly, of the unintended consequences that arise from them.

This focus is reflected in the comments I've prepared today on the state of housing production and affordability in Los Angeles, some lessons from policy, and how property tax abatements might play a constructive role in addressing the regions of urgent housing needs.

I'll offer a preemptive apology about potentially exceeding my mandate in terms of subject matter, as I wasn't super sure of what you wanted to hear from me.

But I may just presuppose your questions, Chair Cohen, about some ideas regarding tax abatements in Southern California.

MS. COHEN: We will welcome them.

DR. WARD: So in Los Angeles, 60 percent of the population are renters.

The 2019 USC survey found that 73 percent of these households were rent-burdened, and nearly half were severely rent-burdened. Meaning they pay over 50 percent of their income for housing.

From 2015 to 2019 the average market rent for a three-bedroom apartment in Los Angeles increased by around 40 percent. While over this same period, the area median income only increased by

23 percent.

This mismatch is a key driver of the missing-middle phenomenon where working families earning middle-class incomes are increasingly priced out of the regional housing market.

On the homeownership front, Los Angeles County, and most of the rest of Southern California, has seen median home prices nearly double in the last decade, putting this path to housing stability out of reach for millions of households.

This unprecedented price growth is now slowing due to interest rate increases aimed at taming inflation.

But this decline in home sales has also slowed the flow of homebuyers exiting the rental market, placing an even greater upward pressure on rents.

Perhaps the most salient sign of our area housing shortage is the well-known homelessness crisis, which likely needs no introduction.

While there's a lack of current information on the number of people experiencing literal homelessness on the streets of the county, a good estimate is that it's probably a minimum of 40,000 people.

And a recent study over the pandemic period found that these individuals were dying on the streets of L.A. at a rate of about 1,000 a month.

MS. COHEN: One thousand a month.

DR. WARD: Yes, ma'am.

The 6th cycle RHNA process resulted in a mandate for L.A. County to facilitate the production of around 100,000 units of housing per year over the next eight years, of which 40 percent needs to be affordable to those with incomes at or below 80 percent of the area median.

And to contextualize that in terms of Secretary Castro Ramirez's comment, L.A. County has basically a responsibility to produce about a third of the overall state housing shortage that she mentioned.

However, in the last 20 years, the average annual housing production in the county has been around 15,000 units per year.

Meeting the 6th cycle RHNA goals would require the region to reach sustained levels of housing production not seen in around a century.

So this dire sketch highlights the need to find new simple and effective policies to significantly increase the production of housing at both affordable and market-rate prices.

In recent years, many potentially effective legislative efforts to spur housing production at the state level, such as SB-50, have failed to advance out of the Legislature, while other bills, such as SB-9, that began with significant potential, have become law. But only after taking on so many additional requirements and restrictions that their overall effect on housing production in the state may ultimately be difficult to measure.

In the context of the Los Angeles region, some of the most effective policies of which I'm aware have emerged at the local level.

One such example is the Transit Oriented Communities Program, which was introduced in 2017.

TOC is a voluntary program for qualifying projects built near transit hubs, comprising significant density bonuses and other incentives that are tiered based on the portion of affordable housing that the development includes.

While the program's maximum -- maximum incentives only apply to around nine percent of the city's land, last year nearly one-third of all new applications for housing developments were proposed under this program.

Similarly, the city's 1999 Adaptive Reuse Ordinance, which created a dramatically streamlined pathway to repurposing scores of disused buildings in downtown L.A. by increasing allowable density, eliminating parking requirements, prescribing the use of alternative building codes, and other forms of regulatory forbearance has been credited with sparking the production of approximately seven percent of housing produced in L.A. between 1999 and 2014. Despite the fact that the ordinance only applies to around one percent of the land in the city.

An updated version of this ordinance is nearing completion, and may portend the start of a second wave adaptive reuse downtown.

So how might these challenges and successes inform the use of property tax abatements as a tool to spur housing production?

In the current Southern California context, two primary goals seem most relevant for program to use abatements.

The first is broadly increasing the supply of rental housing, which puts natural downward pressure on rents.

The second is increasing the number of

housing units offered at more deeply affordable rents than would emerge even under significant increases in the overall supply.

The first of these goals may be the most effective way to address the missing-middle issue.

While the exact definition of income associated with the middle is not widely agreed upon, it generally refers to families and individuals who are earning incomes that are, in many cases, sufficient to procure housing at the lower end of the range of market rates, though such housing may be more scarce than would be optimal, both in terms of location and quantity.

Thus, policy efforts that result in the widespread growth of the rental housing stock at the lower end of current market rates may be sufficient to address this need without the added complexity of restrictive covenants, joint powers authorities, and the associated implementation and monitoring costs of these types of programs or requirements.

The second goal producing deeply affordable housing is a greater challenge, but here, abatements can play a role as an incentive for the -- increasing the inclusion of low or very low-income units in otherwise market-rate housing developments.

An arrangement that has considerable benefits relative to publicly-funded, 100 percent affordable projects. Since these units do not require an ongoing source of operating subsidy.

Abatement-related incentives could be layered on top of existing inclusionary zoning-type programs, offering density bonuses and other incentives.

Abatements might play a particularly key role in jurisdictions that have mandatory, rather than voluntary inclusionary zoning programs.

But some evidence suggests that such programs may stifle, rather than promote the production of housing.

In both cases, abatements can significantly lower the early operating costs of new developments, since property taxes are a relatively large proportion of these overall costs.

A simple back of the envelope example suggests that an abatement that started at 100 percent and then phased out at 10 percent a year over a decade could represent a savings of around five-to-six percent of the project's total development costs.

Thus, abatements can have a substantial

effect on whether or not a project will pencil.

One approach touched on by the BOE Work Group document is providing abatements to first-time homebuyers. However, in my opinion, this is unlikely to contribute meaningfully to solving housing production issues in the state. It might even exacerbate them.

This is because abatements provided to individual homebuyers only directly affect the demand side of the housing market; and, thus, could only incentivize increased housing supply if homebuyer beneficiaries bid up the existing supply of homes enough to induce an indirect supply response by developers.

In this scenario, it seems likely to think that any increased supply would likely be at the higher end of the range of market prices we currently have.

Another potentially powerful use of abatements to incentivize new housing would be to offer them to owners of commercial properties for redevelopment as housing.

A recent RAND report assessing the potential for adaptive reuse of underutilized commercial real estate to grow the housing supply in Los Angeles found that many office buildings in high-resource areas would transact at market prices that would make redevelopment into housing financially and feasible at current market rates for multi-unit housing in these same areas.

But offering a tax abatement for an existing owner to undertake such a project could sidestep this need for the market transaction, instead moving the financial feasibility question to the cost of redevelopment, plus any change in income streams resulting from the change of use.

Since the pandemic, a number of these conversion projects have been undertaken by existing building owners in L.A. And this increasing and subsidized market activity suggests that there may be other projects that are close to the margin of fees -- fiscal feasibility where a well-designed abatement program could make a difference.

Strengthening this path would create new housing, while contributing to environmental goals related to reducing the carbon footprint of housing production, reducing vehicle miles traveled, and potentially increasing the housing supply in job-rich areas, where it's most in need.

One major caveat regarding the

characteristics of a successful abatement program is that explicitly tying eligibility to now common requirements in state-level housing policy, such as the payment of prevailing wages, skilled and trained workforce requirements, or other overly prescriptive rules around inclusionary zoning, environmental standards and the like would be likely to significantly attenuate or eliminate any positive effects on housing production.

However, these types of goals could be incorporated in a tiered approach, such that committing to them would qualify a project for more generous abatement, along the lines of what Ms. Galante is suggesting.

This type of voluntary, incentive-based approach is what has been used in L.A.'s Transit Oriented Communities Program. And this flexibility has likely been a key factor in its success.

And so, in summary, property tax abatements can play a potentially large role in the kind of "all the above" approach that is required for Southern California to successfully address its unprecedented housing affordability crisis.

But, as is so often the case, the specific form such a policy takes is likely to play an outsized role in whether it would succeed or fail.

Thanks very much. And welcome your questions.

MS. COHEN: Thank you very much for your presentation.

Let me see, in the interest of time, colleagues, do you have any brief questions for Dr. Ward?

MR. GAINES: Clarification, if I could.

MS. COHEN: Absolutely.

MR. GAINES: Yeah.

Thank you very much, Mr. Ward, for your presentation.

And I'm -- can you just expand a little bit, because you mentioned that abatement -- it sounded like an abatement to a developer would actually be more effective than one to a homebuyer?

DR. WARD: Yeah. That -- that's my personal opinion.

I mean, my personal opinion about the current state of the situation in California is that, you know, we -- you were discussing this earlier, home price levels are so high right now that, you know, in an ideal world, what we'd like to do is just go back to prices in 2000 or something, right?

But, like, that would be incredibly destabilizing for -- for many reasons, right? And in some senses quite unrealistic, absent a, you know, kind of financial meltdown or something, right?

So really I think curbing the rate of growth of home prices is -- is a key factor. And, you know, rental prices are sort of inexorably tied up with home prices. So most people in my region, you know, are renters.

And really, to me, the -- the sort of triage approach suggests that the first best thing you can do is try to lower the price of renting, right?

It reduces the relative attractiveness of sort of trying to get into a home at any price, you know, absent abstracting from issues of tax benefit and things like that.

MR. GAINES: Mm-hm.

DR. WARD: But, you know, more importantly, giving -- giving -- as I mentioned, giving abatements directly to home -- potential homeowners really just lowers the cost of housing, and would serve to drive up prices in the same way that very low interest rates over the last couple of years serve to drive up home prices by lowering the overall monthly cost of homeownership, without really doing much to increase supply.

MR. GAINES: Okay. Very good.

Thank you. Appreciate it.

DR. WARD: You're welcome.

MS. COHEN: All right.

Thank you.

We need to keep moving to hear from other panelists.

Oh, yeah.

MR. VAZQUEZ: You mentioned on the adaptive reuse, you know, especially of some of the old buildings in Downtown L.A. that has been going on as we speak, but did you ever -- in your studies and your research, did you look at some of the vacant lots, as well as some of the school properties that are underutilized --

DR. WARD: Right.

MR. VAZQUEZ: -- to potentially turn them into housing?

DR. WARD: I think that's an important area. That's an important resource due to land cost, you know, to look at anything like that.

However, you know, I think in some sense those kinds of things don't necessarily address the kind of environmental goals, in that you have to sort of, you know, demolish a site and build from scratch.

I think another key benefit of adaptive reuse per se that is, you know, kind of keeping the outside of the building and converting what is done on the inside of it, is that it may be a way to sort of sidestep some of the issues with NIMBY opposition to housing.

You know, to some extent, if a building is there, and it just goes from having people working during the day to people living in it, that may engender less community opposition and other issues than, say, a complete, you know -- I have a 15-unit apartment building being built across the residential street from my house right now. And it's not the greatest thing that's ever happened to my daily quality of life, but I'm very much for it. You know, but a lot of other people wouldn't necessarily feel that way.

And so I think adaptive reuse has that additional potential to just sort of meet environmental goals, and also maybe just not be as a -- as much of a salient disruption to people who might otherwise have objections to new housing construction.

MR. VAZQUEZ: And when you're looking at

some of these buildings, not only, like, for example, a lot of the hotels for example downtown, there's a lot of office buildings now, given COVID, where people are now leaving them. And the -- the need, I think, for so much office space may reduce.

DR. WARD: Yes, sir.

That was what inspired me to sort of follow up on that issue. However, office prices have been sort of stubbornly high. So that's where I think something like an abatement that really just incentivized a change of use, rather than the building having to transact to a new person who would build, may be a really nice way to think about deploying this kind of strategy.

MS. COHEN: Okay.

Thank you very much.

Our next perspective of speakers that we're going to hear from are speakers from the perspective of funders.

Dr. Ward, thank you very much.

DR. WARD: Thank you.

MS. COHEN: Ms. Galante, we appreciate your comments.

Ms. Cichetti, would you like to call the next group of speakers.

MS. CICHETTI: Yes.

The next group of speakers are funders perspectives:

Nancee Robles, Executive Director, California Tax Credit Allocation Committee and California Debt Limit Allocation Committee, California State Treasurer’s Office; Kate Ferguson, Director, Multifamily Programs, Strategy and Legal Affairs, California Housing Finance Agency; Michael Flood, Director, Production Division Multifamily West Region U.S. Department of Housing and Urban Development; and Mr. Josh Hamilton, Senior Vice President, Century Housing Corporation.

Please come forward.

MS. COHEN: All right. Thank you.

MS. CICHETTI: We have some on virtual as well.

MS. COHEN: We do have some on virtual.

Thank you very much for joining us both online and in person. It's very good to see you today, and to welcome you.

Just very quickly, I saw earlier Mr. Marti.

Is he not presenting?

Nope?

Okay. Thank you very much.

We will begin with you, is it Robles or Robles?

MS. ROBLES: Robles.

MS. COHEN: Robles.

Fantastic, Nancee. Thank you, Ms. Robles, for being here.

Executive Director of TCAC and CDLAC. Two very important acronyms that probably few people know about, but have an incredible huge impact on the state of California when it comes to housing.

So we will hear from you first, and then second we will hear from Kate Ferguson.

Thank you.

MS. ROBLES: Fantastic. Thank you.

So first I'd like to thank the Board here and Chair Cohen for having me here. I'm truly honored.

And, second, I would like to apologize in advance, I'll be running out the door as soon as I'm finished with my presentation and the questions.

So my name is Nancee Robles, and I'm the Executive Director of the California Tax Allocation Committee, and the California Debt Limit Allocation Committee.

Earlier you heard from Treasurer Fiona Ma.

That's my boss.

And the Treasurer's asked me to direct both of these state committees to provide some cohesiveness and uniformity to these two different tax incentive committees.

These are for affordable housing, and they're run through the Treasurer's Office.

And, no, I don't get two salaries.

This concept of having agencies work together to house California is very fitting to what the Property Tax Abatement Work Group is trying to achieve as well.

So let me first start by explaining what these two committees do, and get straight into the alphabet soup.

California Debt Limit Allocation Committee is CDLAC, and California Tax Credit Allocation Committee is TCAC.

CDLAC is in charge of the State debt ceiling, also called the volume cap.

Each year the IRS provides each state in the Nation an amount that can be authorized to create tax-exempt debt in its state.

The formula is based on the state's population. And there's also a set factor that's suggested for inflation.

In 2022 the debt ceiling for California was $4.3 billion.

This amount of debt authority can be used for a number of tax-exempt facility bonds, like intercity rail projects, recycling facilities, solid and sewage waste, clean energy, and, of course, affordable housing, that we call qualified, residential rent projects. Some more alphabets for the soup. We call it QRP, QRP.

In previous administrations the Treasurer's Office focused on pollution control to issue the state volume cap for exempt facilities, but since Treasurer Ma has -- was elected, our focus has been on affordable housing.

So each year over 90 percent of the State ceiling is dedicated to affordable housing. And this year, 92 percent went to affordable housing.

TCAC awards state tax credits and federal tax credits for affordable housing. This means affordable housing developers apply for tax credits, and then they sell those to private investors to fund their project operations.

Without bond sales and tax credits, the QRP projects would not be feasible. In today's economic environment, housing developers are having a hard time making those projects pencil out, even with this assistance.

In 2020 and 2021 the Governor gave TCAC $500 million a year in addition for state tax credits, with the caveat, then, in order to be awarded those tax credits, you also had to apply for a bond.

This was intended to encourage affordable housing projects to apply for bonds and tax credits, to maximize the state resources to get affordable housing units to the market as quickly as possible.

This is one of the many tools that the Governor has offered to catapult this progress in this time of our housing crisis.

This also created an over-subscription of bonds and tax credits. For the last three years, we have had three-times the applications to build affordable housing than we've had resources for.

It's a great sign that we have developers out there who are willing and ready to produce units, yet it created a need for a competitive process to be sure that we got the best bang for our state buck. So that was the good news.

The most recent challenges that we're facing is the rising cost of construction materials, gas, labor costs, shortages of human capital, supply chain issues, and rises in interest rates.

This volatile market has created a situation where shovel-ready affordable housing projects that receive bonds and tax credits based on bids from six months ago, can't start their construction, because the costs went up millions of dollars between now and then.

They're forced to request additional resources from the committee, or risk failure of their projects. And they've already invested millions of dollars into these projects. So, you know, they are -- they have no incentive to fail. So they're coming to us for additional funding.

And providing these resources helps those projects, yet it takes resources away from future projects.

Even with limited resources over the few -- last few years, we've been able to assist in the production of 2,300 units -- sorry -- 23,000 low-income rental units a year.

Since the inception of these programs in 1987, we've assisted with the production of over 500,000 units in California.

We also monitor and physically inspect each property on a routine basis.

The goal set by housing and community development is 2.5 million units by 2030. Which means that we're going to need to produce about 304,000 units each year in the next eight years.

But we're not alone in this. There are other state agencies that are also assisting in the production of housing, like the Housing and Community Development, HCD, that we'll hear from, and California Housing Finance Agency you heard from earlier, and also California Veterans. Altogether, we're all going to be hard-pressed to meet those goals.

So the bottom line is, the focus of CDLAC and TCAC is to help homeless, very low-income and extremely low-income houses obtain rental housing, yet the concept of the missing middle is not lost on us.

With our focus on multifamily rentals, and no other resources available, we've had to abandon a previous program that we had for a single-family, first-time homebuyers that gave mortgage credits to reduce a federal tax liability.

And since this section -- this session is a fact-finding mission, I feel compelled to share my own experience about the missing middle.

My father never owned a home. So when he died, he also left no inheritance. I was homeless at 17 years old. And only because of some good friends, my charming personality, and the grace of God, I couch-surfed and borrowed my friend's clothing until I found a job and earned enough money to rent an apartment. And of course I had roommates.

I struggled to pay rent and to buy food. Homeownership and college weren't even things that I could afford to dream about.

Even after I married and had a family of four children in our two-family income household, we live like most Californians today, paycheck to paycheck, making too much money for low-income housing, but just enough to provide our kids with the very basic minimum, and never even thought about buying a house.

But one day, our landlord came to us and asked us if we wanted to buy the house that we were renting and living in. And my immediate reaction was, "I can't. I don't have any money for a down payment, and no bank is going to lend money to me."

And after all, I knew, because at the time

I was a mortgage loan lender faced with a 30-day notice to move out so that the landlord could sell that house to somebody else, and no savings to secure another rental property, you know, first, last, and a security deposit.

I swallowed my pride, and I asked a relative if I could get a loan that they knew I'd never be able to pay back. And I can't believe they said yes. Again, you know, the charming personality, I suppose.

I used that $2,500 for a down payment to buy that house. And because the down payment was so small, I had to pay a higher interest rate for the loan, making the payment higher than I really felt like I could afford.

And on top of that, I had to pay an extra 25 percent on top of the payment for PMI insurance.

Knowing that I was always one lost paycheck away from bankruptcy and homelessness, I was scared to death. I didn't care that that wasn't my dream house. And trust me, it was far from it. I knew that I was building wealth. And for the first time in my family, I owned a home, and I was beginning the cycle of generational equity.

This may be really obvious to the Board, but if you're listening on the phone, I feel like I need to tell you that most people that have lived through this story don't look like me. And many whose stories start out like mine, don't reach the happy ending of securing a loan.

You see, even though my name is Robles, I am not Black or Brown.

Treasurer Ma mentioned the California Dream for All program earlier. And that was a study to explore ways to assist low-income and the missing-middle Californians with down payments to create -- help create homeownership.

The study showed statistics on racial disparities where people of color are far less likely to receive a down payment assistance, and the percentage of home loans to Black and Latino families are 20 percent less than their share of the population.

If we are to help the missing middle, we must first incentivize home developers to build these homes. Doing so creates jobs, it spurs economic development, and it strengthens communities.

We can do this by expanding the resources that we offer. You can never have too many tools in the toolbox. And I hope that the property tax abatement can be one of those tools.

Thank you.
MS. COHEN: Thank you very much.
I appreciate you sharing your personal story. Thank you. I think it will resonate with many people.
We're going to have to pivot and hold our our questions.
We're going to go to Ms. Kate Ferguson, Director of Multifamily Housing Division, Policy, Strategy, Legislative Affairs, CalHFA.
Ms. Ferguson, are you on -- are you on the line?
Thank you.
MS. FERGUSON: Yes.
MS. COHEN: Good to see you.
MS. FERGUSON: Can you hear me now?
MS. COHEN: I can. We can hear you and see you.
MS. FERGUSON: Good morning, Chair Cohen.
MS. COHEN: Good morning.
MS. FERGUSON: Good morning, Chair Cohen.
Thank you for offering me the opportunity to speak today.
I have to admit, I'm a late addition to your roster. So I'm going to speak very briefly

about who CalHFA is.

I know that you heard, I believe, from Tiena Johnson Hall this morning about who the multifamily lending group is.

Our primary role in the state -- first of all, let me say, my name is Kate Ferguson. I'm the Director of Multifamily Programs.

I've been with CalHFA for three years, and I come from a long background in affordable housing lending, primarily with large money-center banks, as well as with working for a nonprofit organization, which was an affordable housing developer.

So I've been in this business for about 30 years, 30-plus years.

CalHFA's role in the State of California, as a partner in addressing the housing crisis, is really, from a from a lender's perspective, we have three primary roles. And that is as issuer of tax-exempt bonds, which Ms. Robles just spoke about, the bond cap that goes towards affordable housing in the state.

We issue a lot of those bonds. We are the State's issuer. And we, along with a variety of other issuers throughout the state, are issued those tax-exempt bonds.

We also are a subsidy lender through our mixed-income program. And we also are a permanent lender, through which we pair with our mixed-income program, which is a subsidy program.

We do long-term, permanent financing on affordable housing, multifamily developments.

So one of the things I think that we want to talk about today in -- in talking about the housing crisis is just the complexity of the issues here.

The housing crisis, historically, in my career at least, has been targeted at -- at households that have been really 60 percent of area median income, which, of course, varies depending on the county.

Sixty percent and below. So we're talking about extremely low income, very low income, and low-income households.

And that -- the spectrum of the need really has expanded since, you know, I'm going to say since 2017-18, when the middle-income households, at 60 percent of area median income, 80 percent, 120 percent, really started to be priced out of their markets.

So -- and that's -- that's -- I think you've heard a lot of the reasons why that's happened today.

But it really -- it's not something that the affordable housing industry has dealt with for the past 30 years.

I mean, the focus has started to change. And especially in the state of California. The focus on what we call the "missing middle" has -- has become more of a priority.

And here at CalHFA, our primary program, our mixed-income program, originally, was set up to meet the needs of that missing middle, to meet the needs of the missing middle, and to leverage the incomes of those higher-income rents to provide also stability, economic stability to projects, multifamily projects at lower income rents as well.

So our missing middle or mixed-income program, as we call it, is designed to pair with tax exempt bonds of four percent.

Low-income housing tax credits is designed to take advantage of changes to the 2018 federal tax code, which allowed for income averaging and facilitated more development of units between 60 and 80 percent AMI, area median income.

And so it's really designed -- designed as a subsidy loan program, which requires repayment and maturity. And we're seeing that most of our deals, we pair it with our long-term permanent debt, so really, these deals roll through about a 15-year -- you know, generally, the tax credit compliance period, which is a 15-to-17 year permanent loan period.

And the benefit we find from this program, and the success that we've had in this program, has really come from the fact that when you have a broad spectrum of affordability levels, you also have a broad spectrum of rental levels.

So your higher income rents at 80 to 120 percent of area median income can offset the cost of the lower-income rents, and bring the overall income of the project up, allowing it to leverage more. Which stretches our very, very valuable state resources further -- or subsidy resources further.

So it also requires it -- so it requires less subsidy overall, and less layers to the capital stack that goes into building one of these projects.

So we originally had -- we've had great success with this program. We launched it in 2019. We -- after this year's, we've just received the allocations from CDLAC for this year's applications. And, overall, we've done 7,600 units with this program over a four-year period.

And we found that we can generally get the projects, if there is a mix of incomes, to -- to development quicker with fewer -- fewer lenders in the capital stack.

Now, from a lender's perspective, I think I want to go to sort of the -- what you're talking about here today, which is the property tax exemption.

And the property tax exemption, I'm sure you've heard, plays a huge role in the affordability of these projects, and in the economic viability of the projects.

I think going forward, we're hearing a lot in the market, and from a lender's perspective, a lot in the market from market rate and mixed incomes. So what we call an 80/20 deal, an 80 percent market rate with a 20 percent affordable rate, about getting more access to the tax exemption.

And that is something that county to county, you know, there are lots of opportunities here to use the -- use the momentum built for people looking for a property tax exemption, potentially to get a higher commitment to building more affordable housing, regardless of whether it's extremely low, very low, or the missing-middle housing.

So my -- from a lender's perspective, you know, as a lender, I -- I believe in leverage. I believe in being very judicious with the use of our subsidy dollars, so that we can build more units with every dollar.

And when you talk about the property tax exemption, the benefit to the county, I mean, I think county to county, it has to be discussed whether or not it makes more sense to make an investment into a deal upfront in -- in the form of some sort of capital injection, or whether the long-term commitment to a property tax exemption, which helps to improve the ongoing cash flow of the project over a long period of time, which one of those makes most sense for a county?

But, fundamentally, I think what we always want to be sure of is that this is a huge and very valuable tool in the industry. And as we consider expanding it, the conversation, I'm hopeful, will include a conversation about not just expanding access to the property tax exemption, but also really thinking through what that can sort of bring to the table in terms of more units, more units for extremely low, very low, and the missing middle, especially.

And there are lots of creative ways to do that. And I'm -- I'm sensitive to the fact that counties, you know, you can either provide a property tax exemption to a market-rate project. And what that does is it increases the yield of the investors on that project.

When you provide a property tax exemption to a market-rate project that also includes affordable units, so units at or below 80 percent of AMI, you really are adding to the affordable housing.

First, you're adding to the affordable housing, to the -- to the availability of housing. And, second, you're providing it in a way where we are not just -- we're -- we're using projects that are already under development to leverage new affordable housing.

So from my perspective, that's really important.

And I think Nancee covered a lot of what we're doing with state tax credits, and how we're leveraging that with the tax-exempt bonds.

We also have a bond recycling program, which we are trying to figure out how to use that to do more of these mixed-income buildings. How to work with counties to say maybe a property tax -- right now the property tax exemption only goes to the units that are affordable. A huge incentive would be to say, "If you put 20 percent of the units affordable, maybe we give you 25 percent of a property tax exemption," you know, to get more developers to do this.

But having the exemption available for more units is something I know that's a constant discussion topic at the developer stage.

And for me as a lender, I think our ability to leverage the higher -- that -- to provide the higher-income units, and then to leverage them to also provide the very low and extremely low-income units, has been a really -- a great win for us at CalHFA. And -- and we will continue to do that.

And I'm sorry I don't have a formal presentation.

I -- I think I'll take questions, if that's --

MS. COHEN: Well, thank you. You're actually, I think, one of the the third speakers from CalHFA to make a presentation today.

MS. FERGUSON: Oh, okay.

MS. COHEN: So your -- your -- your funding perspective has actually been incredibly insightful.

Unfortunately, we need to keep moving forward. And I have to listen -- I have to -- and -- not listen -- well, listen, yes. But invite up the other members on the panel.

So, Ms. Ferguson, thank you for your -- sharing your expertise and your perspective.

The next person we're going to hear from is Larry Flood. He's the Production Division Director of Multifamily West Region. U.S. Department of Housing and Urban Development.

Mr. Flood, are you on the line?

Okay. Mr. Flood is not with us.

Let's go to Josh Hamilton. He's the Senior Vice President of Century Housing Corporation.

Josh Hamilton.

Okay. I don't know, maybe they -- did -- all right.

Well, I'm going to ask, colleagues, do you have any -- where'd the colleagues --

Okay. Do you guys have any questions for CalHFA?

No?

Okay. Thank you.

We will just keep moving forward then. We will move on to our next panel of speakers.

Ms. Cichetti, would you please call the next speakers.

MS. CICHETTI: Yes. Thank you.

Our next set of speakers are for the developers' perspective:

Cornelious Burke, Vice President of Legislative Affairs, California Building Industry Association; Ray Pearl, Executive Director, California Housing Consortium; Kenneth T. Lombard, President & CEO, BRIDGE Housing; and Cherene Sandidge, President, Black Developers Forum and Sandidge Urban Group.

Please come forward.

MS. COHEN: All right.

Thank you very much.

It's good to see you. Thank you for coming and joining us in this discussion.

You guys are presenting a unique perspective from the developers.

And, Cherene, how do you pronounce your last name?

MS. SANDIDGE: Sandidge.

MS. COHEN: Sandidge.

Ms. Sandidge, we're going to start with you first.

And then, Mr. Burke, we'll go to you.

All right. Thank you.

MS. SANDIDGE: Great.

First of all, thank you, Chair Cohen, for the invitation to come speak.

I guess I'm one of your last-minute addies. And good for you, because I have a lot to say on this topic.

MS. COHEN: Excellent.

MS. SANDIDGE: I am a real estate developer. I've been in the industry for about 38 years. And I've seen a lot of changes come and go.

I represent the Black Developers Forum, which was created in 2020 due to a response of the new legislation that was being proposed and presented by TCAC and CDLAC, where it would have fundamentally -- fundamentally omitted Black developers throughout the state of California.

And the reason being is because we're the last in, we're the first out. And because of that, we have not had the opportunity to build a pipeline, financial credentials, etc., that would have sustained us enough to do continual projects, and get in five-to-ten -- within a five-to-ten year period.

We are mostly developers that you probably have heard and gave kudos to other organizations for building their products. We were the behind-the-scenes folks.

In 2020 we decided to step out. Because it became clear to us that we were going to be the legacy for Black developers and the Black community.

And because of the changes that were being proposed, it negate -- it necessitated us coming together for -- as a statewide forum.

So we represent most, if not all, the developers, the Black developers, and their communities that are undertaking affordable housing issues as it stands right now.

We were also successful at advocating for the $125 million BIPOC, which is Black, Indigenous People of Color, set-aside pool with the State of California's tax credit, and the CDLAC bond program.

And because of that, we've also been instrumental and at the table writing legislation for HCD, and most of the forum -- and most of the housing programs.

This is a benefit to the state of California, because we had been omitted from those tables and those discussions for so long. And it became clear to them that because of our experience, 30, 35, 40 years of experience, we know these programs.

I started these programs when I was a housing director way back in the 70s for the city of Orange. And they were nice. They were friendly. They weren't competitive. We built housing, we walked away, and happy faces all along.

Unfortunately, that's not so much the case these days, because the programs are highly competitive. They're highly complicated. Costs in Northern California, which is the area I represent, are skyrocketing. We are scrambling to try to find new innovative ways to build housing.

And then in addition to all that, be compliant with the funding sources. They're changing our dynamics from developer to, as far as I'm concerned, social worker.

I mean, we're having to pick up a lot of ELI and VLI, which is extremely low income, and the very low-income housing units.

And while we understand that's a necessity, but we've been in this industry long enough to know there's other ways to address those housing, as opposed to making the funding chase the lowest-level housing, and then have all these other extras put on the developer.

Feel free to call me at any time. I will go, walk through that whole scenario with you.

But we are, again, we're active. We understand 100 percent about the missing middle. We understand that we need workforce housing.

If you don't think you do, go around San Francisco and look at how many Starbucks have closed up, because they can't get the young college people in there.

You have got to have housing programs that address also those young professionals that need housing.

I'm a mother. I have -- I have daughters that are struggling with housing. So it's very difficult for me to say, "Stay here in California. Stay here. Don't go to Austin, Texas," or don't go to -- because they cannot afford housing.

The only -- the simplest thing they want is homeownership. And to do that, we, as developers, with the boots on the ground, have been charged with trying to figure out how to make that task happen.

I don't want my grandkids living in Texas. I want them right here. I just moved to Sacramento.

So to make a long story short, there -- we have some creative ideas, which we want to make sure are brought to the table every chance we get.

Now, you've heard some folks talk already about reuse in building. Well, your biggest reuse component is going to be the shopping spot. It's the shopping malls.

You have to make complexity. You have to make deals, if you will, with those folks. Because they are strictly REAP businesses.

So if -- to the extent you can give extended tax abatements to those folks to encourage them to sell to nonprofits so we can build on housing, which on -- already has a foundation, that's one way that we're looking at trying to make it happen.

Get used to it. Walmart. Amazon. You know, your -- everything you're going to get, basically, they'll be delivered to you, somehow or another.

I used to love the retail experience. That was my Saturday thing. Unfortunately, now it needs to be serving another purpose.

And so we -- we, as developers, again, one of our many tasks, in addition to the social service aspect, is figuring out how we repurpose, and how we become innovative.

And who do we need to talk to?

I can tell you we appreciate the state of California for your excess land use program. But, see, in our world, time is money. We don't have time to wait, go through a thousand boards and stuff, because the competition is too great.

And so we need to have access to a tool kit that's easily transferable, that's already been approved, that we could put out on the market right now.

And -- and land use -- and it is totally different. Because I have developers in Southern California telling me very unique problems. They don't have a labor problem down there, per se. We do. And the reason why you have a labor problem is because you're not offering any for-sale housing in the Bay Area. Those are the people who expand your employment base.

So if a general contractor -- and most of our general contractors, most of our unions, our workers are all coming out from towns called Salida, Stockton area, Fresno area, and commuting in.

I mean, literally, that's insane to us. But we have no choice. But that also makes the cost of labor go up, because now those folks are arguing with their labor representatives, "I got to come all the way into the San Francisco Bay Area to work? How do I make that affordable to me?"

And so there's a lot of challenges on the table. But I encourage you, that if you have some idea -- idea on how to attack the missing middle with more tax abatements, we need the tax of the BOE abatement on multifamily. We get that, and that's why it hasn't changed.

We need it to be more flexible. We need it to not recapture abatement taxes. But what we do need is we need some other solutions on how to make that happen.

Giving a tax abatement to the homebuyer is not going to work. Proof in the pudding. No -- no offense to Senator Wiener, because that was a good little program to change -- transfer senior taxes to your new residence.

Unfortunately, every county doesn't accept that. So that abatement or that reduction didn't help. At least it didn't help me. It doesn't help anybody if the county doesn't accept.

For example, Sacramento County. I'm going to tell on them. Sacramento County does not take the abatement for seniors as a transfer. If I'm coming from Contra Costa, they do not accept the new law for the transfer of the tax bases.

And so we need to be consistent. We need to be consistent about what is being taken, what is being voted on, etc., in this state. And make sure that when it comes to our opportunity to talk about saving our young people and keeping those jobs viable. That's got to be a priority.

Now, HCD, they did most of your work for you. They got everybody thinking tiny homes.

So I think you said it, Mr. Gaines. Everybody's thinking tiny homes already.

So these homes don't have to be big. They just have to have ownership criteria. They have to have the tax benefit, obviously, that everyone else enjoys. But there is a way to help do that now that our young people have got caught up in tiny homes.

And so I think that should be the first aspect of things that we need to be looking forward to. We need to incentivize our nonprofits to do for-sale housing as well.

We do it as developers. I do it for certain nonprofits in San Francisco as well. I've been a development director for all of them at some point in time.

And we need to make sure that those incentives are there to keep our young people here in California. That's where your big cycle has been exiting.

Now, truly, they're getting to Texas and saying, "We don't like it. We don't like the philosophy. We want to come home."

There's nowhere to come home to. The rents are three times higher. The businesses, you boot -- you -- you ran everybody out, and now there's nowhere to run -- come back to.

So I'm just saying, thank you for the opportunity. I'll stop here. I know time is sensitive.

And I appreciate being able to come and vent. Because really we -- they're pulling us so far apart from developers. It is getting a little bit scary to find out who's the next generation of developers coming up.

We, at the Black Forum, are very committed to a generational training program, and we are looking at training people of color in all sectors, property management, development, etc.

So thank you very much.

MS. COHEN: Thank you. We appreciate you

making time.

I think I heard applause back there for your presentation.

I appreciate you making time and -- and -- and honoring our last-minute request to come join and be a part of this conversation.

As you can see, it's incredibly important if we are going to be at the table and be policymakers, decision-makers and truly partners. We do need to hear from each other in this convening.

So I know you also have to get going, too.

MS. SANDIDGE: Yes.

MS. COHEN: So feel free to excuse yourself when you -- whenever you -- you see fit.

Thank you.

MS. SANDIDGE: I'm going to take off now.

MS. COHEN: No problem.

MS. SANDIDGE: As the boots on the ground, I have to get to a Planning Commission meeting.

MS. COHEN: I understand. And we know how to follow up with you.

Colleagues, if you have questions for Ms. Sandidge, we will just follow up with her.

Anything quickly?

All right. I think they're going to --

Mr. Gaines, Senator Gaines.

MR. GAINES: Yeah. Just -- yeah, thank you very much.

I just -- the shopping mall concept that you're talking about, could that include mixed use?

MS. SANDIDGE: Absolutely.

MS. GAINES: Yeah.

MS. SANDIDGE: You would -- you would want --

MR. GAINES: You could do housing, and then you might have boutique shopping or something.

MS. SANDIDGE: And you might have people upstairs wanting to do entrepreneur. Everything's entrepreneur. So to the extent you can, absolutely.

MR. GAINES: Great.

Thank you.

MS. COHEN: We'll be following up with you directly with more thoughtful questions.

MS. SANDIDGE: Great. Thank you very much.

MS. COHEN: You're welcome.

Okay. Next, we're going to hear from Mr. Cornelious Burke, who's the Vice President of Legislative Affairs for the California Building Instruction Association, also known as the BIA.

And then Mr. Ray Pearl, is that you online I see?

MR. PEARL: Yes, ma'am.

MS. COHEN: All right. Mr. Pearl, we're going to hear from you after Mr. Burke. Okay?

MR. PEARL: Sounds great.

MS. COHEN: Great. Thank you.

Mr. Burke.

MR. BURKE: Thank you.

Good afternoon, Chair Cohen and Members of the BOE.

I'm Cornelious Burke, Vice President of Legislative Affairs at the California Building Industry Association.

My background, I'm an urban planner. I was a real estate agent. I actually worked for the California Department of General Services as a real estate officer where I managed the State's real estate portfolio. And I was a Planning Commissioner for the city of Sacramento for close to a decade.

I'm delighted to be here to talk about our perspectives as homebuilders when it comes to housing overall, and particularly missing middle and affordable housing.

The California Building Industry Association, CBIA, we're a statewide trade association representing the homebuilding industry. We have members who are homebuilders, trade contractors, architects, engineers, designers, suppliers, and everyone in the homebuilding industry.

Over the years we've been successful in simplifying and eliminating restrictive, costly building regulations, balancing the concern for the environment and conservation with affordable housing, and ensuring that we have a reasonable growth. And that growth is planned and encouraged.

And, most importantly, we've been really saying that housing is important for the economic growth of the state.

You know, housing is a winner. A lot of times people see housing as a loser. A lot of local governments see it as not producing sales tax revenue. People see housing as an impact, as a negative to their community. There's a lot of NIMBYism in our state.

And we say, you know, housing is a winner. Housing is good for California. You know, housing is good for the economic future of this state.

So we always want more housing at all levels, particularly affordable and missing-middle housing product types.

As we talked about earlier from almost all the panelists here today, we are in a housing crisis. And the housing crisis is simply because of underproduction. It's a supply and demand issue.

We have not built the amount of housing that we need to keep up with population increases and demand.

In fact, California ranks 49th in the Nation for the fewest homes per capita, with 385 existing homes per thousand people. Compared to the national average, 419 homes per capita.

We know why we have this underproduction. And it's because of the regulations.

As BOE Member Gaines and Senator Gaines mentioned earlier, we have extremely high impact fees and exactions on housing developers.

In the Sacramento region where Mr. Gaines represents, the average impact fee is about $100,000 per home.

We also have a lengthy and complex land use approval process, city councils, planning commissions, zoning boards.

Our land use approval process is overly complex, adds nothing but cost and time to the homebuilding process.

And, also, I would never forget to mention something called CEQA, which adds nothing but pain, headache and costs to the homebuilding process.

Then, additionally, to CEQA, the land use approval process, the fees and the costs, we have a myriad of regulations from so many state boards and agencies that we really need to think about in order to really solve our housing crisis and achieve more affordable and missing-middle housing.

Because of the housing crisis, because of the regulations, it's really impacting our quality of life in California, particularly our homeownership numbers.

Homeownership is the most important way to get generational wealth, to get out of poverty, to have equity, and create wealth.

You know, we have the second lowest homeownership rate in the entire country at 56 percent, compared to 65 percent across the country. Only New York has a lower homeownership rate than California.

According to PPIC in 2019, the homeownership rate for Latinos was 41.1 percent, and 36.8 percent for Black Californians.

So it's something we really need to work together on to really address housing overall, particularly homeownership.

MS. COHEN: Mr. Burke, may I interrupt real quickly.

What is the statistic for -- in the API community?

MR. BURKE: You know, I do not have that number with me.

MS. COHEN: Okay.

MR. BURKE: But I could -- I could provide that.

MS. COHEN: Please. Please, if you can.

Just to get a full picture of where these -- where the different ethnic communities are lining up against each other.

MR. BURKE: Absolutely. I'll provide that number.

So we're very -- CBI were very enthusiastic about the $250 million in the budget this year for homeownership, assistance in the CalHome Program, and also the Dream for All Program. But today we're talking about what we can do for abatements, what can we do when we talk about tax policy to address the housing crisis.

CBIA really recommends and would encourage this working group to look at the following policy proposals to really address the goal for more missing-middle housing:

Number one, you might want to think about a sales tax exemption for construction materials, particularly low-carbon materials, which is starting to become the future of construction, given climate change.

I know it's a bit of the materials, a lot of research about JPAs. We support JPAs. Particularly, when it -- when you talk about acquiring properties from the private sector.

You also want to maybe think about exempting the addition of an ADU from property taxes. You know, oftentimes additional ADU triggers kind of a blended assessment. So maybe just exempt ADUs overall from just property taxes.

You might want to think about a tax credit or property tax exemption for on-site home water recycling systems.

Once again, we want to definitely encourage housing production. We also want to think about sustainability and climate change as well.

You also want to maybe think about property tax exemptions for already-paid impact fees.

Oftentimes, we're kind of -- in the homebuilding industry, we're double taxed or triple taxed.

It's, Hey, you know what, pay impact fees for parks, for schools, for libraries, for all these societal goods that society should pay for as a whole, not just on the homebuilding industry. But also pay property tax, and pay other taxes.

So you might want to think about reducing that burden off the back of new construction by, you know, exempting impact fees from property taxes.

Obviously what -- you might think about increasing the homeowner's exemption. We do have a low-income housing tax credit. We might want to think about creating missing-middle income tax credit as well for that product-type category.

And just lastly, number eight, we really would encourage this body and -- and the state overall to really stop taxing housing.

We're seeing a lot of taxes. We're seeing a lot of taxes on vacant properties, on underutilized lands. We think it's bad public policy to tax housing, to fund housing. It doesn't make sense.

And just -- this -- it was mentioned earlier, but we want to expand upon it more right now, is that, yes, we have a lot of regulations in the homebuilding industry. Yes, we want to think about how we can really increase production as quickly as possible. But one thing that we want to encourage the body to look at, and also the State Legislature and policymakers, is the workforce challenges in the homebuilding industry.

We really need to think about more CTE education, more construction, trade education, so we can have the workforce to build the housing that we need for our future.

On average, it takes about 20 different trades to build a house. These are good, quality jobs. We really have not invested in the training to have a robust workforce to build housing.

So we want to definitely think about encouraging more women in constructing trade. You want to think about how do we train minority and lower income and second-chance youth and adults in the construction trades.

We want to think about how to provide job training and workforce training in the construction arena to veterans and transitioning military. And we also want to just change the overall perception of construction industry.

Oftentimes, when you go to school, it's

college only. And there's many opportunities for a successful in life. The construction industry is a great industry. And we want to encourage definitely everyone to take advantage of the opportunities in that industry.

So just thank you so much for allowing me to speak today about the perspective from us as homebuilders.

We are the solutions of the housing crisis. If you remove the regulations off our back, the taxes, the fees, let us produce the housing that we need to fulfill the demand here in our great state of California.

Thank you so much.

MS. COHEN: Thank you.

Appreciate your thoughtful presentation.

Are there very quick questions for Mr. Burke?

Mr. Gaines.

Down here?

Nope.

Okay. Mr. Gaines. Got it.

MR. GAINES: Thank you for your presentation.

I agree with your -- your statements that we clearly have challenges from a regulatory standpoint, and if we could streamline a lot of the agencies. There was some discussion earlier this morning about efforts to do that. So -- so the process would be simpler and quicker to get to the approval process.

I've seen some success in the city of Folsom and Roseville in terms of producing a lot of housing stock; 20,000 units in Folsom. Which is only about 80,000 folks in the whole city, and yet they're producing all these units.

Roseville's had good success, too, in the western portion. And we just need to see more of that statewide.

So thank you.

MR. BURKE: Thank you so much, Member Gaines.

MS. COHEN: Okay.

MR. BURKE: And, you know, Roseville is building equivalent to the city of Pasadena right now. So Roseville is definitely the model in the gold standard.

So thank you so much.

MS. COHEN: All right. We're going to pivot to our presenters that are online.

We've got Mr. Ray Pearl, who's the

Executive Director of the California Housing Consortium.

And then we're going to hear from Mr. Kenneth T. Lombard, who's the President and CEO of BRIDGE Housing.

MR. SCHAEFER: Madam Chair, I just wanted to thank Mr. Burke for his presentation.

We need to receive it, but the legislative people really need to receive it.

And when we sum up our work today, I would like to be marked as being in support of reducing or removing a lot of the taxation of the building industry.

I think he had some very good points that aren't being heard as much as it should be.

Thank you.

MS. COHEN: All right. Thank you.

MR. BURKE: Thank you.

MS. COHEN: As I was saying, we are going to hear from two more speakers. And so let's reserve our questions for after both speakers make their presentation.

And then after this presentation, we're going to hear from a few others.

So, Mr. Ray Pearl, are you ready to go?

MR. PEARL: I am indeed.
MS. COHEN: All right. Welcome.
It's good to see you.
The floor is yours.
MR. PEARL: Thank you.
Thank you very much, Board Chair Cohen and Board Members.
My name is Ray Pearl. I'm the Executive Director of the California Housing Consortium.
CHC is a statewide advocacy group for the production and preservation of affordable housing throughout the state of California.
We work with partners like Cornelious and his group at CBIA, and fill out the entirety of the homebuilding industry to ensure that low-income Californians are also a part of a new-housing supply.
We know that there is a problem in California. Right now there's a shortage of approximately 1.2 million homes for low-income households.
More than 50 percent of California's six million renters are low income, with more than one million of them extremely low income.
Seventy-eight percent of extremely low-income households are severely cost-burdened.

Which means that more than 50 percent of their income is spent on rent.

And that's compared to 53 percent of very low-income households; 24 percent of low-income households; and 6 percent of modern-income households.

And what is the cause?

You've already heard from Cornelious. And we concur. There simply has not been enough housing created in California over the last half-century.

I'm going to go through a number of factors. You've heard some of them from Cornelious. And I agree with much of what he said. I'm going to emphasize a few of them.

But there are a combination of factors that contribute to the insufficient number of housing units that meet Californians' needs.

And what I just want to stress to all of you is that many of these affect both the market rate and homeownership world, as well as the affordable and rental world.

But I want to also make sure and emphasize that although we agree with the argument that we need to increase supply, all of the statistics show it, and the reality on the ground shows it, there will always be a need for deed-restricted affordable housing for our state's most vulnerable residents.

Supply will not alone solve this problem. And that is primarily because of the rents that need to be charged in order to keep people in their homes.

Some of the barriers to production, Cornelious mentioned, and I just want to underscore, local permitting and zoning barriers, local NIMBYs, the actions of city councils.

Not only do I advocate for housing in my day job, but as an aside, I'm the Mayor Pro Tem of Westlake Village, and have spent the last four years on our city council.

And I see firsthand how challenging and difficult it is to educate our residents and to educate our community members about the importance of increasing the housing supply.

And it is a challenge, but it is one that is worthwhile. And I think I'm going to address a little bit later some of the great things that are already in progress from Sacramento in trying to encourage yeses from local city councils.

Some of the other concerns that are happening today include mounting construction costs, supply chain issues, in many parts of the state a shortage of labor.

We also have a lot of limitations in our affordable-housing world on our financing for affordable housing.

In order to reduce rents, affordable housing developers rely on public dollars and tax credits.

And then you'll hear throughout a debate about affordable housing is how do we target those -- those units. Do we want to build more extremely low? Do we want to do more moderate?

But the greater the rent reduction, the depth of affordability, the more dollars that are needed, and, therefore, the fewer units that can be produced. After all, even government has a finite amount of resources.

Although California has more than doubled production of new affordable units in the past three years, the state is currently only funding 16 percent of what it needs to meet its goals. We are also limited by the federal Low-Income Housing Tax Credit.

I want to draw your attention, I'm sure mentioned earlier, is the state accelerator program. And that is a great example of how the state can actually increase production of affordable housing, outside of the tax credit program.

One of the reasons why those are so incredibly important, and I just want to draw brief attention to it, is the system that's been created over the last 10 years since the demise of redevelopment, it has really set back affordable housing production tremendously. And it is something that now, 11 years later, we are still digging ourselves out from under.

What can we do about it, though? Those are the problems. There are solutions.

We spend a lot of our time at CHC working with the Legislature to reduce permitting and zoning barriers.

One of the bills I want to address is our -- our primary focus this year. That is AB-2011.

It goes with some of the earlier comments, Mr. Gaines, that you were mentioning, and a couple of earlier presenters.

And AB-2011 seeks to utilize -- underutilize commercial corridors throughout our cities in California to build housing on. And that housing would be either affordable housing or mixed-income housing.

In return, what the bill provides is not only labor requirements in the -- to the tune of prevailing wage and healthcare and enforcement, in return for those, there's by-right development for affordable housing or mixed-income housing in those commercial zones.

And the reason all of this works, as you heard earlier about time being money and the uncertainty in the development process, a bill like AB-2011 would be a sea change for California in attempting to thread the needle for the need for housing production and overcoming some of the local opposition.

In the past, we've worked on bills like AB-1763, a density reform bill. It was carried by then Assemblymember Chiu. And I'm sure you heard earlier today about SB-35 and other streamlining bills.

SB-35 is an outstanding bill for the affordable housing community. It has proven to be a challenge on the mixed-income side, because of the labor requirements. But it is still a step in the right direction. And bills like that certainly move the needle and help us build more housing.

One of the other things I want to focus on is enforcement, and where the state of California has truly helped is through the Housing Accountability Act, and the work that HCD is doing to make themselves aware of when housing is coming before local governments, and especially examining those situations where housing seems to be rejected only because of NIMBY issues.

While reducing costs are something that we obviously focus on, whether those are impact fees, the impact of CEQA, so many of those costs are fixed cause -- fixed costs. And some of the biggest challenges we have in this space are competing priorities.

And we have worked at times to try to streamline the affordable housing finance system. You heard earlier from Nancee Robles, the alphabet soup of financing agencies that California works on certainly doesn't make affordable housing finance any easier.

The other thing I want to focus on is the -- a lot of politicians and the media want to point fingers at affordable housing, and why it costs so much to build. But I want to keep in mind our reality. And that is that affordable housing is one of the only issues that you look to build affordable housing, and yet there are so many other considerations that come into play.

And so so many of them are well-meaning. So many of them serve great public policy goals. But if your real goal is to build housing and affordable housing, does every building have to be the greenest in the nation, in the highest resource areas?

Must it be built with unionized labor 100 percent of the time?

Does it always have to have public art?

Is there a different way to pay for parks?

Do we over-park our developments?

The answer is yes.

So a lot of those things can be worked on. And I think it is the best of intentions, but it certainly increases the difficulty in producing housing.

Lastly, I want to focus on the funding, and some of the things that I know that you are working on. The welfare property tax exemption, in case anybody is wondering, it is an absolutely critical tool to our affordable housing developers. They all use it, they rely on it. It absolutely makes a difference.

Governor Newsom has certainly prioritized in the Legislature funding for affordable housing through the state, $500 million tax credit. That, paired along with the federal tax credit, is absolutely critical to the toolbox for how we produce affordable housing.

And, lastly, project -- I mentioned earlier, programs like the accelerator program and project Homekey are excellent models that allow us to build outside of the tax credit, and have added new ways, along with ADUs, of providing some semblance of affordable housing.

I hope that the state, through agencies like yours, will continue, not only the rhetoric on producing affordable housing, but will truly put that rhetoric to work, and put forth policies that you all are considering to truly impact the -- our ability to produce affordable housing.

I want to thank you for having me today.

My team and I look forward to working with you all as you come up with more solutions for our state housing crisis.

And, most importantly, I want to thank you for seeking out a wider range of opinions, and for including us.

And I thank you for the time today.

MS. COHEN: Thank you very much, Mr. Pearl. I appreciate your presentation.

We're gonna -- please don't leave just yet. We want to hear from Mr. Ken Lombard, and then we'll probably pose questions to all three of you at that one -- at the end of Mr. Lombard's presentation.

So, Mr. Lombard, are you still with us?

I saw you earlier.

MR. LOMBARD: I am here. I don't think my camera is working, but hopefully you can hear.

MS. COHEN: Oh, it was working before.

MR. LOMBARD: It was, huh?

MS. COHEN: Yeah.

That's okay. If you can't -- if you want to keep it off, or can't turn it on, that's fine.

MR. LOMBARD: Yeah, I know. I've tried. We've been working on it while we were waiting in line.

But let me -- let me just jump in first, and I want to thank you and the Board for allowing us to participate in this conversation.

You know, I think I lost count after approximately 50-plus recommendations on everything that needs to happen to try to facilitate the continued ability to address what has been described as a crisis in affordable housing.

BRIDGE has obviously been a leader in the development of affordable housing over the years, having been around for the last 40 years.

We continue to work very hard at really attempting to address what is not only a crisis, but my hope is with your -- with your Board and its Members, that you begin to put it into a category, which I would describe to -- describe as mission critical.

You're hearing lots of suggestions, which include tax exemption to cover the units that are restricted up to 120 percent AMI. Which is going to help us provide consistency, predictability, and more sustainable operating budgets for developments that serve that missing middle.

All deed -- deed and regulatory agreements, restricted-units properties should be treated the same way.

Reduce operating costs means affordable restricted units can support more debt, use less public funds, and perhaps allow developers to build additional units.

And you have heard a lot about just overall attempting to streamline the process, and address some of the tax exemptions that are going to be necessary for it -- for us to move forward.

From where we sit -- and I've asked Katherine Fleming to kind of join me to add. She heads up our Affordable Housing.

You know, my perspective comes from having been involved in the development side of the business for over 30 years, but primarily on the markets -- market-rate side.

And I can tell you how transactions take place there, and how, as we find in most markets, you find more overbuilt situations versus an inability to try to get things out of the starting phase.

I've invested capital from -- on the institutional side, from everyone from -- for everyone from CalPERS, CalSTRS, UC Regents, L.A. County, Texas Teachers, New York City -- New York State Commons, and the like.

We have to go at this in a way that we begin to figure out, my hope is with these conversations, that you all will hone in on -- call it the two or three things, at least to be able to get to make some progress with respect to what -- what needs to take place, so that we can try to streamline the process.

We currently have approximately 14,000

units. We have a pipeline of an additional 9,000 units. And we're doing everything that we can to try to address this problem in -- in a way. But we are not the cure-all.

We have to level the playing field so the developers, and, frankly, not just the developers, but also those that are acquiring units for either conversion, those that are attempting to attract capital, alternative means of capital, we are one.

As an example, we just were awarded $250 million from Morgan Stanley NDF for additional acquisition of affordable units.

We are staying 100 percent committed to the affordable mission. We will continue to try to do everything that we can to work with bodies like yourself, providing suggestions.

My hope is -- is, again, as you sit and listen to all sorts of interests, there's some way to focus in on the few things that you think that are critical to try to move this mission forward.

If we don't, we're going to continue to see -- we're going to be stuck in the analysis and conversation stages of this, and we're not going to see the type of movement that we all know is needed if we're truly going to get the affordable crisis under some semblance of control.

I promised Katherine that she could add some additional context. So if you don't mind, I'd like to hand it to Katherine, and see if there's anything else she'd like to add.

MS. COHEN: Not at all. Thank you.

Hello, Katherine. Just introduce yourself to us.

MS. FLEMING: Great.

My name is Katherine Fleming. I'm Senior Vice President of Portfolio for BRIDGE Housing.

And I just want to echo what Ken said, what Ray has said, what Ms. Sandidge said, and others.

The Welfare Tax Exemption for affordable housing is incredibly important in the state of California.

BRIDGE Housing has over 11,000 rental homes across 110 properties here in California. And we are only able to operate our properties to the high extent that they are, because of this property tax exemption.

And we do have properties that serve some of the missing middle. And it's always been a goal of BRIDGE to do more. But the lack of exemption for those units has always made it difficult.

As Ms. Ferguson from CalHFA said, the 80/20 properties can be hard to make work from a financial standpoint when you don't have the property tax exemption there.

And so as Ken said, I -- one area of streamlining would really -- that would really benefit is if it's possible to have the property tax exemption be available for any unit that has a rent restriction tied to it, whether that's 80 percent or 120 percent.

If the rent is restricted, that will make a huge difference to be able to operate these properties, to build more units, and continue to keep them sustainable over the long term.

Thank you.

MS. COHEN: Thank you very much.

I appreciate that -- that last tidbit in particular.

Let me turn to my colleagues to see if there's any questions for the panel.

On my right?

Nothing.

How about on my left?

Senator Gaines? No?

Okay.

You are all getting a pass today.

But your presentations that -- were incredibly, incredibly thoughtful.

In particular, Mr. Burke, I think you were saying tax credits -- the suggestion of creating a missing middle tax credit was -- it was really interesting.

And I see Katherine nodding her head to be in agreement. She's online.

Thank you. I appreciate your time, everyone. Thank you for your presentation.

We'll follow up directly with you.

Thank you, Mr. Pearl.

Thank you, Mr. Lombard.

All right. Folks, we are almost close to our lunch break. We've got about another 20 more minutes. We've got two more folks that we're going to hear from.

Ms. Cichetti, could you please call the next speakers?

MS. CICHETTI: Yes.

The next speakers are on housing advocates perspective.

We have Dwayne Crenshaw, President and CEO, Sacramento Urban League, and Susie Shannon, Policy Director, Housing is a Human Right, AIDS Healthcare Foundation, and City of Los Angeles Health Commissioner.

Please come forward.

MS. COHEN: Thank you.

I believe they're online.

MS. CICHETTI: I thought that Mr. Crenshaw was in.

MS. COHEN: Mr. Crenshaw, are you here?

MS. CICHETTI: No, he's online.

MS. COHEN: He's online.

Mr. -- all right.

Mr. Crenshaw, please --

MS. CICHETTI: Yeah.

MS. COHEN: Turn your camera on.

MS. CICHETTI: Cameras on.

MS. COHEN: And then Susie Shannon.

Ms. Shannon, are you there?

If so, please turn your camera on.

All right. Mr. Crenshaw, we see you first.

We welcome you, and the floor is yours.

MR. CRENSHAW: Well, good afternoon, Madam Chair and Members of the the body.

I'm Dwayne Crenshaw, President, CEO of the

Greater Sacramento Urban League.

And I appreciate the opportunity to speak to you, what I would say, from a human perspective, from a person perspective, from someone who has experienced the challenges of homeownership.

So you've heard a lot already about regulation and the development of properties. We are currently developing 32 units in Sacramento. Financing is a challenge. The regulations are a challenge, as you've heard.

But I really want to speak today about how are we impacting individual homebuyers, homeowners in the state of California, and as you look at property tax and tax policy in general.

So I want to start off with a little bit of personal background. I know the struggles of homeownership and being foreclosed on. I will never forget the one and only time that I saw my father cry was when the marshal came to evict us the day after Christmas in 1987 from the home that he had worked for with a middle-class job in San Diego in the shipyards. A job that left him permanently disabled and unable to pay those bills.

I know that for the next 10 years my mother's sole goal was not just to buy a home again to be an owner, but she simply wanted the dignity and respect of having a washer and dryer in her garage, and not having to go to the laundromat or laying clothes across an apartment complex.

And I, personally, in the last bubble, and I pray that we don't experience another bubble in the very near future, lost my home when the market burst in 2009.

And so we are knowing we're perhaps on the precipice of recession. We may be in recession. And the home prices have skyrocketed. A lot of folks have bought in. And I'm concerned about individual homebuyers being able to maintain those homes and experiencing that.

So from a real personal perspective, how do we create more opportunity for homeownership for communities of color?

We know that the homeownership rate for Black and Brown folks is abysmal in Sacramento County. Where we are, it is the lowest Black homeownership rate at 17 percent in the state of California.

We know that obviously there's a personal affordable housing crisis to buy into homeownership in the American dream or the California dream as it may be.

So a few policy suggestions on increasing homeownership for people of color. One, are there ways with policy where we can do property tax deferral or postponement towards -- at the financing, at the upfront part of the homebuying process, where folks are trying to get a mortgage and a loan, are there ways to set aside for low income -- or not low income people -- communities of color, people of color, first-time homebuyers with property tax deferrals or postponement to help ease their financing and their debt burden in qualifying for homeownership?

I'm wondering if there are idea -- possibilities of other tax exemptions for -- like we currently do for seniors and disabled and veterans and some other categories of individuals.

We know, and we're in the state of California where we've seen the impacts of slavery, and we know the historic discrimination and the redlining that has forced many people of color out of the market, and out of generational wealth creation in society.

And so I -- I am -- I have a lot of law school debt, but I'm not a total legal scholar. But

I would propose and put out there for the -- the group to think about, the body to think about, is there a way that perhaps -- there is a compelling government need that there's a narrowly-tailored exemption created for people of color, first-time homebuyers, those who have experienced racial and systemic oppression historically in our great state.

As we look at tax policies, or other policies to hopefully spur on homeownership, I also want to encourage whatever the policy may be that we oftentimes tie housing to income, area median income.

And while our income gap still exists, we've done a great deal of work in recent years closing that income gap.

Where we have not done so well, and where we have actually gone backwards, and has been exacerbated by the COVID pandemic, is the wealth gap.

So, for example, there are a number of Black and Brown middle-class folks who make a decent wage, who have earned a decent income, who are excluded from all of the homebuyers' assistance programs, because they're tipped -- they're locked in at 80 percent AMI. Even if you go to 120 percent AMI.

So -- but the challenge is they don't have the down payment. Which is what most of these --

many of these programs do to spur homeownership is down payment assistance.

And so I would encourage this body to think about -- to consider the wealth gap as a measurement tool. Because we know that for Black and White folks in America, Blacks folks' net worth is one-sixth of the traditional White family's net worth.

So there is no down payment gift from a family member, or a parent, or a grandparent. There is no inheritance to fund that.

And if -- whatever worth we have tied up, much of it is locked into negative debt, things that don't appreciate, that don't gain equity. So it's not building the wealth gap.

So, again, whatever programs or policies you may be considering you may put forward, really thinking about if there is a wealth-gap metric that we would like to look at, net worth, as opposed to or in addition to income, in its own right. Because that is locking out a number of people.

And then I think lastly I would like to speak beyond the individual, but what are we doing for broader community economic development?

So as we heard from builders and affordable housing advocates, there are obviously a number of exemptions and -- and tax breaks and credits. Those are wonderful.

I'm wondering, though, if we may carve out, whether it be in opportunity zones or promised zones, areas that we've already designated as being economically impacted and underserved historically, are there property tax exemptions, abatements, deferrals that can be put into those areas based upon their status in the opportunity zone or promised zone or other economic empowerment zone? So that the community economic development is happening in the areas that have been most negatively affected by tax policy, housing policy, number of policies in general in our great state.

So I just want to throw those ideas out. One, how do we focus in on individuals in this conversation? How do we apply tax policy to that, exemptions, deferrals, postponements?

Perhaps a carve out to increase the homeowner's exemption in, again, those targeted neighborhoods to bring back people into communities that need to be redeveloped and -- and brought up?

And so I just wanted to throw those out to you today. And I appreciate your time. And I won't continue on, because many of the policy ideas have been shared earlier in your session today.

Thank you, Madam Chair.

MS. COHEN: Thank you very much.

We're going to hear from our next speaker, Mr. Crenshaw. So don't go away just yet in case we have questions for you.

MR. CRENSHAW: Great.

MS. COHEN: But our next speaker is Commissioner Susie Shannon, who's the Policy Director of Housing is a Human Right, as well as connected to the AIDS Healthcare Foundation.

How are you, Ms. Shannon?

The floor is yours.

MS. CICHETTI: This is still from the current thing we're on, Katherine Fleming, she was our last one, from BRIDGE Housing as well?

MS. COHEN: Hold on. I'm sorry.

Is that you, Ms. Shannon? Susie Shannon?

MS. SHANNON: Yeah, I'm here. Yeah, I'm here. Someone was talking.

MS. COHEN: Yes. Okay. We can hear you now.

MS. CICHETTI: Okay.

MS. SHANNON: Okay. Great.

I just want to thank you so much for giving me the opportunity to address the Board today.

I have worked with our in-house population since 2005, and definitely in the realm of housing. And also as the former -- am the former President of the Health Commission for the City of Los Angeles. I'm still a commissioner, working at the intersection of housing and homelessness and healthcare.

So I wanted to just dive right in, if I could, with the Welfare Property Tax Exemption.

So there are a lot of developers who right now are building without government money, Kaiser Foundation, Hilton Foundation, at a development group, are putting $100 million into housing without taking any government money.

AIDS Healthcare Foundation also has been buying a lot of single-room occupancy hotels, which are fairly large, you know, usually 100 to 200 units, as well, not using government money.

And then there are some Catholic groups who have been doing that as well.

And the understanding among a lot of the developers and just nonprofits who are buying these buildings and trying to help, particularly, to house people who are unhoused, is that you have to take government money in order to get the Welfare Tax

Exemption for property taxes.

And so there is a $20 million cap. So once you exceed that, you know, and so obviously Kaiser Foundation will exceed that fairly quickly, AIDS Healthcare Foundation has exceeded that $20 million cap, you're paying exorbitant amounts in property taxes, which are set as though you're renting out the property for market rate.

And so it's a disincentive. And I think, you know, assessors have gone so far as to say, you know, you need to get the maximum value out of your property. But, of course, that doesn't help our housing crisis, and it certainly doesn't help our homeless crisis.

And so we have 171,000 people who are homeless in the state of California. And I don't want to appeal to you on a humanitarian level regarding that, but I would like to appeal to you on a financial level. Because that is costing our government 45-to-$55,000 per person that's chronically homeless on our streets. And by moving people indoors, we actually could save a lot of money.

We also have a lot of people who are dying on the streets, or over 1,500 people who died in the city of Los Angeles. So moving them into housing as quickly as possible is really a life-or-death issue. And that's for a lot of people.

So one of the things we would like to see, and I think that I made this recommendation before, is that any rent-restricted unit or property, you know, whether that be, you know, an SRO, a single-room occupancy building, if the entire building's taking Section 8, or even half of it is Section 8, that they be allowed to apply for that, not just supply, but receive that Welfare Tax Exemption on property taxes.

It's right now acting as a barrier. And if that were -- barrier were removed, I think it would stimulate more affordable housing being built.

A lot of nonprofit groups don't want to wait for the government money to come in. It could take three-to-five years, you know, holding up, whether you're buying a building or building from the ground up.

I know that we'll be building 221 units downtown in the Skid Row area without any use of government money.

And so we would like to see some kind of action by the Board which clarifies for assessors that if you have a building that's 100 percent affordable housing, in some cases where people are being charged about $400 in rent in Los Angeles for extremely low-income folks, that -- that is considered eligible for the property tax exemption.

I think that, you know, right now it's just very hard, as we know, to get housing built. But there are actually a lot of buildings, too, that can be bought.

We've lost thousands and thousands of units of single-room occupancy hotels. And a lot of them are vacant right now. And some of them are being converted into luxury housing.

So whatever we can do to stop that, it could actually bring people in within months, as opposed to years, off the streets. So I think that would be extremely helpful.

You know, I have worked on this issue for a very, very long time. I know I've addressed some of you already on this crisis. I tried to bring up really just solutions on how we can, not just solve the homeless crisis, but also for low-income tenants.

And so I'll give you a figure. For the last housing element for the city of Los Angeles, we --

based on our RHNA numbers, that's a regional housing assessment number that comes from, you know, for the whole Southern California region, the city of Los Angeles underbuilt 34,000 units of extremely low, very low, low and moderate housing.

At the same time in that seven-year period, they overbuilt market-rate housing by 70,000 units. None of the clients that I have helped over the years have ever been helped by market-rate housing.

There's also a secondary barrier, which is not necessarily a BOE issue, but maybe something that you could help with policy, is that the application process, for a lot of the affordable housing, requires 36 months of permanent rental history.

So that means for a lot of housing that's deemed affordable, it excludes people who are not only currently homeless, but also have been homeless the last three years.

So we need to be very clear that we're stimulating the building of homeless housing to help that 171,000 people in California who are homeless, but that we're also making sure that even if somebody is unhoused, but is applying for affordable housing, that they're not excluded because they've been homeless in the last three years.

So these are just some of the barriers that we're facing, you know, really as a state. And there have been states that have, you know, brought in our chronic homeless to -- the chronic homeless population. And that was the state of Utah.

And they're a functional zero in chronic homelessness. And they did that in a Housing-First model. So that means either building housing, or converting a lot of motels or hotels into permanent housing, not interim housing. And they were able to save Utah 8-to-$12,000 per person.

Here, we're saving in the tens of thousands per person by bringing people off the street. And I really feel that the BOE can play a critical role here in providing a property tax exemption for a lot of the nonprofits who are trying to do the right thing, but they're getting hit with millions of dollars in taxes.

That's all money that could go into affordable housing, but is not. Instead, you know, it's going, you know, to other places. And maybe into a general fund, which may or may not be used for housing.

So I appreciate you, again, allowing me to speak today.

And I'm happy to answer any questions.

MS. COHEN: Thank you very much for making time to come and speak with us and share your -- your perspective.

Let me just open up for -- to the -- to the entire panel, check in with my colleagues to see if there are any questions for this -- for this group of speakers.

And, again, these are the speakers speaking from the housing advocacy perspective.

Senator Gaines, any questions?

Yes. Please.

Senator Gaines has a question for -- and this is, again, directed towards Mr. Crenshaw and Ms. Shannon.

MR. GAINES: Yeah.

This would be for Ms. Shannon.

Thank you for your presentation.

And this idea that you have about -- for 100 percent affordable, you know, rental units, to not pay property taxes sounds like something that could help in terms of making those projects more affordable, I'm assuming from a developer's standpoint.

Do they -- do they make the project pencil better because of that -- that option?

MS. SHANNON: Yes.

So if you -- if you take away the property taxes, you reduce the cost per unit. So it does actually help a lot.

You know, right now, I mean, to convert ex -- existing infrastructure, so that's called adaptive reuse, where you take an existing building that has the infrastructure and you convert it into housing, that costs about $100,000 per unit. If you compare that to the 500-to-700,000 that we're paying to build from the ground up, you can see there's a huge difference in terms of really what government is paying or a nonprofit is paying.

But we want to make sure that we're getting the best value for each of the units. So it does lower the cost per unit if you take away the property tax.

MR. GAINES: Great. Thank you.

And a question for Mr. Crenshaw.

Thank you for your presentation.

I was just looking at a number, a statistic that was saying that since the year 2000, Black ownership rate in America has declined by 770,000 homeowners.

So I'm just wondering, I -- I had read an article that during the Great Recession that homeownership lost -- I mean, it declined across the board, but it was most chronic in the Black community.

Can you expand on that?

MR. CRENSHAW: Yes. Thank you.

And as I was sharing earlier, I was personally one of those folks.

And the reason for that in large part is that communities of color, Black homeowners, Black buyers were really targeted and set up with predatory lending.

And our loans, that they were not fixed, that were very adjustable, variable-rate loans. And so when the recession hit, many, many folks were greatly underwater with bad loans. And they were not -- there was no way out.

And so there was an intentional marketing to the communities of color, Black people, Brown people, that put them into bad loans, that were -- they were set for failure from the outset. And so that's one. And that's obviously a historical practice.

And then access in general to mortgages for

Black families is -- the rejection rate for traditional financing through a bank or institution, of course, is much higher for Black people.

So they are targeted and left with the market that preyed on them, and set them up for failure with interest rates and the variable, unfixed loans.

MR. GAINES: Thank you.

Hopefully we've solved a lot of that with the reforms that occurred in the lending industry.

But in terms of helping folks get into a home, certainly we need to take a look at some of these assistant programs in terms of helping out with the down payment.

I like some of these ideas that were presented earlier with 10 percent down that could, you know, after five years of ownership, would go away, actually be a grant.

And then they had the 20 percent option, which would be a shared ownership. Which gives people a lift and an opportunity to gain that equity. And then maybe move on beyond that.

MR. CRENSHAW: Yes, sir. Absolutely.

MR. GAINES: Great. Thank you.

MS. COHEN: Thank you very much.

All right. We are wrapping things up for lunch.

Let's see, do you have a question, Mr. Vazquez?

MR. VAZQUEZ: Just a quick wrap-up.

But, one, just to thank Susie Shannon.

You know, I've had the opportunity to visit some of those adaptive reuse buildings in L.A. that your organization's worked on. And I know you've been working real hard on it.

Now, you mentioned that there was an issue still. And I think it's still pending, where these folks that are trying to build -- actually in the -- in the developers that are in the market-rate housing are still getting dinged for building affordable housing units.

Is that still an issue?

MS. SHANNON: Yeah.

So I mean, the main issue -- and it's not the, necessarily, developers and market rate, but nonprofits that buy buildings and basically, you know -- I mean, SRO buildings are rent-restricted. And, typically, the -- the tenant is paying about 400, $600 a month.

They're not getting assessed based on the fact that they're offering affordable housing. They're getting assessed as though they're offering market-rate housing.

And so if you're a developer, it doesn't make any difference if you're providing 100 percent affordable housing, or you're providing market-rate housing, if you're not waiting for, like, a government loan to come in in order to build or to buy a building.

So, you know, it's not -- there's, you know -- and this is primarily to house people who are extremely low income or low income, where we're not building for, as I explained earlier in the city of L.A.

So without that property tax exemption, there's literally no difference in terms of the property taxes that a developer is charged if they build affordable housing, or they build, you know, market rate, where they could be charging $4,000 a month.

So in other words, the developer charging $400 a month for rent is getting charged the same property taxes as the developer who's charging $4,000 for rent. That seems, to me, very unfair. And it doesn't do much to promote the building or buying of affordable housing.

MS. COHEN: All right. That answers that.

All right. Thank you very much.

We are going to pause for --

MS. CICHETTI: Excuse me.

Yeah. Before we go, we've been advised that we should do our public comments at this time.

MS. COHEN: Okay. Just a minute, please.

To the speakers that are on online, Mr. Crenshaw and Ms. Shannon, thank you very much for your time. We appreciate your presentation.

We are going to now pivot to take public comment.

MS. SHANNON: Thank you.

MS. COHEN: Yeah. Thank you.

MS. CICHETTI: Is there anyone in the auditorium who would like to make a public comment, they could come forward at this time.

Seeing none, we do have a person who signed up for a public comment.

Louis Mirante, VP of Public Policy, please come forward.

MS. COHEN: Okay. I'm getting a signal that he's not here.

MS. CICHETTI: Alrighty.

MS. COHEN: Thank you.
MS. CICHETTI: Okay. Then all is good.
MS. COHEN: All right. Thank you.
It is 1 -- approximately 1:45, and we are going to take a 30-minute lunch break.
Thank you very much, staff. We will reconvene at 1 -- at 2:15.
Thank you.
(Whereupon the lunch break was taken.)
MS. COHEN: Thank you. All right.
Good afternoon, ladies and gentlemen.
I just want to call the Board of Equalization Meeting back into session.
It is 2:21 -- 2.
I would like to just acknowledge that we have a slight modification to our presenting list.
I'd like to -- oh, actually, Ms. Cichetti, maybe you could call up our next speakers for me.
MS. CICHETTI: I would be happy to call the speakers.
But we -- I do -- it would be good if we let everyone know -- excuse me -- everyone know that we are taking some items out of order.
MS. COHEN: That's right. Okay.
MS. CICHETTI: We are taking Item IV up

first before Item III.

The next item on the Board Work Group agenda, Item No. IV, is Overview of Current Property Tax Incentives in California, presented by David Yeung, Deputy Director, Property Tax Department at the State Board of Equalization.

MS. COHEN: Thank you, Ms. Cichetti, for calling that item.

And, actually, we are going to hear from Mr. Yeung -- we're going to hear this presentation next month at our next meeting in August.

MS. CICHETTI: Okay. Alrighty.

MS. COHEN: So what we're -- what we're going to do -- where we're going to go now is go back to Section III. And we're going to talk about "The Color of Housing:" Systemic Racism, Equity, and Access to Capital and Financing.

If you could call those speakers.

MS. CICHETTI: Be happy to.

MS. COHEN: Thank you.

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ITEM III

MS. CICHETTI: The next item on the Board Work Group is Item No. III on this agenda, "The Color of Housing:" Systematic -- Systemic Racism, Equity, and Access to Capital and Financing.

The speakers are Debra Gore-Mann, President and CEO of The Greenlining Institute.

And then we're going to have some co-presenters, Noerena Limon, the Executive Vice President of Public Policy and Industry Relations with the National Association of Hispanic Real Estate Professionals; and Beatriz, "Bea," Olvera Stotzer, Co-founder, Women's Law Center and New Economics for Women, CEO NEWCapital, LLC, and Member of the Women and Girls Initiative Governing Council, County of Los Angeles.

MS. COHEN: Fantastic.

Thank you very much for joining us today.

Let me see.

Mr. Vazquez, do you know if Gary Acosta or Beatriz --

No. No, I didn't mention --

MR. VAZQUEZ: She's replacing Gary.

MS. COHEN: Okay.

MR. VAZQUEZ: And she's supposed to --

MS. COHEN: They're on Teams.

MR. VAZQUEZ: They should be.

MS. COHEN: Thank you very much. There she is.

MS. CICHETTI: There we go.

MS. COHEN: Okay. Thank you for that. I didn't realize that.

Ms. Limon, thank you for being here with us today.

We're going to first hear from Ms. Debra Gore-Mann, who is the President, CEO of Greenlining Institute, and then we'll come back to you.

Okay, Ms. Limon?

Thank you.

Welcome.

MS. GORE-MANN: Thank you. Thank you so much.

My name is Debra Gore-Mann. I'm the President, CEO of The Greenlining Institute.

I thought I'd do some level setting here. Greenlining Institute was founded in 1993, built on community coalition.

And we work towards a future where communities of color can build wealth, live in healthy places filled with economic opportunity, and are ready to meet the challenges posed by climate change.

We center racial equity. And let me take the moment to just define for you what -- how we define racial equity.

We see that as transforming the behaviors, institutions and systems to ensure that communities of color thrive and reach their potential.

So Greenlining, we work at the intersection of economic equity and climate equity, with place-based community involvement. That's our true North Star.

And when we are doing our economic equity work, we focus on four main areas: Homeownership, small business, financial institutions, and these are the big banks, we've been working with them for over 30 years now, and broadband algorithmic bias, as it relates to economic opportunity.

When we are doing homeownerships, we do focus on the five Ps, if you've heard about those: Production, protection, preservation participation and placement.

In particular, as you've heard all morning, production is key in the work that we do in homeownership as well. And we've lifted up participation, because the community has been telling us the needs that they have.

As it relates to the economic equity, Greenlining focuses on the transfer of wealth. As you've heard earlier today, and I think it was Jason who mentioned Black families have 60 percent of the income of White families. But Black families have 10 percent of the wealth of white families.

So you would think with 60 percent of income, you'd have 60 percent of the wealth. That is not true. Because in the calculation of wealth is homeownership and the appreciation of homeownership.

And since the Black homeownership has been about 40 percent, has not increased since the 60s, the -- that is due to the housing and the homeownership component.

As we -- as our economic equity work has shown us in working closely with community, that the production side and the homeownership does have to do a lot with what you've heard today, streamlining, CEQA, and that it's [inaudible interruption] for local.

The work that we do also is with labor unions, and working towards fair wages. And you heard that also from some of the participants before.

On the climate-equity side, which now we see through the pandemic, that the wildfires in California have linked residents, neighborhoods to health.

And so we have now seen climate refugees, which adds to the housing dilemma or the crisis. And we are working with energy companies, so PG&E, SoCalGas, with regards to the public safety power shutoffs, which affects where you live, what neighborhood you live in, and which neighborhoods get shut off, as well as community needs, as cooling stations, and -- and farmworker needs, are all climate equity that we see are coupled with the housing-equity crisis.

So what I would -- listening to what others say, I wanted to add different perspectives to this conversation. Greenlining has been working, as I said, the last 30 years with the big banks. In particular, we've been seeing the banking consolidation.

So just in California, we've been impacted, last year, U.S. Bank is acquiring Union Bank. And we have been negotiating with them $100 billion community benefits agreement.

We testified and provided public statements to both the Federal Reserve, the FDIC, as well as the

OCC. And most recently in this year, BMO has put in a request for acquisition at Bank of the West. And Bank of the West --

MS. COHEN: I'm sorry. BMO, what is that acronym?

MS. GORE-MANN: The Bank of Montreal.

MS. COHEN: Got it.

MS. GORE-MANN: But they have it headquartered in Chicago.

MS. COHEN: Okay.

MS. GORE-MANN: So the -- the bank consolidation is real for California.

We are in the process of negotiating, as well, a community benefits agreement with them.

In the community benefits agreement, we -- the four pillars that we always negotiate -- oh, and on BMO, Bank of the West, we're right now on $100 billion over five-year community benefits agreements.

The four pillars: Homeownership, small business, financial literacy and philanthropy.

So we are -- we are at the table in significant ways of getting community resources.

And, similarly, the policy work we do has to do with a lot of the ARPA money you see coming from the federal to the state. We're including the community in that.

MS. COHEN: And, I'm sorry, ARPA?

MS. GORE-MANN: Oh, it's the -- it's the relief fund. It's the federal -- the -- it's the federal relief fund of the Biden Administration, the Biden-Harris Administration.

MS. COHEN: Okay.

MS. GORE-MANN: Can somebody help me with ARPA?

MS. STOWERS: American Recovery.

MS. GORE-MANN: Thank you. American Recovery.

Thank you.

And so we are also looking at that as stacked capital, right? The public funds, the private funds, getting to communities that need it most.

So -- so as it relates to homeownership, that's how we're seeing the development of the -- of approaching the issues and tackling the issues before us.

We also see in this process, which I think is -- is how we would frame the CEQA conversation as procedural equity.

There are -- when there are times to go to city hall or convene community meetings, those are done in the middle of the day for people who are -- or hourly workers cannot attend, or they're done in the evenings where there's no child care. We call that procedural equity. So by the -- the process then precludes our communities of color.

And the other thing that we see through this procedural equity since, you know, segregation has been outlawed since the 60s and the early 70s, but -- but segregation is pernicious and ongoing. And the procedural part of that continues to segregate our neighborhoods.

And so as we start to look at homeownership and how to address it and how to use tax abatement as a tool, we would offer that that -- the perspective of the -- the way that the housing market, the real estate association, the bankers, that there is a -- a de jure practice of keeping neighborhoods segregated.

And so we would offer that that perspective and that lens be brought to bear when you are considering sort of tax abatement and what programs to do.

We also would offer that there should be some standards. That you set some standards while you're evaluating what you would -- how we would use the public funds and the tax abatement.

One, that there is equitable access. That it be safe. That it be affordable. You've heard a lot about affordability. That it be healthy.

We know, in full disclosure, my daughter interned for when Ms. Cohen was on the Board of Supervisors. And in -- in San Francisco, we have Bayview-Hunters Point, which has been battling for years about the health impacts there. That there be labor rights, and that there be economic and climate justice.

And, again, in the -- what we have learned and what we have seen in working with the banks is that when you do the private-public partnerships, there is a conflict, inherent conflict with the public good and the public funds, and the need to maximize shareholders' wealth or maximize the net income.

And there's where we have seen the predatory practices. That's where we saw subprime come in and target communities of color. That's when we've seen most recently the assessment that homes owned by Black and Brown folks were valued less than the homes owned by White census tract families.

Those are all real things that are happening that if we do not have intent on focusing on some of those issues, we may replicate it or exacerbate it through the tax abatement.

So we have seen that the banks have a disparate treatment of communities of color as it relates to housing, and a disparate impact. So we would make sure that those standards be included. And that as we evaluate these options being offered, that you can have a mind's eye to that and address that simultaneously.

I would also add that in -- excuse me -- in dealing with affordable housing, you will also be dealing with education. Because, as we know, based on the housing, and because education is funded through taxes, you'll be dealing with the health of the community.

Because the integration of communities will -- and -- and I think it was referred to as some mixed income -- will create different lived experiences all through housing, all through homeownership.

And -- and, likewise, there are still practices that are happening in the community that continue to keep communities segregated.

We heard a little bit about the "Not in My Backyard," NIMBY, which is really about property values. That there is a myth that if I bring in low-income folks, or if I bring in people of color, the -- my property value will be decreased.

That is a myth. That is, I would say, artifacts and relics of previous segregational practices that we have in the community. So the facts and the data will bear that out.

So this -- this, for Greenlining Institute, is an opportunity to keep those in mind, and -- so that we don't repeat those. And -- and that we could have an opportunity here to then create the -- the multi-generational wealth that we -- that others have presented today.

I think -- so, lastly, let me offer some practices. When we -- a couple of the tools that are used when looking at working with banks or working with the local communities, new market tax credits have been used, I think demonstrated some of the wonderful projects that we've seen in the community that have used that instrument, a tax instrument. EIFDs, which, and I know, Supervisor Cohen, you're gonna -- yeah.

These are also, as a financing district, are also tools. So the financial instruments do work as it relates to making some of these changes.

And then, lastly, I would say that there are -- there are -- there's a serious commitment to addressing the climate change issues. And those resources are really coming to bear.

So you have BlackRock, who met -- who's an asset manager of billions of dollars. We had a discussion with CalPERS. I serve on the San Francisco Federal Reserve Board with President Mary Daly.

There are conversations about those resources being brought to neighborhoods. So if there's vehicle electrification, the charging stations will be equitably distributed. Which means that money will be equitably distributed.

And there was a previous speaker who talked also about infrastructure, and how infrastructure also supports housing.

So we see those movements all coming together, which will bring additional resources to support the tax abatement that you all are hoping to do today.

So I will leave it there.

MS. COHEN: Appreciate that.

MS. GORE-MANN: So much more to share.

But I really want to thank you for allowing Greenlining the opportunity to share a perspective on how the work that you're doing on the workforce might be helpful.

MS. COHEN: Yeah. Absolutely.

I appreciate your enthusiasm, and the new vocabulary in your presentation. I'm trying to take copious notes as you're -- as you're making your presentation.

Again, colleagues, we're going to save questions for afterwards.

And we are now going to go to Ms. Limon.

Could you -- can you just introduce yourself to us, and the floor is yours.

Thank you.

Oh, you have to unmute yourself.

MS. LIMON: Can you hear me?

MS. COHEN: Yes.

MS. LIMON: Okay. Perfect. All right.

First of all, I am going to share my screen real quick. I'm not sure if you're able to see this.

Are you able to see that?

MS. COHEN: Yes.

MS. LIMON: Perfect.

So first of all, my name is Noerena Limon. I'm the EVP for Public Policy for the National Association of Hispanic Real Estate Professionals.

I want to thank the -- the California State Board of Equalization, and especially Member Tony Vazquez for inviting NAHREP to participate in this hearing on this topic.

So I am here representing the National Association of Hispanic Real Estate Professionals, which is a national trade association with a mission to advance sustainable homeownership for Latinos, as we are passionately focused on -- on bridging the widening wealth gap in America.

We are here because we believe that any conversation around the economic mobility of communities starts with housing.

Housing is the center of family of culture, all centered around walls that nurture and provide stability.

Currently, we are facing a housing shortage crisis across the board. And we commend all of the ideas floated around today to use tax abatements to accelerate the production of more housing.

I'm here to talk about an aspect of

housing we don't talk enough about, which is homeownership. And the lack of rental housing has also meant that -- that more families are cost-burdened than ever before.

The supply challenges we find ourselves in make it harder to save enough money for the down payments that are needed to get offers accepted in today's real estate market.

At NAHREP, we've calculated that Latino homeowners have 28 times the wealth as Latino renters. That means that Latino households who have been able to purchase a home have a median household wealth of just over 170,000, compared to only 6,000 for renters, underscoring the seismic economic leaps a family can make through owning a home.

However, access to homeownership has become out of reach for many, particularly for those that don't have access to generational wealth.

So in terms of the color of housing, the topic of today, I want to say that the Latino homeownership rate has increased to 48.4 percent. However, in California, the Latino homeownership rate is 43.5 percent, ranking 36th in the Nation in terms of its Latino homeownership rate.

The Black homeownership rate is

38.6 percent. All of this compared to the 63.6 percent of the non-Hispanic, White population.

I do want to point out that San Bernardino, Riverside, Ontario, metro areas in California, locally known as the Inland Empire, produced the most new Latino homeowners between 2019 and 2021, adding a total of just over 88,000 new Latino-owner households.

The Los Angeles area ranked 5th and Fresno was 7th.

Despite the housing hurdles California faces, the state still plays a critical role in the national Latino homeownership story, and must continue to do so for the sake of the U.S. economy.

Following the Great Recession, Latinos actually drove homeownership and household formation growth. And in terms of demographic projections, this is consistent to where the Nation needs to be in order to ensure a healthy real estate market, and in turn, a U.S. economy.

However, in a sharp reversal of trends since 2017, it's been the non-Hispanic White population that's tripled in growth in both of these categories.

This pendulum shift coincides with historic drops in housing inventory. In fact, in 2021 it dropped to as low as 2.3 months' supply, which is the lowest ever recorded.

So what's happened is that many Latino would-be first-time homebuyers, and many for some homebuyers of color, have been priced out. And those who could rely on generational wealth were just in a better position to take advantage of the low interest rates that occurred over the past two years, not so much now, and especially with the announcement that was just made earlier today.

So let's get to the root issue. No other issue is impacting the homeownership rate more than the low supply of housing. And no state is there a more severe housing crisis than in California, the country's most populous Latino state.

The graph here shows the big discrepancies that exists between the median-household income for Latinos and the income needed to be able to afford the median-price home.

We spoke earlier about the role that the Inland Empire plays in increasing the national Latino homeownership rate, yet housing underproduction has significantly worsened there, as well as in the San Diego market.

Additionally, like much of the country, we heard from the earlier speaker about this issue, but Latino would-be homebuyers are losing a significant portion of housing stock to institutional investors.

Several markets experienced investors' purchase shares as high as 42 percent in Q3 of last year, San Mateo, Santa Clara, Orange County, Los Angeles and San Bernardino County, in that order, all had 36 percent or higher of the properties purchased by investors.

I challenge this group to develop tax credits that will incentivize sellers to sell their homes or their vacation or short-term rental homes to first-time homebuyers.

So to paint a picture of the realities faced by first-time homebuyers, according to a Realtor.com survey, 69 percent of Latinos took part in a bidding war.

Most respondents in our own survey reported that the average home in their market received between 6 and 20 offers, with the highest number of offers reported being 114 for a single home.

This was a participant in Sacramento, California.

And in most of the most populous Latino

counties, more than half of the properties in the market in 2021 sold over listing price, meaning that the difference in a price value came out of pocket.

I want to zero in on the right graph -- on the graph on the right that shows that six out of the ten counties in the country were in California.

On the left, I ran California counties. In San Joaquin County, 66.9 percent sold over asking, and in San Bernardino County, 62 percent sold over asking.

This is all a result of our housing supply crisis from affordable housing on up. And no product is more underproduced or has the least incentives than the building of entry-level housing for first-time homebuyers.

And, yes, we are a Latino organization, hence, why our data focuses on the Latino population. But I do want to stress that these numbers are truly a California issue.

Over the past decade, Latinos accounted for 68.6 percent of the population growth in California. And projections show that these trends will only continue.

The Urban Institute predicts that Latinos will account for 70 percent of homeownership growth over the past 20 years. This is all based on demographics, not on the realities of today's real estate market.

Inventory challenges must be solved, and tax incentives to spur production of housing is an economic imperative.

Thank you so much.

MS. COHEN: Thank you. Thank you very much.

We appreciate that.

Let's see. Is there -- I think we have -- just -- just so I'm -- correct me if I'm wrong, Gary Acosta is not speaking today?

Okay. She was -- okay.

Is -- is it -- is Beatriz Stotzer?

Okay. Ms. Stotzer, are you on?

Do you see her on? You don't see her on?

Okay. Well, thank you very much. Well, that's great. We can have a more focused conversation.

So we've got Ms. Gore-Mann, and we've got Ms. Limon for questions if anyone has any.

Mr. Vazquez, you look like you're -- you've got a couple questions.

MR. VAZQUEZ: Got a couple here.

MS. COHEN: Okay.

MR. VAZQUEZ: Let me start with Ms. Limon.

You know, you gave us so much information there on the housing front.

Now, is it your group's opinion or theory that if we can create more affordable housing, it would help homeownership as well, especially among populations of color?

MS. LIMON: Absolutely.

I mean, we have a housing supply crisis across the board. So we -- everything is -- is causing a downstream effect.

So the -- the crisis in -- in the supply of affordable housing means that less families are able to save enough money for down payment, and are able to achieve homeownership in their lifetime.

So we need housing across the board, absolutely.

MR. VAZQUEZ: And then, I guess this is more of a question maybe for Ms. Mann here.

On the -- your job is -- or it sounds like your group is really focused more on the lending side, making sure that banks are doing the responsible thing in terms of making it easier, I guess, or equitable, I should say, for families of color who want to take out a loan.

And I know in the past there's been that history where they, you know, obviously discriminated against people of color. And in some cases, you know, even those that had the money weren't even allowed to purchase property, especially in California.

MS. GORE-MANN: Yeah.

I'd say that that's one pillar of our work. We do a lot of policy and legislative work as well to write the policy.

And -- and I would agree with some of the comments made before about enforcing the current guidelines and -- and regulations.

So we do policy work as well.

MR. VAZQUEZ: Okay.

And along those lines, is -- does your group come up with some potential or possible, I guess I would say legislation, even though we're not in the -- in the position to advocate for legislation. But we could support things.

MS. GORE-MANN: Yeah. We're supporting about 20 legislative bills on housing right now. So there's quite a few. And significantly on climate as well.

And we try to, again, sit at that

intersection of bills that support building healthy communities, but also with economic opportunities.

So there's quite a few bills right now that are being assessed and coming through the committee work.

MR. VAZQUEZ: And this is, I guess, a question for both of you.

You know, just recently we had a proposition that passed, Prop. 19. And I don't know what your take is, especially when we're talking about ownership, and, you know, the intergenerational wealth. If either one of your groups had any clue that this thing was, one, brewing, and that now that it passed, the impact that might have on both of your missions.

MS. COHEN: Who's your question towards?

MR. VAZQUEZ: Either one.

MS. GORE-MANN: I'll let her go. I'll give her the opportunity.

Go ahead.

MS. COHEN: Ms. Limon, do you want to take a stab at that?

MS. LIMON: We did not take a position on that issue.

MS. GORE-MANN: We -- we didn't either. I was just -- we did not either.

MR. VAZQUEZ: That's what I was -- okay. Thank you.

MS. COHEN: Perhaps in the future we should.

MS. GORE-MANN: Yeah.

MS. COHEN: Because you see what happens when you don't take a position.

Let me look on my left.

Gentlemen, any -- any questions for the ladies, for our presenters?

All right. This has been incredibly enlightening, an important part of our conversation. It is always important to remember the systems that we -- that we are living in, and that we are operating under.

And also understanding it from a historical perspective, how we got to where we are today. Because that really helps guide the conversation as we move forward into the future.

And as we continue this conversation, we're going to -- what we produce here, we will share with you. So that we can collectively make sure that we're talking to each other as we look at different initiatives, whether they're legislative, whether they're -- well, or tax incentives. Either way, that

that is what we are all exploring today.

So thank you for your time and your presentation. Thank you for being with us all day. I hope you got something out of it.

MS. GORE-MANN: I did. Thank you so much.

MS. COHEN: I'm glad to hear that.

Ms. Limon, I hope to see you in person. And I'll be following up directly with you with more detailed questions.

I appreciate it.

MS. LIMON: Absolutely.

Thank you so much for the opportunity and for holding this important hearing.

MS. COHEN: Absolutely.

Thank you for inviting her.

MR. VAZQUEZ: No, and thank you. Because it was kind of last minute. But I'm glad that Gary made the recommendation.

Because you had some real good information.

MS. COHEN: Okay. We're going to keep moving forward. We're going to go to --

MR. VAZQUEZ: Oh, Madam Chair. If I understand, Josh -- remember, you were asking for Josh Hamilton?

MS. COHEN: Yes.

MR. VAZQUEZ: I understand he's on the line.

MS. COHEN: Oh, he's on now?

MR. VAZQUEZ: Yeah.

MS. COHEN: Mr. Hamilton, are you on?

MR. HAMILTON: I am on.

Can you guys hear me?

MS. COHEN: Oh, yes. Absolutely.

Please -- please go ahead and present to us.

Let's see. Introduce yourself to us, and let's hear your thoughts.

MR. HAMILTON: Sure.

MS. COHEN: Thank you.

MR. HAMILTON: Well, thank you for the invitation.

Yeah. My name is Josh Hamilton. I am a Senior Vice President here at Century Housing.

And Century is a nonprofit CDFI lender that provides early-stage financing for affordable housing projects throughout California.

So, you know, my job here is to oversee the lending operation, and to make sure that we are meeting every opportunity that we possibly can to infuse capital to developers of affordable housing at the very early stage of their development.

And so, you know, most of what we do, we have a number of different loan products. But, you know, my -- our bread and butter loan product is an acquisition loan for developer to acquire land that will eventually be developed into affordable housing.

And, you know, unfortunately, it takes typically -- but, you know, sometimes up to two-to-three years for developers to put together all of their financing that they need to go through the various steps, to procure the financing, to be entitled, to get their permits, get low-income housing tax credits. That can take some time.

And so, you know, our job here at Century is to really kind of step into that breach and give developers a acquisition loan, typically coupled with pre-development financing, so that they have the advantage of -- that a lot of other, you know, market-rate developers who can finance a project very quickly because they're not going after all these different government sources.

Our loan product and our value proposition to the affordable housing community is that we allow affordable housing developers to take land off the -- off the market, and to have a high LTD acquisition loan.

And it's basically a bridge to give them the time they need to put together the financing and all that goes into building affordable housing in California.

And so, you know, that -- that is what, you know, Century does. I was asked to give a real quick introduction about Century, and then talk about some of the ways that I think we can hopefully all work together to increase the production of affordable housing.

So just a little bit more about Century. So we were created, you know, over 40 years ago as a state agency. When the -- we're based in Culver City. We were traditionally based next door in Inglewood. But when the Century Freeway, the 105 Freeway was constructed, you know, when they started that process in the 1970s, obviously the 105 Freeway, which kind of, you know, goes right from like basically LAX east, cut through a number of low-income communities and destroyed a lot of affordable housing in the process of building that freeway.

And this was sort of one of the last three major freeways to be built in Los Angeles.

And, finally, we were finally coming to terms with the fact that freeway construction has a very negative impact on communities, and destroys affordable housing and divides communities in ways that we really wouldn't tolerate today.

So what happened was the Century Freeway Housing Program was -- was created through a lawsuit overseen by a judge named Harry Pregerson. And so the Century Freeway Housing Program was basically tasked with replacing that housing on a two-to-one basis, I believe.

So after the freeway was completed and after the housing was rebuilt, you know, after we met the consent decree, basically, the Century Freeway Housing Program was privatized into what we now call Century Housing.

And so that would -- that happened about 25 years ago. And over the last 25 years, Century Housing has invested, you know, about two-and-a-half billion dollars to developers to build affordable housing, creating tens of thousands of -- helping to create tens of thousands of affordable units.

And operations remain strong. We are very busy. We're one of the top CDFIs in the country, despite the fact that we only lend within California. And I -- I would venture to say that we're one of the top lenders to affordable housing in this space.

And, you know, we are a, as I mentioned, a CDFI, which is a community -- community development finance institution. And we're basically a lending entity that is created to fill the gaps that traditional banks cannot fill, because of -- of their regulation.

So we are an unregulated lender. We only finance affordable housing. And we can be creative and do things in such a way that a traditional bank can't do.

And so we use that as, you know, to our advantage to help create as much affordable housing as we can, in providing higher LTD loans to both for-profit and nonprofit developers of affordable housing.

And so, you know, every year for the last, you know, seven years plus now, we've -- we've exceeded $200 million a year in loans for about, you know, we do about 50-to-60 projects a year.

We're based here in Southern California. We have an office up in the Bay Area. And so, you know, we really have extended our reach throughout the state since those early Century Freeway Program -- Housing Program days when we were just really concentrated along the Century Freeway Corridor.

So very -- we're very proud of what we do. We -- we have strong relationships with a number of affordable housing developers. We work very closely with, you know, small nonprofits, all the way to large, very sophisticated nonprofit affordable housing developers.

We also have a very strong and healthy client base of for-profit developers, all the way from, you know, developers of color that we're helping to incubate and create new opportunities for new developers to come into this space, all the way up to some of the larger for-profit affordable housing developers in the -- in the country who are active here in California.

So that's a little bit about what Century does. You -- now, one thing I'll just note very, very quickly is Century is unique. We are -- our -- we are a -- we're created to be a lender for affordable housing.

We also have an affiliated real estate development operation who does -- which is also very active in -- in developing affordable housing. They're based here in our corporate office. They do a lot of work in Long Beach.

We're doing the Century Villages at Cabrillo, which is about a 900-unit campus. It's a former military base that we have been redeveloping over the last 20 years.

We're also leading the effort to create over a thousand units of permanent supportive housing on the West L.A. VA Campus here in Southern California, right at the intersection of the -- of Wilshire and the 405.

As many of you may know, there's a large development going on there. So Century is one of two developers active in developing that space.

We're doing a large project down at a former housing authority property in San Pedro.

So, you know, I -- I don't represent that side of the business. But I say that because it just kind of gives you kind of a more kind of robust understanding of what we do here at Century.

And also, you know, you may have heard about us through some of our real estate development activities. And I wanted to be sure that, you know, I -- I covered that, so that there wasn't any confusion.

We're all one company. We just have two different divisions, lending and development.

MS. COHEN: Thank you, Mr. Hamilton.

And I -- I apologize. But we have to -- we have to keep -- we have to keep moving.

We've got some speakers that we need to bring on that -- that are based out of New York.

So I appreciate your contribution, Mr. Vazquez. Thank you for making sure that Mr. Hamilton was able to join us today.

And to Board Proceedings, I just want to see if we could stick with the agenda. If people pop in and join us on the virtual environment, we -- I'm willing to hear them. But we'll have to hear them after the folks that we have in queue.

We're trying -- I'm trying to stay as close to time as possible.

All right. Okay.

Mr. Hamilton, if there are other remarks that you'd like to share with us, you're welcome to hang on till around 5:00 o'clock, and -- and we can bring you back. But we're gonna have to keep moving forward.

MR. HAMILTON: Okay. All right. Well, thanks for your time.

MS. COHEN: You're welcome.

MR. HAMILTON: I want to also thank Board

Member Vazquez for the invitation.

So thank you for bringing me on.

I look forward to spending more time with all of you.

MS. COHEN: I hope so. We'll have more meetings in the future.

Thank you.

MR. HAMILTON: Okay.

MS. COHEN: Okay.

Ms. Cichetti, could you please call, I guess, Section V.

ITEM V

MS. CICHETTI: Yes.

The next item on today's Board Work Group Agenda is Item No. V, Property Tax Abatement Strategies: "Highlighting Initiatives Across the Country, and Exploring Successes, Challenges, and Lessons Learned."

The speakers today from the state of New York, New York City, Matthew Murphy, Executive Director, Furman Center, New York University; Hayley Raetz, Director, Data and Policy, Furman Center, New York University; Jessica Katz, Chief Housing Officer, City of New York; and Brendan McLaughlin, Deputy Commissioner for Policy and Strategy, City of New York, Department of Housing Preservation and Development.

MS. COHEN: Great.

Thank you very much.

So this is an interesting portion of our agenda. We are going to be talking about property tax abatement strategies, highlighting initiatives across the country, and exploring successes, challenges and lessons learned.

And so we have our guests today from New York City.

Thank you for joining us in this meeting. You guys are almost, I'd say, the shining example of a city and a state that's doing it well.

So please teach us. We are ready to hear from you on your presentation.

I think first I have on my list, Jessica Katz. Is she going to be joining us first?

MR. MURPHY: My understanding is she's not.

MS. COHEN: Okay. What about -- are you Matthew Murphy?

MR. MURPHY: I'm Matthew Murphy, yes.

MS. COHEN: And then is that you, Hayley?

MS. RAETZ: Hi. I'm Hayley Raetz.
MS. COHEN: Raetz. Okay.
Well, Mr. Murphy and Ms. Raetz, let's see.
We're going to hear from you first, Mr. Murphy, as the Executive Director.
And then, Ms. Raetz, we'll hear from you as the Director of Data and Policy.
All right. Thank you.
The floor is yours.
MR. MURPHY: Thank you.
And we'll be weaving in and out actually --
MS. COHEN: Oh, great.
MR. MURPHY: -- for our presentation.
So thank you.
My name is Matt Murphy. I'm the Executive Director of the NYU Furman Center.
We're a joint research center between NYU's School of Law and our Graduate School of Public Service. And we focus on issues related to land use, real estate and urban policy.
Formerly, I worked in New York City government, as well as at the city's Housing Finance Agency on affordable housing policy and property tax issues.
I'm here with my colleague, Hayley Raetz,

who is our Director of Data and Policy at the Furman Center.

And today we've been asked to present background on New York State's 421-a property tax benefit. It's a section of state law which allowed, and that past tense is going to be important, the use of the tax exemption in New York City's five boroughs that was aimed at increasing the supply of multifamily housing, as well as income-restricted units in New York City.

I'll hand it off to Hayley to explain how the program works, before talking through some of its criticisms, and the findings of our recent research on units built under the program during the last decade.

Finally, we'll explore the positive outcomes, challenges and lessons learned from the program.

Hayley.

MS. RAETZ: Great. Thanks, Matt.

So I'm going to start with a high-level introduction to 421-a.

Although it is a complicated program, and so we're also going to try and discuss some of the details here today as well.

And as a note, we're going to be taking questions after the presentation.

So 421-a is a tax exemption program that effectively lowers property taxes on new housing built in New York City.

The program did sunset from law last month when it was not renewed by the New York State Legislature; however, existing properties that received the exemption prior to June 15th will continue to benefit from 421-a, as will properties which had a foundation in the ground before June 15th, as long as they complete construction in the next few years.

So -- and it's also worth noting that 421-a was originally passed by the New York State Legislature. So although the program is limited to New York City, the New York City Council did not have authority over program design.

So I'm gonna just break down how a tax exemption like 421-a works. And we're going to compare a property with 421-a to a property without 421-a.

One note, first, in New York City, residential property is taxed differently based on the size of the property, whether it has fewer than four units, or four or more units.

So while this is complicated, essentially, the multifamily housing that four or more units is taxed based on reported income and expenses, and then adjusted slightly based on factors such as location and other property characteristics.

So here we have this property without 421-a, and that's going to be taxed based on the Department of Finance's standard assessments of multifamily housing.

So in contrast, a property with 421-a is going to be fully assessed. But then the value of the new development is exempted, resulting in property taxes paid only on the land, and any pre-existing buildings prior to the new development.

The tax expenditure or the property taxes that the city foregoes is the difference between full property taxes and property taxes paid under 421-a.

So originally created in 1971, 421-a was aimed at reviving New York City at a time of urban stagnation and disinvestment by lowering the cost of building new housing. The program was intended to revitalize the city's market and kick-start new residential development. An early version of the program provided a 10-year exemption.

Originally, 421-a had no requirement to include affordable housing and new development. And as the market began to strengthen in the 1980s, the city began to carve geographic exclusion areas out of the program, starting with Manhattan, and then moving to parts of the outer boroughs.

The most recent version of 421-a, known as Affordable New York, was passed into law by the Legislature in the spring of 2017, after the previous version was allowed to sunset at the beginning of 2016.

And then Affordable New York expired, as I mentioned, on June 15th this year, following a contentious debate over the program.

So the most recent version of 421-a, also known as Affordable New York, has seven options. And each of those options has unique requirements.

So six of the Affordable New York options are for rental properties. So the exemption period for these rental options is 35 years, with the exemption dropping to the share of affordable units for the last 10 years for certain options.

These rental options are distinguished by restrictions on other financing sources, property size and location, the share of units that are required to be income-restricted, and the level of affordability required for those units.

So, for example, the commonly used Option C prohibits the use of government subsidies and restricts development outside of Manhattan below 96th Street.

Income-restricted units under that option are affordable to middle-income households.

In addition, 421-a includes a very restricted, rarely-used ownership option for small condos and co-op properties built outside of Manhattan.

The exemption period is set for 20 years, and the average assessed value for those units must be less than or equal to $65,000, which is going to roughly equate to a condo worth around $400,000 in that -- in the current market.

So the most recent version of 421-a included certain requirements and restrictions, including the following:

Market-rate units in these buildings that exceeded the New York rent deregulation threshold at the time, which was $2,816 in 2021, either at time of initial lease up, or during the exemption term, were no longer subject to rent regulation.

Affordable units were required to either match the share of market-rate units that were at each bedroom size on the property, or at least half of the affordable units had to have two or more bedrooms, and a maximum of a quarter of units could be studios.

Only properties with six or more units were eligible for the program.

The new building was required to include an afford -- a new affordable unit for each residential unit existing on the site prior to construction.

And then, finally, projects with more than 300 units were subject to average hourly wage minimums for construction workers.

So I'm going to hand it back to Matt.

MR. MURPHY: Thank you, Hayley.

So I'm going to talk now about some of the criticisms of 421-a.

So 421-a, throughout its history, has encountered substantial criticism. Including in its most recent form as Affordable New York program.

MS. COHEN: I'm sorry. I didn't hear that last part. You said it's received some criticisms.

MR. MURPHY: It -- it just -- it got a new name. But we all still call it 421-a.

MS. COHEN: Okay.

MR. MURPHY: And the new name is Affordable New York.

MS. COHEN: Okay.

MR. MURPHY: So just making clear that every round, unfortunately, has been criticized, including when it got a new name.

So critics argue that the program's costs simply outweigh the benefits, the tax expenditure.

So the differences Hayley mentioned between assessed value and the -- the actual taxes paid was $1.7 billion in 2021. And that supports close to 200,000 units, only a portion of which are income-restricted.

So critics also argue that a substantial portion of units built under the most recent version of the program are affordable to middle-income households predominantly, rather than low-income households, earning as high as 130 percent of AMI.

So in our region, that's about $140,000 for a family of three.

Finally, critics argue that there are more direct ways to encourage multifamily rental development in a comparatively high tax environment, including just reforming our property tax system more broadly, rather than kind of band-aiding it with 421-a.

There are counter-arguments to these. Others counter that the cost of the program is outweighed by the benefit, because new units would just simply not be built, especially new -- new rental units, without the exception.

In addition, some counter the criticism of subsidizing units affordable to middle-income households by arguing that deeper affordability would limit new development in middle markets especially, which undercuts one of the goals of the program to increase overall housing supply.

Finally, proponents of 421-a argue that improving the property tax -- tax system more broadly is not feasible, given long-standing political challenges to systemic reform.

But another way in New York, we've been talking about property tax reform for 50 years, and we have not done it.

So I'm going to talk -- or Hayley is now going to talk about our analysis of 421-a in the last decade.

MS. RAETZ: Right.

So in a recent data brief that we put out, we explored what was built under 421-a during the last decade. So we're looking at between 2010 and 2020. And during that time period, a variety of versions of the program were in place, including Affordable New York, which is the most recent version, which began in earnest in 2017. Just to be clear.

So as you can see here, 421-a was responsible for the majority of new residential units among properties with four or more units built during this time period.

For context on the program scale, in 2018 almost 5,000 units were built under other tax exemptions, which primarily support 100 percent income-restricted housing, while close to 17,000 units were built under 421-a.

And here we've just grid out data in recent years, because we believe there are delays in the data on the use of exemptions like 421-a.

And in our focused chapter report this year, a separate report, we also estimated that between 2010 and 2020, a high number of income-restricted units targeted to households earning 80 percent of AMI or less were constructed.

So we estimate that more than 9,000 of those units were built in properties just solely benefiting from 421-a. Close to 8,900 units were built in properties benefiting from both 421-a and other government subsidies. And then a little over 34,000 units were built in properties benefiting solely from other government subsidies like LIHTC.

So we also reviewed the average sub-borough area characteristics of income-restricted units built between 2010 and 2020. And we find that when examining units targeted to low-income households according to their type of subsidy, those receiving 421-a only were built in neighborhoods with a lower poverty rate on average than units receiving other government subsidies.

Research shows that low-income children who grow up in lower poverty neighborhoods fare better economically when they grow up. So this research highlights the value of building income-restricted units suitable for families in wealthier, better-resource neighborhoods.

Our data showed the opposite trend, however, among all units targeted to low-income households that were built between 2010 and 2020, including those units built under different programs than 421-a.

We found that studios in one-bedroom units were built in census tracts with higher incomes, higher rents, and lower poverty rates, on average, than larger units.

So a common question about 421-a, while it was still in place, was whether and how the current expenditures could be redirected to other programs. But because of their long-term structure, committed tax exemptions will continue to drive expenditures well into the future.

So regardless of 421-a sunsetting, the program will continue to be a central source of tax expenditures for the city as properties exemptions follow their benefit schedules and begin to phase out over time.

So here we estimate 421-a expenditures based on exemptions in place in 2021. According to that estimate, even though the program ended this year, we shouldn't expect to see a significant decline in expenditures for at least 10 years. And we will not see expenditures for the program completely end for 35 years. And that's the longest benefit period under the most recent version of the program.

So I'll hand it back to Matt.

MR. MURPHY: Thank you.

And I'll just close us out with kind of a review of the positive outcomes that we perceive, the challenges with the program, and then our lessons learned.

And this is a mix of personal experience on the legislative and government side, as well as on the research side.

So in terms of positive outcomes, many would argue that 421-a did open up new rental development, multifamily rental development opportunities in a comparatively high tax environment.

In New York City, it is the case that new multifamily rental properties pay as much as 30 percent of their gross income towards property tax, which is just a very high rate.

The new properties built under 421-a do add to housing supply, many of which otherwise would not have been feasible, or would have been built as an alternative use, like a condo or a commercial development, if they had the zoning, or hotel.

While these properties do not contribute taxes in the short run, in the long run, they do add to the city's tax base once the exemption wears off.

In addition, 421-a was effective at developing affordable units in higher-income areas, as Hayley just showed. Especially when compared to other affordable housing programs, more heavily government subsidized like low -- use of the low-income housing tax credit.

Next, I'll talk about the challenges. New York's experiences with 421-a surfaced a number of challenges in designing and implementing such a program.

The program sunset in June of this year reflects the challenge of unpredictability for the marketplace especially, based on the political cycle for a program that sunsets every handful of years from law.

In addition, the program had to balance affordability, market conditions and land costs.

Some argue that a portion of the subsidy provided via the tax exemption was offset by a subsequent increase in land costs, undercutting the effectiveness of the program, or, put another way, the subsidy was being mostly captured by existing landowners.

It is challenging to design a program where market conditions vary widely. For example, do you draw lines that have an affordable housing requirement within them, because they are a strong market, but not outside of them because it is a weaker market?

It has been New York City's experience in the last 20 years that because markets can change quickly, this is a very complicated exercise in practice.

The designers of the program also had to weigh the depth of affordability and share of income-restricted units required against ensuring that the cost of restricted units can be effectively subsidized by market prices, that is, markets will pencil out or be financially feasible.

Finally, it is challenging to design the size of the benefit, including how long it lasts. Subsidy is particularly valuable at the beginning of the project, because it attracts financing. But it can be difficult to determine how long the subsidy needs to, A, to -- to be, A, to stimulate development in general, and, B, to support the operating cost of the affordable units, knowing the goal is to keep those units affordable in perpetuity.

And then just in terms of the lessons learned from the program, policymakers have a number of considerations. The reality is there are a number of political considerations when designing such a program, including on the affordability side, the tenant protection side, as well as the labor and construction side.

Fair housing considerations are key. For example, policymakers should anticipate and mitigate against any issues that reinforce segregated living patterns, or give the appearance of violating the Fair Housing Act.

For example, a controversy in New York City recently was the "poor door," a separate entrance for income-restricted units, or in a past form of the program, developers were allowed to place income-restricted units off-site, in some cases even in another borough.

Without proper zoning, no exemption can unlock new multifamily housing. Policymakers should understand how a tax exemption like 421-a must be partnered with zoning reforms where needed, or ensure in general that the zoning is there.

Policymakers should consider how local inclusionary housing programs can work in tandem with the property tax exemption. That is not double subsidizing or double-dipping, or ensuring that the programs align.

And given the importance of opening up

neighborhood resources to children in particular, policymakers should put consideration into unit size requirements, such as the number of bedrooms, or the income -- or for the income-restricted units.

In addition, they should consider enforcement mechanisms for any rent stabilization that's put onto the units, as is the case in New York City.

And, finally, policymakers should consider building in flexibility to adapt to a changing environment, while also providing program clarity to the market.

And with that, we will conclude.

And be happy to answer any questions.

We have just discussed one of the -- two of the most complicated issues that I'm aware of in New York City. One is property taxes in general, and, two, is the 421-a program. So I appreciate your parent -- patience as we -- as we went through it.

MS. COHEN: Actually, thank you very much, Mr. -- Mr. Murphy and Ms. -- Ms. Raetz. We appreciate -- Ms. Raetz. We appreciate your -- your -- your candor.

And I'm curious, when you were saying that the 421-a program had criticism, who is criticizing?

MR. MURPHY: Criticisms come from another place -- a number of places.

I mean, and the first, in general, we attribute to a general sentiment of the criticism that new housing supply does actually reduce costs. So what we call supply skepticism.

421-a becomes a poster child, because it's not just that it's building new housing, it's also that it's government subsidizing the building of that new housing in the form of tax expenditure.

Another criticism is from our, I guess I would call, advocates of low-income housing, where making the point that 421-a, in its current design, didn't serve households that had, you know, low incomes. That it was a combination of middle incomes, low incomes, extremely low incomes. But the way the program was actually used wasn't leading to creation of a significant amount of low-income housing.

Those are some of the major criticisms, you know. And then you get the criticism of just the idea of subsidizing, you know, real estate development, and that it's a -- it's captured by landowners.

So you have all the kind of typical

considerations and conversations around housing affordability that come up. 421-a is kind of on steroids, as I would say.

MS. COHEN: Okay. All right. Thank you very much.

We're gonna keep moving. And we'll circle back to you for questions, if you wouldn't mind.

Actually, let me pivot.

Colleagues, do you have questions?

Yes. Mr. Senator Gaines has -- has a question for you.

Just in the -- keeping in mind, you're three hours ahead of us. So you probably don't want to hang out with us very much longer.

So let's go ahead and get our questions out.

Okay. Go ahead, Ted.

MR. GAINES: Yeah. Thank you very much.

And thanks for showing both the pros and the cons. I really appreciate that. In terms of the challenges that you've had to deal with.

But could you just expand a little bit on, in the event of the absence of 421-a, would you -- would you just be -- have market housing, and there would not be an answer to affordable?

I mean, what would that look like? What would New York City look like without a program such as this?

MR. MURPHY: That's a phenomenal question. And -- and folks are speculating about it.

What we have theorized is that there -- there's a few kind of lines of logic. The first is you could assume that it will come back. That the politics around it will make it so that, because our supply constraints, unless we reform property taxes, that they will have to come and do something. Because our tax rate is just so high on multi -- new multifamily development.

But let's say it never comes back. Then a few kind of possible outcomes. The first is a lot of development shifts to condominium.

421-a was changed. In prior versions of the program, we had as of right allowance of condominiums receiving the benefit. And had some, you know, pretty both middle-class but also egregious examples of very high-end condos receiving the benefit.

The law changed and took condos out. We -- you could see a world in which there's no 421-a, there's less competition with condo development. We subsidize homeownership in other ways across all levels of government. And as a result, you would see more market-rate condominium development.

And some of the issues there are just that condos are significantly larger. So you -- it's just less households and housing. And obviously are expensive -- expensive as well.

The other -- but -- but at the same time, they would be contributing full taxes.

The other line of logic is that because we don't rely -- we kind of glanced past this, but it's an important point.

New York state allows affordable housing development to use other tax exemptions. So 421-a would get layered with tax exempt bonds, or low-income housing tax credits. But because we have others, we expect that the government subsidized the more heavily subsidized that is, you know, local funding, local housing tax credits, will all go forward kind of at the scale -- same scale as it had without 421-a.

The issue, though, is that in New York City those are sited, as Hayley pointed out, in very different kinds of neighborhoods than where the market was building.

So the expectation would be you would just get far less low-income housing built in like our very strongest markets.

So, you know, those are the lines of logic.

Then the final is that, well, if it is a land subsidy, then land costs will adjust down. And then they'll get down to a point where, you know, it makes development feasible.

And the problem with that line of logic is most of our land has some form of alternative use. And in this case, especially the condominium use, would be the baseline.

So it all involves a complicated array of market conditions, etc. But in general, we expect to see less overall units developed, a changing composition of units developed, far more towards condominium.

And then a question about whether and how the kind of local land prices adapt.

MR. GAINES: So this would be more -- more affordable market, affordable units versus low and very low?

MR. MURPHY: Yeah.

Right now we don't have a program that tells the market to -- or asks the market -- incentivizes the market to build affordable housing, along with their market-rate housing in the absence of 421-a.

MR. GAINES: Okay. Very good.

MS. COHEN: Question for you.

MR. GAINES: Thank you.

MS. COHEN: I just want to acknowledge that the state of California is just starting down this path to consider property tax abatements to incentivizing -- to incentivize housing development.

What top three recommendations would you suggest that California contemplate as we go through this process?

MR. MURPHY: It's a -- it's a phenomenal question.

And, you know, I think it's -- I -- I have so much respect for you guys for -- for taking this on. Because it's -- fundamentally, it's a tool to address supply issues and supply constraints.

And that it is just the case that here, we have a lot of supply constraints. But we have also built, you know, a good amount of housing per capita. Not as much as -- as we need to, and in general not as much as we need to. And it will be a big question about what happens going forward.

But I also think a big difference between -- in our politics here is that designing a program that is a market-rate incent -- or an incentive to build new housing that includes low-income housing, affordable housing today, versus dealing with a program that was created 50 years ago and has kind of evolved every five years, I think is maybe -- I don't want to say maybe, I want to be definitive about it, but I think it's a -- it's a -- it's a better exercise. Because you can mitigate some of these concerns.

So the first is I think a cost-benefit analysis of different types of markets would be really helpful.

And by that, I mean, what is it you're getting in terms of affordability over the long run, versus what are you giving up in the form of a property tax expenditure?

And the hope being that you will benefit more in the long run. And that's without even considering just the price relief that comes from supply, just from the affordable standpoint. I think that's a really important exercise.

The second is, you know, I -- I -- I, you know, would simplify it to be like, well, what are you trying to address?

And if it is an overall supply issue, and you need -- just need emergency, kind of, market-rate housing, then you might sacrifice on the affordability side, but also give less of a benefit.

If it's more about, well, it's that and also we want all new housing to include a portion of affordable housing, then that's a question of program design, and how much property tax expenditure, and how long, you know, are you kind of willing to -- to allow that to go.

And that can just be an incredibly powerful tool, a mixed-income house -- new housing development tool.

And then the third, and I think it's critical. And we got to see some of the prior presentation. Is what do you do about homeownership?

I think it's a really important thought/exercise to go through. Because New York City, and as a part of this, we reformed it to -- to move away from homeownership. The idea being, like, why are we subsidizing, like, high-cost condos?

But, you know, depending on where you are, I just think it's probably a really critical question to think about, you know, whether and how that fits in.

Because it's helpful to homeowners. It

gives them, you know, incentive. But at the same time, it's the same question of who's capturing that -- that subsidy, and then who's kind of left holding the bag when the exemption wears off.

So -- so those are, you know, some three big ones. But I -- I do think it comes down to kind of underwriting exercises and balancing financial feasibility, and then thinking about how do -- how do you allow the program to adapt, and -- and where do you allow the program, and what form, and -- and then what types of buildings?

It sounds like a lot. It's a, you know --

MS. COHEN: It does sound like a lot, Mr. Murphy.

Let me jump in, just because we -- we're pressed for time. But I want to get my section -- my second question in.

Are you able to provide some insight about the future of property tax abatement in New York?

MS. MURPHY: Right now --

MS. COHEN: Ms. Raetz knows something. I saw her facial gestures. She -- don't hold back.

So -- I mean, clearly the data shows success. But the law just sunset. So I imagine there's some politics involved.

MR. MURPHY: There's big, big-time politics involved. The reality is we just don't know.

Actually, I -- you know, you kind of said, "Wow, you guys are doing really well." I'll say, you know, we flip it here. People here are talking about how did California do their land use reforms.

And, you know, a long kind of process, like we're actually behind as a state what California has done. And so here I think more of the conversation is flipping to the supply constraint being our regional restrictions on new development in the form of land use.

Whereas there, I consider it kind of a natural follow-up to what has happened, because that -- you have the zoning, now you need the capital, you need the builders.

And -- and property taxes are a barrier to building. And so that -- that's just kind of the reality.

So here, though, we expect it to come back in some form, a program that has more affordability, a lower tax benefits schedule, but still makes rentals competitive with condominiums.

And we kind of need it, because our -- the inclusionary housing programs that we've passed will only work -- or will work best when it's coupled with a 421-a exemption. And the market has the tax side, the zoning side, but also is providing affordability. And we expect to see more conversation about that.

MS. COHEN: Okay. All right. I'm afraid we are out of time.

We've got one last question from my colleague, Mr. Schaefer.

MR. SCHAEFER: Well, Mr. Murphy, I just wanted to thank you for all your input. I feel we're fortunate to have an executive with the responsibilities you do to share with us.

If you are a day employee, I want to take judicial notice that it's after 6:00 o'clock there, and you should get time-and-a-half.

And I want to tell you that 64 years ago I was a student at NYU at Washington Square and summer in Greenwich Village.

At 84, I'm the oldest California constitutional officer. And I'm excited to see what we're all doing, and that we can be coast to coast.

Thank you again.

MS. COHEN: All right. Thank you.

MR. MURPHY: Thank you very much.

MS. COHEN: Thank you for your presentation. We appreciate you sharing your wisdom and experience with us.

MR. MURPHY: Absolutely. We'll talk to you soon.

MS. COHEN: Wait. One more question. Hold on. Hold on.

MR. VAZQUEZ: One more real quick.

Did I hear you mention earlier when you were saying that, you know, now that this thing is sunset, unlike here in California, we have inclusionary housing. You don't have inclusionary housing development, or do you?

MR. MURPHY: Oh, no, we -- we do. Sorry.

I just meant that we have two forms of inclusionary housing, mandatory and voluntary. And -- and both will only work best with a market tax exemption like 421-a in place, rather than a discretionary one, which is what we only have right now.

MR. VAZQUEZ: Got it. Thanks.

MS. COHEN: Okay. All right. We thank you very much.

Okay. We're gonna have to move on.

MR. MURPHY: Thank you. Okay.

MS. COHEN: Ms. Cichetti, could you please call speakers from the state of Washington?

MS. CICHETTI: From the state of Washington. I'd be happy to.

Speakers from the state of Washington, Seattle:

Maiko Winkler, Director, City of Seattle, Office of Housing; and Jennifer LaBrecque, Manager, Market Incentives, Land Use, and Sustainability Manager, City of Seattle, Office of Housing.

MS. COHEN: All right. Thank you very much.

I believe they're joining us virtually.

MS. CICHETTI: They are. Let's -- I don't see them on.

MS. COHEN: Okay. Well, let's go to the JPA portion of our discussion then.

MS. CICHETTI: Okay.

MS. COHEN: So that's VI.

MS. CICHETTI: Item VI.

MS. COHEN: Yes.

ITEM VI

MS. CICHETTI: The next item on today's Board Work Group agenda is Item VI, Understanding

California's Experience: "Highlighting Local Government Use of Joint Powers Authorities, Welfare Exemptions, and Other Strategies to Increase the Availability of Affordable Housing."

The speakers will be in three separate groups. The first group is John P. Stoecker and Ben Barker, both of them are financial advisors with the California Municipal Finance Authority.

MR. STOECKER: Good afternoon, Madam Chair.

John Stoecker with the California Municipal Finance Authority.

Thank you, and thank you to the entire Board. Super excited about speaking on middle-income housing.

We've got a program that goes by many names. Some people refer it to as middle-income housing, others, workforce housing, and some, essential housing.

MS. COHEN: Okay.

MR. STOECKER: It really goes back to really back in World War I was -- was the first time workforce housing was tried.

And then it's kind of appropriate that New York just went. The -- this California program was -- really went off of a program that was started in New York about 50 years ago using a property tax abatement to effectuate the program.

And California has started with that model, and updated it to serve Californians. And so we are -- are very excited about what this has offered. It's really been meaningful to change the lives of the missing middle, to help them, especially in today's higher inflation environment.

Now, as you discussed at the very beginning, folks that are making market rate can afford to buy market-rate apartments, that, you know, they've got plenty of income.

And folks that are in the lower-income spectrum, there are multiple affordable housing programs. But the people in between there, what we refer to 61 percent AMI to 100 percent AMI, area median income, those are the missing middle. And that's the folks that we are -- are working to fix.

And these workers are the people that are critical to California's communities, and critical to our economy. And they're the people that provide our education, our healthcare, our public safety and services.

Now, the middle-income program, as we talked about, it -- it fills the gap of affordable and market rate. And it does that -- does this at a lower cost, with a lower subsidy than most of our affordable housing programs.

For example, the tax credit programs usually subsidize their projects anywhere from 30 to 70 percent. The only subsidy we have is the property tax abatement. And that is done on purpose, so that we don't compete with the other affordable housing programs that -- that could use every -- every piece of -- of subsidy that they've got.

So as we talked about, the property tax exemption is what enables the program. But the key differentiator of this middle-income program or workforce-housing program, essential housing program, is government ownership.

Local governments through joint powers authorities own these assets. And so that ownership provides a number of benefits. The biggest is, is that besides providing affordability right now to middle-income residents, all of the equity, all of the appreciation of the asset goes to local government.

And the residents enjoy that, as opposed to with most of the other programs that we have in the state, private entities ultimately enjoy the asset, and enjoy all that appreciation.

So government ownership versus private development, a big benefit.

Now, the -- how exactly the middle-income program works is that the joint powers authorities either purchase a current market-rate unit, or -- or project, or we finance the building of new construction, the fixed -- the missing middle.

On the cases where we purchase an existing project, we purchase that asset. It goes from private ownership to public ownership. And because of that, when you have governmental ownership, it comes off the property tax rolls.

And so with that incentive, we are able to reduce the rents to the -- the middle-income residents.

And this program fills the need for folks between 61 percent AMI and 120 percent AMI, programmatically. Although, that -- we can fit the needs of certain cities. And we have customized this.

But as you're all aware, I'm sure, per HUD definition, below 80 percent AMI, the 61 to 80 percent still qualifies for low income for affordable. So the meaningful reductions to residents that are staying here.

Well, programmatically, there is no displacement of existing residents. And so we don't -- no one is kicked out because of this.

As part of the purchase and part of the program, just like with affordable housing projects, we put a regulatory agreement on the property to ensure that the affordability requirements stay there, and serve the residents that live there.

And the -- the city makes sure that the project is covered. And we are doing what we say we're going to do.

Now this program has created $8 billion of private investment into California. And we've been able to create over 13,500 middle-income units to the tune of roughly 50 different projects.

And these projects go from new construction, class-A type projects, to older, value-add projects that require a fair amount of rehabilitation.

Now, there are folks that are concerned about the property tax loss. And, yes, that's meaningful. We think it's a great investment to provide middle-income housing.

But I think it's important to look at that it's not a loss like you may see in other affordable housing projects. It's more of a deferral. And, more importantly, it's an investment in the future.

Because all of the appreciation, that benefits local government and the residents there, because of the governmental ownership.

If you look back at any 15-year period in the last 45 years, I think you would see that this $8 billion investment should multiply all to the benefit of local government.

So, once again, local government control of the project. The local governments through a public benefit agreement, they control the asset. They control what happens to the asset if it stays in the middle-income program.

If they want to sell it, or after the bonds are paid off, what we're hearing from most municipalities is that they are wanting to, since all the bonds are paid off, they have an asset free and clear, they intend to use that as an affordable asset. And they can end up having deeply affordable units, because there's nothing on -- no debt on the -- on the project.

And so, you know, big difference between government ownership, and where a private asset will roll off and -- and benefit, ultimately, an individual.

Now --

MS. COHEN: Real quick, Mr. Stoecker.

MR. STOECKER: Yes, Ma'am.

MS. COHEN: I just want to remind you that you got Mr. Ben Barker also who's here with us in the chamber today. So I want to make sure that he has an opportunity to share a couple of his thoughts, too.

MR. STOECKER: Yes, ma'am. And I was just on my last sentence.

MS. COHEN: Oh, okay. Okay. All right. Just checking. Go ahead. Wrap it up.

MR. STOECKER: I am so sorry.

So thank you very much. We appreciate the opportunity to work with -- with you and the Board to continue to provide solutions to Californians.

Thank you.

MS. COHEN: Oh, that's a nice -- that was a nice last sentence. I'm sorry I interrupted you. I appreciate that.

Okay. So here we have in the chamber today we've got Ben Barker, whom you -- who you know. But we also have Sean Rawson from Waterford Property Company.

It's good to see you both today in real

time.

Mr. Barker, do you have any comments?

And then Mr. Rawson will follow up from and close out with you.

Okay.

MR. BARKER: Yeah. I have a few comments.

I could reiterate John's last sentence. But --

MS. COHEN: Okay.

MR. BARKER: But I'll just start.

So I'm usually pretty good off the cuff, but I did make a few notes.

My name is Ben Barker. I'm with -- the Financial Advisor to the California Municipal Finance Authority.

I've spent my entire career financing housing. So I've -- from doing $20 billion in mortgage back to securities, to spending the last 15 years of issuing bonds for affordable housing projects, roughly doing 60-plus affordable housing projects per year.

I just like to state that I grew up in affordable housing. I -- I lived in a thousand square foot project with my five brothers and my mother.

My -- half my family is still on welfare. And so affordable housing is deep -- something, you know, that means something to me. And that's why I've chosen to stay in this career.

So kind of going on and iterating what John went over. I do feel lucky that I'm able to advise the CMFA. To date, the CMFA has issued over 550 affordable housing projects for low-income housing projects.

The CMFA currently has close to 100 affordable housing project applications that are going into CDLAC this year.

Unfortunately, we are limited by bond allocation, and maybe only 30 to 40 of those will be lucky enough to be financed through the bond allocation Tax Credit Committee.

I do believe that the other bond issuers, as well as myself, we have enough in our pipelines that we could take all of the bond allocation this year, as well as next year, and then maybe into the following year.

So we're in a -- we're in a spot where there's obviously not enough bond allocation. And we're not going to be able to get all the affordable housing projects financed that we want to.

So the CMFA, a few years ago, started looking for other opportunities to finance affordable housing. You know, what could we do to create affordable units?

So we did a deep dive into the middle-income housing program that John just outlined. And we came to the conclusion that the public benefit was really there. The public benefit in this program, I like to view it as transition housing.

So in the state of California we have those deeply-discounted affordable units, and then we have really expensive. But there's nothing in between. And that's why we keep seeing the missing-middle income. We've seen it in articles. We've seen it everywhere, that there's this missing middle.

And if you've ever taken a tour of an affordable housing project, you would notice they're really nice projects.

And for somebody to leave an affordable housing project and move into a market-rate project, they're not getting anywhere near the -- the type of housing that they deserve or need. And there's no incentive for them to leave. They're going to stay there forever.

And that's why we see, statistically, the people don't transition out of affordable housing. So we're stuck in this cycle of always needing to create more, because we don't transition anybody out.

So John briefly outlined that this middle-income housing program has different affordability buckets, starting at 60 percent AMI, going to 80 percent AMI, then 80 to a 100, and 100 to 120.

So I really view this program as a transition out of the deeply-discounted affordable into middle income.

Macro or microeconomics have shown recently that if people are living around higher-wage income earners, they move up the economic ladder.

CDLAC and TCAC have recently changed their regulations over the past two years. And instead of just continually flooding a very low-income area with affordable housing, they're incentivized to put new affordable projects into more fluent areas. They want to get these people mixed in with more affluent people, and they can work their way up through the ladder.

But in our current system, we don't do that. And we don't really have any of the groups that you would think would be out advocating for the affordable housing to advocate them to move on and transition out.

So, unfortunately, there's been, you know, and I think John did hit. We think that the -- this program has been a smashing success.

The middle-income housing projects, first, do not rely on any federal, state or local funding. We don't ask for grants or any subsidies in that manner. It's purely through the tax abatement that we're able to finance these programs.

And so the interesting thing, there's been 51 projects financed, 13,500-plus units created over the last three years. And on average it's about $443,000 per door to finance, as opposed to maybe the -- the LIHTC program that can range 600 to a million-one per door that we've seen in San Francisco lately.

So, first, we're not asking for money. We're not asking for grants. We're not taking anything from the low-income housing projects. And we're getting a better cost per door.

And Jon Penkower is going to go into more statistics later about the turnover and the public benefits being provided.

Unfortunately, there have been some

articles. I think everybody's seen those. About the pre -- and papers produced, about middle-income housing.

Obviously AB-1850 was just struck down. There was zero middle ground between the authors and the people that are actually creating the affordable housing. Really, the advocates had said that they'd like to put guardrails on the projects, and they proposed legislation. We all went through the 51 projects that the legislation would have been approved, zero of these projects would have been done. So we would have created zero middle-income housing projects with the proposed legislation.

And, again, we're more than willing to work with -- with legislators, and to work through and get good legislation in place. It's just the current legislation that was killed wouldn't provide any affordable housing.

And just to kind of go -- there's been some other statements that are out there that talk about the middle-income housing. You know, people have used the phrase, it's a discounted Ferrari.

We've worked pretty tirelessly to kind of go through and work with the market and work with advocates and -- on both sides of the aisle of this.

And there's a lot of terms have been thrown out, "discounted Ferrari," again.

Half the -- half the projects that have been created have been 80s and 90s stock housing with hundreds of millions of dollars put back into the rehab of those projects.

So these are not all brand new units, brand new projects that are just lining the pockets of somebody.

I have a lot of examples of projects that we looked at. CMFA, unfortunately, we're dealing with market-rate sellers, and we're competing against market-rate buyers.

If it takes us a year to go through the process with the city, and having to explain newspaper articles, and other reports and things like that, you -- you can't compete.

We looked at a project where we would reduce, day one, $1,000 per door. The process took about a year to get through the city. And once we were approved, the seller just decided, "I'm done with it." They flipped the project. They sold it for $34 million more than what CMFA had in contract, and raised the price per unit $1,400 per door.

So there's a $2,400 swing in the rent in what could have been the rents for that -- those projects.

But I do believe in this program. I believe it provides vast public benefit. The market is correcting itself right now, the bond market and the purchasers. And so the -- the program is continually improving.

We're hoping the bond market comes back a little bit later this year. And then we can start working on some more of these -- more of these projects.

And the next two speakers will be able to go into deep detail about actual specific projects, as well as the statistics of the great things that have been provided.

And with that, I'd like to turn my time over to Jon Penkower.

MS. COHEN: Great. Thank you.

So the next speakers, colleagues, we're going to hear from, this is Jon Penkower and also Sean Rawson.

So I think Jon's going to go first.

MR. STOECKER: Jon's going to go first.

MS. COHEN: All right.

MR. STOECKER: Thank you. Thank you, Madam

Chair.

MS. COHEN: And then we'll hear from Sean.

Hi Jon.

MR. PENKOWER: Hi there. Good afternoon, Madam Chair, Board Members.

Jon Penkower.

Thank you for including us in today's discussion. I apologize for not being there in person. But I've been watching all day, and am pretty amazed by the -- the many creative ideas that we all need to create more affordable housing throughout the state.

I'm with CSCDA, the California Statewide Community Development Authority. Much like our friends at CMFA, we are a joint powers authority created back in the 1980s by the League of Cities and CSAC to provide financing tools for cities and counties.

We represent 530 city and county members, and have issued $70 billion in bonds for a variety of different types of projects, infrastructure, financing.

We issued new-market tax credits for investment and low-income census tracts. And, again, similarly to CMFA, we financed a lot of traditional multifamily low-income housing.

We have about 800 projects in our portfolio for about 90,000 units of traditional affordable housing that have been created with 4 percent tax credits.

We similarly got involved in the essential housing program a couple years ago after realizing that none of the current subsidies are available to those earning above that 60-to-80 percent AMI demographic.

Even when CDLAC and TCAC were not oversubscribed like they are today, we had about 13 years of an over of -- of having plentiful tax credits and bonds, they still wouldn't be available to help alleviate rents for those earning a middle income.

So we -- we got involved two years ago. We have acquired and financed 30 projects for 7,700 units throughout the state.

Again, we did so because we -- we were and remain unaware of any other programs out there that are able to significantly and immediately reduce rents for those in the middle-income, moderate-income demographic.

This is our workforce. These are teachers, firefighters, public safety officers. We hear stories every day of city and county employees moving into properties.

Those tenants that were headed out of state, many of them, because they couldn't afford to live in California anymore. And that they're able to stay and continue working in the communities where they were previously living.

I'm going to try not to repeat anything that's been said by John and Ben so far. But there are some important details that I think you should be aware of about the program.

This is an optional tool. It's a voluntary program for a lot of cities that made sense over the last couple years. And some looked at it, and it didn't make sense for them.

Most cities go through a pretty rigorous evaluation process. It can take months, multiple trips to city council, outside consultants, outside council. That makes it challenging when we're competing for market-rate properties, where you have an alternative cash buyer that can close in 10 or 15 days.

We looked at the demographic of the properties that were acquired. And I heard today I think two or three times the term "rent-burdened." And many of Californians are rent-burdened.

Most of our properties, 30-to-40 percent of the residents living there, they already qualified. Meaning, they would immediately receive rent discounts out of the program, and it also meant that they were rent-burdened. They were paying more than 50 percent of their income towards rent.

Another important consideration is that under current law, none of these acquisitions qualify for RHNA credit. And so the cities that are participating and foregoing property taxes, they're not doing it to meet any of their state goals, they're doing it simply to alleviate the rent burden on their residents.

I mentioned that there was 30 projects under the CSCA program. There's 51 in total. And what's really important is what are the outcomes.

And we evaluate this on a weekly and monthly basis. Where the rents, how many units have been converted, how does that compare to the property taxes that the properties are exempt from?

And we're seeing outcomes that we did not anticipate. We initially looked at approximately a 10 percent rental savings across the board with all income groups. And we're seeing the -- the rental savings in the 20-to-30 percent range in a very short period of time.

So the early project that closed in the beginning part of last year, so we're about 18 months in, we've converted 50-to-60 percent of those units already. And we're seeing rental savings in the five to $800 range.

And for those that are in that low income, 60-to-80 percent group, the rental savings are a thousand dollars or more.

These are really meaningful savings. This is not a slight discount on a Ferrari. And those rental savings will continue to grow over time with the rent caps -- rent increase caps that are in place.

So a question that comes up pretty frequently is, "Well, how is the program able to be so successful in a short period of time, acquire that many properties, and then why are the rental savings so significant?"

Timing, timing, timing. We were able to capitalize on historically low interest rates in the three and three-and-a-half percent range, that, unfortunately, they're gone now. And it is very challenging to finance these projects today, because interest rates are about two to two-and-a-half percent higher.

That, combined with the market-rate growth that we've seen, is providing additional savings to those residents that are living in these properties.

For instance, multifamily rents in Orange County last year were up 10 percent. In San Diego, 12.7 percent. In San Jose, they're up 11 percent. And rents, statewide, are expected to increase 13.8 percent in the next 12 months.

It's a supply-and-demand issue. Statewide vacancy rate is -- remains at three-and-a-half percent. And we just don't have enough units. And that's what's leading to this -- this drastic increase in market rates.

We also look at the property tax savings, or the savings versus property taxes. Which is most important, I think, of interest to all of you that comprise this Board.

The rental savings, so of our 30 properties, we're calculating that today at $52 million annually, and the exempt property taxes are about 24 million. So you're already seeing a two-to-one ratio in public benefit that's derived from the program. And that's going to grow and continue to grow as these assets remain in the program.

I'm now going to transition over to Sean, who's going to talk more specifically about two important case studies.

And then remain available for questions.

And, again, thank you so much for including us in this important discussion today.

MR. VAZQUEZ: Thank you.

And welcome, Sean Rawson. You're next.

MR. RAWSON: Thank you.

And thank you for having me here today.

I have prepared remarks, but a lot of what I think I was planning on saying has been said by John Stoecker, Jon Penkower, and Ben Barker. So I'm going to truncate my remarks, and -- and then talk from a practitioner's point of view.

But I'm Sean Rawson, the Cofounder of Waterford Property Company.

Waterford is a mission-driven company that specializes in the production of market rate, mixed income and affordable housing in California.

Since 2020, Waterford has been California's most active sponsor in the JPA middle-income workforce housing program, having been a part of

2.4 million of bond issuances with CSCDA, and having acquired just over 4,000 units in California.

As a practitioner that specializes in the production of traditional affordable housing, market-rate housing, and middle-income housing, one of the things that I really want to highlight today is just how innovative and how powerful this financing tool has been.

As someone that competes for tax credits at the state level for both state and federal housing tax credits, and then tries to get volume cap, or, essentially, the ability to issue private placement bonds for traditional LIHTC tax credit projects.

We're used to a very competitive project that is overprescribed. Typically, California issues about three-and-a-half billion private activity bonds for affordable housing. And in the context of this program, we've issued over 8 billion of bonds in two years to income restrict over 13,000 units.

One of the points I want to make is -- is that the bonds that we've issued for this program do not compete for traditional affordable housing sources. So this is an additive financing source to California that didn't exist two years ago.

One of the other unique aspects of this

program, as Ben mentioned in his remarks, is that in addition to the investment, we've brought a whole new series of investors to affordable housing in California.

The investors in these projects are municipal bond investors. So they're typically investors that would buy muni bonds. So either city, housing authority, what have you, and invest in public infrastructure.

Now, we've captured those investors, which, prior to this program, were not investing in California affordable housing. And now they're part of this program.

And so I just -- I want to continue to highlight how powerful that is. Because in a time where, as we've all heard today, that we're in a housing crisis here in California, the more investment that we can get into affordable housing in our state, that's a key -- a key thing.

Before I close my remarks, one of the things I just want to highlight, too, is some of the successes of our portfolio.

With over 4,000 units, so about 30 percent of the units in the program, you know, we are daily seeing real-time data of this program.

You know, before I touch on that, there have been critics of the program, as Ben mentioned. And so I'm not going to touch on all that. But, you know, I think the key thing here today is to analyze, or to, more to the point, quantify the public benefits.

So, essentially, you know, we're getting a property tax abatement in return for public benefit. And what is that public benefit? That's affordable housing.

And what's unique about this program, as John Stoecker mentioned in his comments, is that unlike a traditional affordable housing project that gets a tax abatement, but none of that revenue flows back to the local government, in this instance, all of the revenue, once the bonds are paid off, flows back to the local government.

So if you were to quantify that, and if you were to look at the tax abatement, it's about a 10 -- 10x return for the local governments once the bonds are paid off.

But that said, one of the things I want to just touch on is the quantifying aspects of our our portfolio. Since January of 2020, Waterford has acquired, as I mentioned, 4,014 market-rate units and converted them to income-restricted essential housing units.

The weighted average rental discount to market across our portfolio is 24 percent. And the current rental savings across our entire portfolio is 35,323,000, which equates to 8,800 annually per household of our renters.

Critics, as I mentioned, like to state that the public benefits are yet to be determined. My response to this is, please speak to the 7,000 residents living in our communities, and ask them what they think.

To show our tenants' stories, we have recorded numerous tenant testimonials, espousing their support of the program. Which has been sent to BOE staff.

Let's see, I'm going to touch on two quick success stories, two case studies, and I'll be brief.

In March of last year we acquired a project called 777 Place in the city of Pomona. It was a 1980s vintage asset, 472 units.

Twenty percent of the units had an income restriction at very low. So 50 percent AMI. They had a reg agreement that was set to expire. We were able to issue bonds to acquire the asset, extend the regulatory agreement out an additional 54 -- excuse me -- 35 years.

And then we took the 20 percent of very low, and actually increased that to a third of the units, and the additional market-rate units we made income restricted.

So now the entire project is income restricted, 33 percent of the units are at 50 percent AMI. We are investing 20 million in capital expenditures to the project. And the weighted average rents in the first year have gone down 15 percent.

So that shows you the success that we're having.

The other quick story I wanted to mention is we acquired an asset in the city of Long Beach called Oceanaire, across from the new Civic Center, 216-unit project.

Since acquiring that asset last year, we have converted 70 percent of the units. We have discounted the rents 21 percent from when we acquired the asset.

And if you look at the demographics of that project, what's so powerful is we are hitting all the tiers of the missing middle.

The city had done a study showing that 80 percent of the new tenants in downtown Long Beach that were running new projects or new construction build projects in the city were moving from out of area, or more to the point, from out of the city.

If you look at our project, Oceanaire, we have flipped that on its head. Now 80 percent of all the tenants in our project have moved to -- into our project from the city of Long Beach.

And if you look at the tenant profile of those demographics, we've got Long Beach city employees, Long Beach police and fire workers, members of labor such as LIUNA, SEIU, Long Beach School District teachers, multiple nonprofit employees, L.A. County employees and sheriffs, Long Beach Memorial employees, social workers, hospitality workers, and numerous essential workers.

So, in closing, because I know that -- I don't want to take up too much time. I just want to say we really appreciate you having us as part of today's agenda.

As a practitioner that specializes in affordable housing, this is a program that I can't tell you how successful it has been. We're committed to continuing to make it better.

But to Ben's point, you know, there -- there was legislation that was proposed. We successfully worked to essentially eliminate that.

But that said, we're committed to working with stakeholders. And I think that this just shows you if innovation is allowed to be part of this process, you know, there really is success stories for how we can tackle California's housing crisis.

So thank you for allowing me to be here today, and happy to answer any questions.

MS. COHEN: Thank you very much for your presentation.

Vazquez.

MR. VAZQUEZ: Just one quick one.

When you -- can you kind of walk me through the -- you said you -- you're able to float bonds. Are these private, or are these voted-on bonds?

MR. RAWSON: So these are government -- governmental revenue bonds.

And, essentially, by -- by partnering with the joint powers authority, so a CMFA or a CSCDA, we're essentially allowed to acquire the asset in a government-owned structure via the JPA. Which allows us to issue governmental bonds.

So, essentially, muni bonds. And that's

what qualifies the asset for the -- the tax exemption. And, in addition, allows us to sell those bonds in -- under a muni structure. So no different than a city would do or a local government.

MR. VAZQUEZ: But -- but unlike some construction bonds, where you have to go before the voters, you just have a joint powers between the city; is that what it is?

MR. RAWSON: Correct.

We get a discretionary approval from the local jurisdiction, as Jon Penkower mentioned.

So, for instance, our company, we went through 15 discretionary approvals last year, or actually in the last two years, through multiple cities.

And, typically, it's a three-to-four hearing process. And -- and it's working with consultants, and with the local stakeholders.

MR. VAZQUEZ: And who sets the limit on those bonds? Is it based on the assets?

MR. RAWSON: It's based on the -- the underwriting, yes.

MR. VAZQUEZ: Because that's your collateral, right?

MR. RAWSON: Correct. Correct.

MR. VAZQUEZ: Got it.

MS. COHEN: All right. Thank you.

This is actually really helpful and very informative.

Mr. Epolite, do you have a question?

MR. EPOLITE: For Mr. Barker.

MS. COHEN: Please.

MR. EPOLITE: What is the source of the bonds that you were referring to earlier?

MR. BARKER: The LIHTC and tax -- the tax credit and bond allocation?

MR. EPOLITE: Yes.

MR. BARKER: So the state, through the federal government, gets a -- an allotment of bond allocation every year. And that's through the California Debt Limit Allocation Committee.

MR. EPOLITE: Okay.

MR. BARKER: The IRS allots a multiplier and says, this is how much the state can issue in affordable housing bonds. And so it's roughly $4.3-ish billion of deals that can be done per year in the very low-income housing structure.

So from there, what happens, is it's not actually the state issuing the bonds or anybody who's in the bonds, it's the developer goes and gets a private mortgage, which is -- which is actually a private activity bond. And only $4.3 million of those mortgages can be done per year.

MR. EPOLITE: Okay.

MR. BARKER: And so, unfortunately, us and all the other -- a lot of the other issuers, there's probably close to a billion dollars' worth of deals that would like to move forward, but were limited by that state ceiling cap on how many deals can be done per year.

MR. EPOLITE: Okay. Thank you.

MR. RAWSON: Just, if you wouldn't -- I've got one anecdotal story that'll take 30 seconds.

So we have a project in the city of Irvine. It's a low and very low-income project. We're in partnership with the city of Irvine.

It's for 100 senior unit project with city subsidy. I think we're going on our fourth round of trying to get bond -- bond allocation. Which is typical because of the impact.

Essentially, there's so many projects trying to get allocation right now that it can take -- to give you context, we bought the land on that project in January of 2020. It's shovel-ready, and we still have yet to get bond allocation. We're hopeful in the next round.

But that's just -- it -- it shows you how -- how difficult it is to -- to build affordable housing in our state.

MR. BARKER: And while I'm very empathetic to the developers in that scenario, I mean, we've heard a lot about that the -- the process needs to be streamlined, things need to be done.

It really isn't as much of a matter of streamlining, as it's just the demand is so outrageous that there's just not the allocation to do the projects.

And so projects apply multiple, multiple, multiple times, but there's not the allocation to do the projects. It's as simple as IRS tax code says no.

And so it is frustrating for developers to try to produce low-income housing projects, but there's not the bond allocation that will allow them to do that.

MS. COHEN: All right. Let me jump in here and pivot. We still have to hear from our other teammates.

Mr. Michael Lane from SPUR, and then also Mr. David Garcia from -- the Policy Director from the

Terner Center of Housing and Innovation.

And you might recall, colleagues, that we heard from the Founder and Executive Director earlier.

Ben and Sean, thank you so much for -- for your presentation.

Why don't you gentlemen go ahead and get started.

Well, David, Mr. Garcia, we'll start with you.

MR. GARCIA: Certainly.

Thank you, Chair, Members of the Board.

MR. LANE: I think we do have a PowerPoint.

MR. GARCIA: Oh, yeah.

MR. LANE: So if we could pull that up, that way --

MS. COHEN: All right. Cue that PowerPoint up.

MR. GARCIA: Thank you.

So we're actually gonna split up our presentation into two segments. I'm gonna speak about our recent work on the JPA model, and then my colleague, Mr. Lane, is going to talk about a specific property tax proposal that SPUR has been developing.

So first, Chair, you mentioned our -- our our esteemed founder, Carol Galante, earlier. It was really wonderful to have her here, and to see the engagement of the Board with her on, not just the specific topic, but also just in affordable housing and housing in general.

Because a lot of the ideas that have been discussed here are items that the Terner Center is actively engaged on with research.

So, for example, impact fees, this is something we've extensively researched, utilizing underutilized retail commercial space. This is something that we have a lot of research in as well.

So all that to say is I'm -- I'm happy to speak today about our work on JPAs, but more generally speaking, this is why the Terner Center is here, is to provide that and evidence to inform all of these conversations around the whole housing ecosystem.

But today I'm here to talk about the work that we did in partnership with SPUR recently on on JPAs. We are particularly interested in this topic for -- for two reasons.

The first is that we've observed a really significant increase in cost burdens for middle-income households.

We released a paper this spring that saw about 50 percent of middle-income households in California are now considered rent-burdened, in that they pay more than 30 percent of their rent.

That's a significant increase over the -- the baseline year, which we use, which is 2010 of about 10 percent.

And so, clearly, this is an area that should be addressed. And the JPA model is one way to do that.

Another reason why we're interested in this model is that we have long advocated for the use of property tax exemptions or abatements to help kick-start development in California, and to really expand our toolbox, if you will, to create new housing throughout the state.

So we dove into this topic in partnership with SPUR. We interviewed a number of individuals who are interested in this topic, from affordable housing stakeholders, to practitioners who are actively using the JPA model to acquire and build new housing today. In fact, some of the individuals who have spoken today were part of this effort as well.

And our goal with this work is really to do two things:

The first is to really explain the model. It is relatively new. And so our hope is that through this -- this paper, we can lift up how the model works, so that it can be more widely understood.

The second is really to explore its potential as an affordable housing tool.

California, because of our tax policy, is somewhat limited in the ways that we can use tax policy to incentivize the creation and construction of new housing.

And so we wanted to examine whether or not the JPA model could be a way to address some of those limitations that we have in California.

So we actually have found tremendous potential in the use of JPAs to create more deed-restricted affordable housing, precisely because it can circumvent the challenges we have as a state in implementing new housing tax policies.

So while we've advocated for using tax abatements and exemptions in the past, it has become -- it's come to our attention through our work that doing so in the way that, let's say, the New York 421-a program, or the Washington multi --

multi -- multifamily tax deduction program would work, would require both the supermajority of the Legislature, but also a ballot initiative to create such a program.

And so the JPA model is a way to circumvent that really high hurdle, to create a tax exemption incentive for the creation of middle-income housing.

Also, as noted earlier by the speakers, this is fundamentally a different way to create deed-restricted housing that does not draw upon existing sources of subsidy that traditional nonprofit and for-profit affordable housing developers rely on. So -- so there's tremendous potential there, too.

But we're also really interested in the other applications of this model. So not just in the way that it's been traditionally used so far, which is an acquisition model, but in the ways that other entities could potentially use the same model to preserve naturally occurring affordable housing, but also develop new construction.

I think it's been mentioned once or twice that there are some projects that are utilizing a JPA model for new construction. And we see this as a really potentially powerful new tool as well.

You know, some of the statistics have already been noted, but there's been almost 14,000 units that are now deed-restricted as a result of the JPA model since 2019. It's a significant number.

But I think one of the other key factors of this proposal is that the deed restriction helps alleviate cost increases over time.

So, for example, in our paper, we highlight an example from the city of Hayward, where the cap on rents there has already saved the tenants in that building. Because rents in Hayward have gone up over six percent year over year.

We're seeing similar cost increases due to inflation throughout the state. And so we're already seeing potential savings to tenants as a result of these new deed restrictions.

Now, to be clear, I think this has been mentioned before, there have been some critiques of the model. And I think it's worth addressing these and digging further into them as we further develop policies to harness the potential of the JPAs.

So, for example, there's some concern that day-one rent increases or decreases are potentially, maybe not providing enough public benefit for the amount of tax revenue that's being foregone.

I think a lot of the critiques are due mostly to, I think, individuals using the traditional lens of how affordable housing is financed and developed, and applying it to this really new model.

And so I think once we can really understand, collectively, how -- how the model works, and how it provides benefit, we can work through those challenges and really effectively harness the power of this JPA model to create more deed-restricted housing throughout the state in a way that doesn't use our existing affordable housing resources.

So I'll just end by saying, you know, we've talked a lot about all the different factors that go into addressing California's housing crisis. And it really necessitates a number of tools. There is no one policy or solution that's going to get it out -- get us out of this. And the JPAs present an opportunity to expand that toolbox.

So I'm going to stop there and hand it over to my colleague, Mr. Lane, from SPUR.

MS. COHEN: Great. Thank you.

MR. LANE: Great.

Thank you, Madam Chair and Members.

Michael Lane with SPUR, Public Policy,

Thinktank in the San Francisco Bay Area.

Could we advance the slides just about three -- three into the presentation?

One more.

That's the one. Thank you.

So, as you saw today, the JPAs are structured to take properties off the property tax rules by making a public asset. But we also need that type of a benefit for private land and private developments as well. And that's what we want to -- want to pitch to you as well to -- to build on this JPA model.

The reason we had to set up a structure like that, it's unique to California, as you know, because of Proposition 13 and the way our property tax welfare exemption works.

And so that's why you see this -- this type of a structure to get that benefit. The other states are able to do just directly with a program that they can set up. We have those limitations in California. I want to provide some opportunities to try to work around that, and to create some additional models that we could use going forward.

Next slide, please.

So this is the Property Tax Welfare

Exemption. I just wanted to make some points here for you. But, first, I want to talk about how we're currently financing middle-income housing in California.

You heard from CalHFA earlier today, their mixed-income program is really structured to encourage 100 percent affordable housing deals to include some middle-income units, and buildings with lower-income units. But it's not really for a market-rate deal to include these units.

And so we want to also build on that model and expand it, so that we can bring in the market-rate developers who also include units that otherwise would not be provided by the market.

And in SPUR's view, we should maximize the number of low-income units in 100 percent affordable developments that are already using various subsidy source, and create new property tax incentives for market-rate developments to include middle-income housings that would not be otherwise provided by the market.

In this scenario, the building would pay the local property taxes, and then when filing taxes, receive a credit or refund from the State's Franchise Tax Board.

Next slide, please.

As you know, California's Property Tax Welfare Exemption, as was stated earlier, is only available to nonprofit organizations operating for charitable purposes.

So that doesn't allow us to have market rate -- to make that kind of a deal with a market-rate developer for a profit developer.

They can access it, and an amendment will be required at the California Constitution. And as we've mentioned earlier, also our local taxing entities would lose that property tax revenue. So that creates some -- some tensions as well.

Next slide, please.

MS. COHEN: That's a polite way to put it. It creates some tension.

MR. LANE: I'm sorry.

MS. COHEN: I said that's a polite way to frame it, as it creates some tension.

MR. LANE: Exactly.

Therefore, SPUR's proposing a pilot program and advocating that a targeted state creditor refund be included in the state budget against local property taxes paid on market-rate properties that include deed-restricted units affordable to middle-income households.

This proposal would keep local jurisdictions whole, while creating a meaningful incentive for for-profit market-rate developers to include middle-income housing in their buildings.

This proposal doesn't require any amendments to the California State Constitution or change the distribution formula for local property taxes to the taxing entities under Proposition 13.

And we'd love to work with you on this type of proposal. I think we can have a proof of concept, and work with the administration Legislature to provide that -- that funding in the budget, to then demonstrate how this can work in California.

Thank you.

MS. COHEN: Is that your presentation, Mr. Lane?

MR. LANE: That's it.

MS. COHEN: Oh, okay. Thank you. I appreciate it. It's really succinct.

Let me see, colleagues, do you have any questions?

JPAs are very interesting. We've heard, at least I've heard from some of my assessors, they've expressed some frustration about JPAs, like you were describing in your -- in your example of pulling off properties, parcels off the -- after tax roll.

Do we have a remedy?

I hope maybe you can add some color or some context to what that relationship has been like on the ground.

MR. LANE: Yes. That's -- that's currently the -- the -- the case for the Property Tax Welfare Exemption. It's 80 percent of AMI and below.

And so we're really trying to hit that 80 percent to 120 percent of AMI. Many developers may not choose to do this for various reasons, but we do have, particularly in the high-cost areas, where we have projects that can't really move forward.

This type of an incentive would be a great deal, both for the developer and the jurisdiction, and the -- and the middle-income households, where it would actually, it would free up, particularly now, because of construction costs, what they are in cost of materials and labor, etc. We could actually move a pipeline that's currently stuck. And so you wouldn't have a rush for all developers wanting to take advantage of this.

And you want to demonstrate that there is that public benefit. That these are rents that are below market. And I think if you have a structured program with a few hundred million dollars, and if you could set up the terms, maybe, for 10 years, you'd get that property tax refund or credit from the state, you'd actually move projects, create jobs, and create those -- those middle-income units that would -- otherwise would not be available or provided by the market, or by our current affordable housing system.

MS. COHEN: So, colleagues, the JPA models that are highlighted here today is an example of what our cities and counties are implementing to address their local housing crisis.

And you'll know, I'm from San Francisco, so very familiar with the JPA model and structure. Also familiar with both Terner Center and SPUR.

So while we are certainly encouraged by the local government efforts, I do just have a few questions about the public benefit.

And I want to better understand the public benefit. Rent savings. I'll start there.

And, Mr. Barker, Mr. Rawson, if you guys want to participate, you can come on back down. And -- and we'll love to hear your perspective. Not trying to create an unequal pitting against anyone, against each other.

But this is the space where we can have thoughtful conversation, so that we can begin to figure out our -- figure a way out of this.

So is it possible to highlight the -- the average rent savings in each -- in these transactions?

I believe I heard a 10 percent savings?

Hold on. Hold on, Mr. Barker.

And is the 10 percent the average?

MR. BARKER: So I -- I think the difficult part about this program compared to the LIHTC program is the LIHTC program is pretty much the same across the board on -- on deals.

A lot of people want to compare this program to the LIHTC program, use the same nomenclature, use the same words. But it just doesn't translate well.

In addition to that, each one of these public offerings could be wildly different from the next public offering.

If you have a deal that's a 1980s deal versus a deal that's in construction right now converting, there's different scenarios.

And so the basic idea is to create a public offering, have three different affordability buckets at AMI levels within those buckets, once you then -- try to then reduce 10 percent, 10 percent off the rent from there.

So that's -- I mean, that's kind of the very generic way of putting it.

MR. RAWSON: But I can quantify that, Madam Chair, if you don't mind.

So in our portfolio we've got 4,014 units. There's been 13,000, I think, 600 units. So, you know, we've got a very good data source.

So as a practitioner in traditional affordable housing in this program, you know, I think we have really keen insight into the differences.

What's interesting about this program, to Ben's point, you know, we underwrite. So when we go to sell the bonds, and this is just -- I can't speak for the other sponsors. But Waterford, we underwrite to, in day one, 12 percent discount to market.

Now what we've seen over the last year is record rent growth throughout the state of California. In Southern California specifically, L.A. County, Orange County. Like, for instance, Orange County saw 15 percent rent growth last year.

So what we've now seen is that in our portfolio in, you know, call it the 18-to-24 months that we've owned our assets, we have a weighted discount. So across 4,014 units, 24 percent.

And so when critics say that the public benefits that we're creating don't justify the tax loss, I actually smile, and say, "Well, come look at our portfolio, and I'm happy to sit there and walk you through every single one of our deals." Because we have the data that can show that.

MS. COHEN: Okay.

MR. RAWSON: And so, you know, I think it's just -- it's -- it's a little different structure. And for those that aren't, you know, particularly in the nuances of it, it takes a little while to, I think, distinguish the difference between a traditional tax credit model and this model.

MS. COHEN: Thank you.

Mr. Garcia.

MR. GARCIA: Yeah.

So just -- just to add some context to that, you know, we looked at a number of deals and found fairly similar discounts to -- to the market. It's not always the same across the board, depending on the affordability buckets which have been agreed upon with the city.

And it is important to note, right, that this is a conversation with the city as well. So if the city would prefer to see deeper affordability, well, they have the opportunity to -- to negotiate that, too.

I think where you really start to see public benefit is over time. Because even if the discount to market is not as high as some people would like to see from day one, because you have capped rents moving forward. I mean, we're seeing this today, you know, six, eight percent increases. You wouldn't see those in a deed-restricted unit.

So that -- that's not something that I've seen quantified yet. But just knowing the way that we've seen rent increases kind of take off in the state, having those deed restrictions in place from day one is an incredibly powerful tool to help mitigate rent increases over time.

MS. COHEN: Real quick, I want to just ask a question about possessory interest. And I wanted to know if you're able to speak to the possessory interest issues that have been raised by the California Assessors' Association.

Are you guys -- have you heard -- are you familiar with their -- I know you guys are nodding your head. But are you guys familiar with some of their --

MR. LANE: I'm sorry, what's the concern they're raising?

MS. COHEN: That it's lost revenue, basically, for the county.

MR. LANE: Yeah. We also hear that with the Property Tax Welfare Exemption for affordable housing.

MS. COHEN: That's true. You do. That's true.

MR. LANE: Quite frankly, because those are all, you know, tight budgets. I mean, it's been less of a concern over the past decade where we've had economic growth and assessed values continued to grow. And as real estate changes hands, it's reassessed at a higher value.

So that's been mitigated somewhat, I think, over the past decade. But that's always been an issue.

It's just -- it's just weighing various public goods and what we're willing to pay for. And we do need, I think, these investments to make the the market work, certainly.

And -- and as long as our local-elected officials, it's not just the assessors, but the city council and the Board of Supervisors said this is our priority to invest in affordable housing, then they're the ones who make that call and not the assessor.

MS. COHEN: So my question is actually directed to all four of you. You know, I come from San Francisco, spent eight years on the Board of Supervisors there. And a number of years Chair of the Land Use and Development Committee.

So this conversation, I can follow, and definitely can understand.

And also understand, you're in Berkeley, you have a very unique rent control, very robust rent control -- rent control commission.

But, you know, I -- I'm just wondering, how do we begin to get elected officials that are in these decision-making positions to better understand what's going on?

Because it wasn't until you -- I got elected and was in this world that I spent a lot more time understanding CEQA, understanding the planning process.

So, you know, as you start to see elected officials, and they -- they -- they kind of fill the pipeline, right? Maybe start at school boards, go on the Board of Supervisors, city council, then they come into the Legislature.

And so, you know, San Francisco has produced Scott Wiener, who was speaking earlier today, who has been an authority on -- on this area.

Gavin Newsom comes out of San Francisco, also a member, a former member of the San Francisco Board of Supervisors.

So, you know, I mean, I guess the point is is that the -- you've got some heavy hitters coming out of the Bay Area that are dealing with real pressures when it comes to land use development, property tax, assessors, these rolls, all of this.

How do we -- what can we be doing to better educate the folks that are -- that are the decision-makers?

Ben, I see you are like ready to get in here.

And then, David, I'll come back. I'll come over to you.

MR. BARKER: So having sat through probably 1,000-plus public -- public hearings in my life. For TEFRA hearings, I believe you brought up -- I think that's where you were going, was the TEFRA hearings earlier for the tax credit deals where you have to have a public hearing, and it's called a TEFRA hearing.

Those are very common in California. Most general city staff understands what a TEFRA is. The elected officials within the locales understand what a TEFRA is, understand the process.

This form of financing is newer to California. While it's been around since World War I, it's really been more of an East Coast, maybe Chicago-style thing. And it's just making its way over here.

Fifteen years ago when I was doing TEFRAs, we were getting questioned every single public hearing. I was there for a long time going through doing general education.

Today when I do a TEFRA, they sail through with zero questions. People understand what's going on.

MS. COHEN: They don't care. They're probably better educated.

MR. BARKER: Well, I think they just understand -- they have a bit -- they have a good understanding. Maybe some just don't care. But I think people understand, generally understand that you need to have a public hearing to be able to assess or access the taxes on bond market.

This is a new financing structure for California. And I think it is just general education.

Like, you know -- like we said, there's been 51 projects. There's probably been 80 cities that have gone through this now. Some have a good idea, some don't have a good idea. But, honestly, I think it just takes a lot of hard work.

We need the bond market to start working again, so we can start bringing projects forward, and we can better educate.

I think, honestly, on our side of it, we've done a really bad job of holding maybe public forums, putting out information on how these deals work.

We don't -- there's not a -- this is new. It's like 1986 tax credits before people started getting bond allocation and tax credits. And it was -- there wasn't all these committees, there wasn't consortiums. There wasn't anything really.

And that's what I hope to aim to do within this year is to be able to start kind of a consortium. Have everybody that's involved, and have a repository of information. So that our friends over here, they can get up-to-the-minute data.

Because that's really not available unless you ask.

And I think that's honestly what's missing is the data. They don't have it. We need to provide it. We need to do better -- a better job of educating on our side, and there needs to be some kind of an advocacy -- not an advocacy group, but maybe a consortium for middle-income housing, that more people are involved in this.

And I think that's really the way to do it, at least in my opinion.

MS. COHEN: Mr. Garcia.

MR. GARCIA: I'll just second that.

As a researcher, I'll always take more data. So please send it my way.

The question was, how do we get people to a place where we understand this.

MS. COHEN: Yeah.

MR. GARCIA: And there's -- there's more knowledge around these topics. And I will say --

MS. COHEN: So that we can make better policies, can make better-informed decisions.

MR. GARCIA: Yes.

MS. COHEN: And not succumb to politics, but use -- have more data-driven solutions.

MR. GARCIA: Yes.

So I would say, please send them to me.

MS. COHEN: Okay.

MR. GARCIA: This is why the Terner Center exists. This is why my role exists, is to make sure that the -- that we have the ability to -- to distill really complex topics, right?

Housing, by itself, is very complex. And then you add, you know, a new -- new financing model like the JPAs. And you add LIHTC. And these are all very complex topics.

And part of what we do at the Terner Center is try to break -- break down these -- these data sources and the research into really understandable publications and -- and -- and materials.

And so things, not just about JPAs, but also just understanding the math behind real estate development, understanding why impact fees are important, right?

So all these arcane things that maybe in isolation don't seem like they -- they matter. But in the grand scheme of things, are actually quite important.

So this is, again, why the Terner Center exists. Why Carol started the Center was to be a resource for people who are grappling with these decisions every day and seeing the ramifications of, you know, decades of bad policy choices.

So -- so, yes, send them to our website, I guess.

MS. COHEN: Not a problem.

Mr. Lane, I just want to follow up on my question earlier about possessory interest, and kind of where -- what I am hearing county assessors give passionate feedback about.

The assessors, they're asserting that if a person is paying market-rate rent, and not in affordable unit, they are subject to a possessory interest tax.

I just wanted to get that on the record. But I wanted to see if you had any comments or -- about that.

MR. LANE: So that -- do you have -- that hasn't been raised with us in our --

MS. COHEN: Okay. Is this -- is this something that's new?

MR. BARKER: Well, I mean, possessory income tax is not new to us, but it is being raised on these projects.

Because you do have a -- a range of buckets of affordability. And some people are paying market rate, but most of the property is not.

And I think the issue is if somebody's paying market rate, that there could be a -- there could be a possessory tax on that specific unit and how to collect that.

And I think that's something everybody's trying to work through, the legal ramifications and the tax ramifications of that.

How do you have somebody that's paying market rate that's getting a benefit, you derive that, and then what would be that possessory income tax, if there is one due, and how do you collect it?

I think, from what I understand, and I could be totally wrong here, is that there isn't a concise tax opinion on that. That the -- that the local assessors are correct. Everybody's working through that.

And honestly right now where there's this low in the bond market, the bond market's essentially dead right now, just because of the fast increase in rising of rates and the outflows on the bonds.

People are working on that right now, and everybody's trying to grapple and try to fix that. So that when this -- and hopefully when this program continues to move forward, there's a clear answer to whichever county you're working in.

MS. COHEN: Okay.

MR. LANE: And I would just say quickly, I think for the pilot program that we're proposing, that would not actually be an issue the way we're trying to structure it, in terms of the benefit that the tenants would receive, and how the -- the tax rebate would work.

MS. COHEN: Got it.

Mr. Rawson, do you want to --

MR. RAWSON: No, I think Ben -- Ben touched on it.

I mean, what I will say is -- actually, I will add to that, is that -- so the possessory interest topic has -- has come up.

You know, we've -- we've had our tax counsel, Meyers Nave, do numerous opinion letters on this. And, you know, our -- our -- our investors are some of the largest, most sophisticated muni investors in the world. It's the same investors that would buy California bonds. So it's a who's who of -- of investors.

And it's come up, you know, we are of the opinion that -- that these -- these projects will be exempt from that.

There are certain instances, and I'll give you -- give you an example, of real-world example, we own a project in the city of Pasadena that has a retail component. And that would be subject to it.

But that's fine that they're paying market. It's, essentially, you know, we have market-rate retail tenants as part of the project. And that's de minimis.

So our -- to be clear, our tax counsel, as of now, has stated that, you know, those -- that would be the only portion to the project that -- that would qualify --

MS. COHEN: Okay.

MR. RAWSON: -- for that.

MS. COHEN: All right. Thank you.

I want to open up. I think -- no questions?

Okay. All right.

Thank you very -- yes, Ms. Cichetti.

MS. CICHETTI: I just was going to say that we have one more speaker from Item V.

MS. COHEN: Okay.

MS. CICHETTI: From Seattle. She's on --

MS. COHEN: Ready to go?

MS. CICHETTI: Mm-hm.

MS. COHEN: Perfect.

MS. CICHETTI: She's cued up.
MS. COHEN: Thank you.
We're gonna call up our next speaker at this time.
MR. GARCIA: Thank you.
MS. COHEN: Thank you.
MS. LaBRECQUE: Hello. Good evening.
MS. COHEN: Hello.
MS. LaBRECQUE: Everyone hear me okay?
MS. COHEN: Yes. Thank you.
Hi. How are you?
MS. LaBRECQUE: All right. Hi. I'm well.
I am going to introduce myself.
MS. COHEN: Please.
MS. LaBRECQUE: And then call up my presentation. So I'll just need a moment to do that.
I'm Jennifer LaBrecque. I'm with the city of Seattle, Office of Housing. We are a small executive office within the city of Seattle.
And I'm the Manager for Market Incentives, Land Use and Sustainability.
I manage our multifamily tax exemption program, which is what I'm here to talk to you about tonight.
I'm going to have one caveat before I

begin. I'm home with my son. He might come in and interrupt us. You probably all have been familiar with that over the last couple years, so please bear with me if he does.

MS. COHEN: Not a problem.

MS. LaBRECQUE: I'm gonna take -- all right.

I'm gonna take a moment and open up my presentation.

All right. Can everyone see that?

MS. COHEN: Yes. Thank you.

MS. CICHETTI: Yes.

MS. LaBRECQUE: Okay. Great.

And I think, if I understood correctly, you have all been -- you've been doing this all day. So I -- and I know it's the end of a long day, so I will try to be as engaging as possible.

I have -- this is about 10 minutes, and then I'm happy to take any questions at the end.

MS. COHEN: Thank you.

MS. LaBRECQUE: So I'm really excited to be here tonight. And I thank you for inviting me to share our experience at the city of Seattle about operating a tax exemption program.

This -- the state of Washington has offered or authorized basically a tax exemption program for -- in return for developers offering income and rent-restricted units since 1995. And the city has chosen to adopt that locally since 1998.

So the way it works is the state -- there's a state statute, which authorizes the program, and then local jurisdictions can decide whether or not they want to offer it.

The state statute sets minimum requirements, including affordability levels, and set aside percentages. But jurisdictions can always opt to be more stringent than what's in the state statute. Which the city of Seattle, over time, has chosen to do.

I think the way that our program works is that developers apply. They can apply anytime up until six months before getting temporary certificate of occupancy.

They submit an initial application. If approved, they -- they submit both an initial and final application. And once approved, they get a tax exemption on the residential portion of their building, in return for income and rent-restricting 20 or 25 percent of the units in their building for a 12-year period of time.

So the tax exemption lasts for 12 years, and the affordability period -- period also lasts for 12 years.

This -- that is the city of Seattle's program. The state one is a bit different. You know, it has higher income limits, and, although, the same set aside.

Although the program could be available for rehabs, we've actually -- I don't think we've ever seen that happen. It is exclusively used by developers doing new construction.

One thing I just want to note is participation is voluntary. You know, a developer can apply and decide before they get TCO not to participate.

They can get the -- start the tax exemption, get two or three years into it, and decide they just don't want to do it anymore, and pull out.

Although we actually haven't really seen that happen. But it's just important to note that while it is a restricted unit, unlike other publicly-funded units, there's no sort of regulatory agree -- agreement guaranteeing that restriction for a certain period of time.

I'll talk you through our current MFTE program. So just some context, our program currently has over -- over 5,800 income and rent-restricted units created through the MFTE program. So it is a sizable program.

You know, it's been around for a number of years. So that is part of it. But we've actually just seen a lot of growth. And it really increased interest in the program, I would say, over the last 10 years.

So a pretty explosive growth in terms of the number of rent-restricted units created through the program over that period of time.

Under our current version of the program, 20 or 25 percent of the units have to be income and rent-restricted. And I have the AMI levels here at the side.

I want to note that our affordability levels have definitely gone down over time. If you look at projects that vested under some of the original versions of the program back in 1998, or soon after, income limits were much higher, sometimes in the 80 percent to 90 percent AMI range. And, frankly, we're not getting any rent buydown from market for those older units.

Over time, I think as we've gotten better at analyzing the program and clearer about the public benefit that we want to achieve, income limits have gone down for the program.

So -- and we'll talk more about this. These inclements that you see here in some markets in Seattle are getting us a significant rent buydown.

In other submarkets in Seattle that are weaker, we're really not getting much of a rent buydown. And the program is offered across the city, in any area that is zoned for multifamily.

This just gives you a sense of what we've created. These are all the active units that are currently in our portfolio.

As you can see, this is primarily what we would call a workforce housing tool. So we're creating units generally between 60-to-80 percent AMI.

We have a few units that are regulated lower, that are really SEDUs, Small Efficiency Dwelling Units, that are a particular kind of unit created in the city that are very small.

And I just put the income and rent limits below here as well, because I think it's just good to check in about what this actually means for a household.

You know, I think as many folks are probably familiar with -- and, I'm sorry, I just lost my presentation. Okay.

I think as many folks are probably familiar with, there was a pretty large increase in median income from 2021 to 2022. And that, subsequently, means a pretty high jump in both income limits and in rent limits for these types of programs.

So a one-person household in a one-bedroom regulated at 75 percent AMI is paying a rent of $1,819.

I heard some discussion about this during the last presentation. I always like to remind people, and I think everyone sitting here knows, MFT is not free. There is a cost to it. Although the cost is always more complicated to explain than other programs.

In 2022 the lost property tax revenue associated with these multifamily tax exemptions will be approximately $29.48 million. And that's across multiple taxing jurisdictions. So not just the city of Seattle, but King County, school districts, fire districts.

And the total amount of lost revenue for all projects that are currently active between 2010 and 2022 is 145 million.

And I think folks are familiar, you know, the last revenue is really the revenue that is foregone, that is not collected, at least in the state of Washington. Because those properties were not added to the tax base.

We also -- so for our tax exemption program, some of the tax impact is in the form of foregone or lost revenue. And some of the tax impact is actually in the form of shifted tax revenue, where that tax burden is shifted onto other taxpayers.

I have to be honest, there's no specific policy decision or policy rationale be -- between what's foregone and what's shifted. It is actually just truly a matter of when the assessor -- assessor's office drives around and does their assessments. It's just a kind of wacky timing issue.

In 2022 there was 60.5 -- $65.9 million of tax savings for owners that were shifted onto other -- other taxpayers. Again, not just in Seattle, but in other taxing jurisdictions.

And for the median value home in Seattle, that resulted in an additional $72 in property taxes for 2022.

I wanted to really make a point here that our experience at the Office of Housing has been that when you offer a tax exemption program like this, compliance monitoring is a must.

So I want to talk, and I'll talk more in the next few slides, about both what I see is the benefits of these -- this program, and then also the cautions that I would offer, based on our long experience with it.

The Office of Housing has two full-time compliance monitoring staff for MFT -- MFTE and other incentive units. Although MFTE comprises the vast majority of those, you know, they're collecting and reviewing these annual reports to ensure that tenants are being charged the correct rents, that -- that units are being leased to income-qualified households.

They're conducting on-site audits. They do a lot of training and technical assistance for property management staff. So they offer webinars, and pre-COVID in-person trainings.

They answer -- I don't -- I put hundreds, it could be thousands of tenant calls every year, from tenants who either are in an MFTE unit and have an issue about something, or question about something their property manager is doing, or from tenants who are interested in leasing an MFTE property.

And, you know, each -- for each MFTE property, that property is responsible for leasing their units, and for doing the income qualification associated with ensuring that the tenant goes to -- or that the unit goes to an income-qualified household.

But, you know, folks find us on the website, and they know that we're involved. So we do get a lot of those calls. And we have to be staffed up for them. And then they develop and maintain some handbooks for both renters and property managers.

So I -- what I see is the benefit and what the city sees is the benefit of this program is first that we have over 5,000 rent and income-restricted units and market-rate apartments throughout the city.

So we are achieving economic integration. We have these units in neighborhoods that we find it incredibly difficult to build subsidized affordable housing in, and primarily because of the land cost. So we are able to get a better geographic dispersion of income and rent-restricted units than we would be just through the work that we do to subsidize units.

We also do capital investments to create -- to create nonprofit or housing authority-owned properties.

We also see those units integrated throughout the building, right? So that's one of our sort of core values is that we don't want to see all the MFTE units on the bottom floor. We really want to see them integrated throughout the building, so that nobody knows what's a restricted unit and what's not.

The units are secured for income-qualified tenants. So we know that, you know, just because a unit's affordable, doesn't mean that it's going to be rented by a low-income household.

MFTE has a process in place to ensure that those units are reserved for households who need them based on their income.

I also heard conversation about this, you know, production can happen concurrently to subsidize housing production. We have a huge affordable housing crisis in Washington state and in Seattle as well. And we know that our nonprofit sector, while they're fabulous, cannot solve this problem on their own.

So this is a way for market-rate developers to also be contributing to creating these income and rent-restricted units for lower, moderate-income households, and to basically be able to do more at the same time.

I will say, later units in this program have a rent moderator. So as I mentioned, we've seen big increases in median income over the last few years.

Older projects that vested under older versions of this program do not have a rent moderator. So some of those units have seen rent increases of -- I mean, this past year, 12 percent. Twelve percent maximum allowable rent increase.

Which, I think, is just problematic for housing stability, and the kind of housing stability we hope to create with these types of programs.

In the last iteration of our MFTE program, we did introduce a rent moderator with really the intention of supporting housing stability, regardless of what's happening with median incomes.

So then program cautions and considerations. And I -- I chose the word "caution" here carefully, I think. Because I really think that there's a lot of benefits to these kind of tax exemption programs.

And things that should be seriously considered before undertaking them, I don't think -- this is not a panacea. It's not -- it's frankly not easy, right?

I think that this involves a lot of work, and, frankly, a lot of work to do it well, and to ensure that the public benefit is being achieved.

It's difficult to calibrate the program correctly to achieve the desired public benefit. So just as I heard the discussion, you know, one of the main public benefits that we want to get is a buydown from whatever the market-rate rent is, right?

If you're not getting the buydown, then there's probably not a reason to be providing the tax exemption.

The market is constantly evolving. You know, it shifts. It changes from year to year. One thing that we've seen happening, you know, over the last few years in Seattle is increasingly smaller units, where you might have, like, a one bedroom that's under, you know, 350, 325 square feet. The pricing on that's really changing. It's hard to pin down what's the right affordability level for this unit when things are changing and evolving constantly.

Rent and income restrictions, at least in our program, and it may be different at what you're looking at, only lasts 12 years. Although the state did recently authorize jurisdictions to offer a 12-year exemption -- I'm sorry, a 12-year extension.

So for some projects, they may ultimately be able to go to 24 years.

That obviously has an impact on the tenant living in the unit when that affordability period ends. You know, that tenant no longer has an income and rent-restriction protection, and they are just going to get market rent.

And I think there's some theories that, because the building will be older, that the rent will sort of be more naturally affordable, and it will all work out.

But I -- that -- I don't know if that will always be the case. I think that's really going to depend on the type of building, the condition of the building, and the particular submarket that it's in. And also that there's not a lasting outcome.

So, you know, we've invested, perhaps through the tax exemption, millions of dollars in that particular building over a 12-or-24 year period.

And at the end of the -- at the end of that exemption period, the unit goes back to market, and there's really no value. Which we think about at the Office of Housing, because we also make capital investments in affordable housing that is regulated for 75 years.

So, yes, we're investing a significant money on day one. But we know when we do that, that we're getting a project that's going to provide affordability for 75 years. And this is a very different outcome.

And, finally, I would just say that obtaining and maintaining public value is a time and staff intensive effort. If you just, you know, build something and offer it, and then say, "Okay. Our job is done," and you walk away, I can guarantee that the public benefit will be eroded over time as the market shifts.

You know, just as I talked about, you know, I think there does need to be some kind of compliance monitoring. And not even to catch people, you know, developers doing something wrong, but just because we found that property managers have a large amount of -- of people leaving, coming and going.

We need to provide ongoing training and technical assistance. You know, really just -- there -- we need to be invested in those projects to make them a success, and to ensure that they are achieving the kind of support and help to low and moderate-income tenants that we want to achieve.

So I'm gonna stop there. Happy to share

this PowerPoint as well with my contact information.

And see if there are any questions.

MS. COHEN: Thank you very much, Mr. -- excuse me -- Ms. LaBrecque.

MS. LaBRECQUE: LaBrecque.

MS. COHEN: LaBrecque. Thank you.

Just -- let's see. A couple questions.

Let me check with my colleagues.

No questions.

Any questions down in the --

No. Okay.

Do you have any advice for the state of California as we begin to embark down a new pathway look -- at looking at tax abatement to spur housing?

MS. LaBRECQUE: I think it is to carefully think about what kind of public benefit you hope to achieve with it. I think the more that public benefit can be established at the state level, the better, right?

I mean, that is the -- the sort of the overarching requirements that will then lead down to jurisdictions.

I know that recently the state of Washington has beefed up sort of their staff support for local implementation of the MFTE program, which has been very helpful.

There -- you know, this is -- a jurisdiction like Seattle, it's high capacity. We have a lot of staff to work on this.

There are many smaller jurisdictions offering a tax exemption program that don't have a lot of staff, don't have a lot of housing experts, and want to do it right, but are struggling to do it well. So I think that's an important one.

Again, I just -- I think you have to have -- it's not enough just to create the policy, we have to think about how to implement it in order to ensure that that public value is both achieved and also maintained.

MS. COHEN: That sounds --

MS. LaBRECQUE: And I think my final is just this question about, from my perspective, tax exemption programs work best -- or should really produce something that the market is not producing.

And that is often, it doesn't have to be, but it often is, rents that are below what the market would otherwise be producing.

And I think real considerations should go into how are we going to set this program up to ensure that there is sufficient rent buydown, you know, really, like sufficient from what the market would otherwise do to justify the tax exemption that is being provided.

MS. COHEN: Thank you. I appreciate that perspective.

Mr. Vazquez, my colleague, has a question for you.

MR. VAZQUEZ: Just a quick one. Actually, two.

One, in Seattle, what's the percentage of renters versus homeowners?

MS. LaBRECQUE: Oh, good question.

There's more renters than homeowners. But I --

MR. VAZQUEZ: I figured there would be.

MS. LaBRECQUE: -- can't tell you the exact percentage.

MR. VAZQUEZ: Okay.

And then you mentioned, you know, obviously one of the incentives is the -- keeping it an affordable rent. What's the average rent?

MS. LaBRECQUE: That's also a good question that I don't know at the -- off the top of my head right now.

MR. VAZQUEZ: Okay. Thanks.

MS. LaBRECQUE: Yeah.
MS. COHEN: All right. Thank you.
Well, we are going to say goodbye. We're going to thank you for your presentation.
MS. LaBRECQUE: Thank you.
MS. COHEN: And we're going to keep moving on with the close of our -- our very long work day.
Thank you for your -- your time.
MS. LaBRECQUE: Thank you for having me.
Bye.
MS. COHEN: Okay. Ms. Cichetti, could you call --

ITEM VIII

MS. CICHETTI: The next item on today's Board Work Group agenda is Item VIII, Overview of the Day and Next Word -- Work -- Work Group Convening.
MS. COHEN: Well, I'd like to thank all the participants in the first meeting of the Property Tax Abatement Work Group.
I think you would agree that it was very rich with information, inspiring as well.
We look forward to the next meeting next month. We will be pulling together the agenda.
I want to acknowledge a few members that

were -- that have just been incredibly helpful in pulling all this together, Regina Evans on my staff. Thank you very much.

Hasib has also been equally as instrumental. And John Thiella, both -- all three of whom are with us today.

And then Melissa and Kimberly are -- are our time -- are watching both online.

And want to just also recognize Mr. Vazquez and your outstanding staff and leadership has been really helpful.

Ms. Yvette Stowers, you stepping in in the middle of planning. All of this has been incredible. It's been a heavy lift.

I wanted to see if you, Mr. Nanjo or Mr. Yeung, had any comments or any -- any thoughts that you wanted to reflect on on some of the things that you've heard here today.

I'm not putting you on the spot. If you don't have anything, you don't have to say anything.

But next month, we look forward to hearing from Mr. David Yeung. Who, you'll have til the next Board Meeting, to the next Work Group Meeting to synthesize and process and synthesize everything that you've heard today.

And, you know, I'd like to begin to think about a pathway forward for this -- for this body, as we begin to figure out our role in this space.

I want to invite Mr. Vazquez to take the time to provide a few remarks about the day, and then we'll close out.

MR. VAZQUEZ: Yes.

I'd also like to thank staff, especially your staff, Madam Chair, and staff from the BOE.

Because I know, especially for Ms. Stowers, you know, she kind of came in in the middle of this.

And really the speakers, you know, the -- the -- the wealth of information that was shared with us today from all, you know, both on the development side as well as the nonprofit, versus some of the market-rate folks as well.

And I just would like to remind the Members, my colleagues here that, you know, make sure we take in all this information so we do regroup back in August. We can begin, hopefully, to have a healthy discussion. As well as, you know, I know we'll have some other speakers as well, to really kind of get into what is going to be realistic, maybe even lay out some like short-term and long-term goals of where we're going with this, both on the abatement side, as

well as the tax credits that we've heard about today.
And once again, Madam Chair, your staff is outstanding.
MS. COHEN: Thank you.
MR. VAZQUEZ: I really want to thank them all.
MS. COHEN: All right.
MS. CICHETTI: Can I interrupt real quick before we --
MS. COHEN: Excuse me. I'm sorry.
MS. CICHETTI: May I interrupt please?
MS. COHEN: Yes.
MS. CICHETTI: Before we adjourn, I would like to go to the AT&T moderator -- excuse me -- to see if we have anybody who wants to make a public comment on the events of the day.
AT&T moderator, please let us know if there's anyone on the line who would like to make a public comment regarding the agenda for the day.
AT&T MODERATOR: Of course.
Ladies and gentlemen, if you do wish to make a public comment, please press one and zero.
And there's currently no one in the queue.
MS. CICHETTI: Thank you.
MS. COHEN: All right. Thank you very much.

All right. Ladies and gentlemen, with that, I'll say we are adjourned.

Thank you.

Oh, I'm sorry.

Yes.

MR. SCHAEFER: Malia, well, in closing, I -- I want to commend Peter Kim and David being here all day with us. You know, it's very impressive.

And I want to commend Ms. Cohen for introducing us to so many fascinating people that we would not have otherwise met.

I would like to adjourn our meeting today in memory of the 100th birthday today of a marvelous individual that's had an affect on everybody's life. One of the main entertainment people in our Nation, Norman Lear, who brought us All in the Family, who brought us Maude, brought us Sanford and Son.

MS. COHEN: Excuse me. I'm sorry.

MR. SCHAEFER: The Jeffersons.

MS. COHEN: Excuse me, sir. Just real quick.

I'm getting a signal from our -- Ms. Cichetti and our Executive Director. I think they have some comments they want to share.

MS. CICHETTI: Yes. We -- we need to

adjourn first the Tax Abatement Work Group.

MS. COHEN: Thank you.

MS. CICHETTI: And then we need to reconvene the meeting, the Board Meeting. Because we only went into recess yesterday.

MS. COHEN: All right.

MS. CICHETTI: So that we could take up the last item.

MS. COHEN: Thank you. Thank you for that formality and clarity.

So our first meeting of the Property Tax Abatement Work Group is, I think it's been extremely informative and fundamental to the work that we've embarked upon. And I look forward to the additional meetings and the continued discussions about the possibilities of using property tax abatements to incentivize housing development here in our state.

I have no further comments.

And with that, I'd like to close -- adjourn the Board Work Group Meeting.

Thank you.

And with that, I also would like to --

MS. CICHETTI: Announce.

MS. COHEN: Announce.

MS. CICHETTI: And reconvene.

MS. COHEN: I'd like to announce and reconvene the Board of Equalization, day two, regularly-scheduled meeting.

And now I'd like to close -- no.

Ms. Cichetti, come on. Just say it.

MS. CICHETTI: Yes. You can close, yes, if you'd like.

MS. COHEN: All right. I'd like to close the Board Meeting.

Thank you.

(Whereupon the meeting concluded.)

REPORTER'S CERTIFICATE

State of California)
) ss
County of Sacramento)

I, Jillian Sumner, Hearing Reporter for the California State Board of Equalization, certify that on July 27, 2022, I recorded verbatim, in shorthand, to the best of my ability, the proceedings in the above-entitled hearing; that I transcribed the shorthand writing into typewriting; and that the preceding pages 1 through 343 constitute a complete and accurate transcription of the shorthand writing.

Dated: August 18, 2022

Jillian Sumner
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JILLIAN SUMNER, CSR #13619
Hearing Reporter